City of Houston

Enterprise Assessment Report Final

December 2024

AGENDA

1. Performance Analysis
2. Organizational Analysis
3. Spend Analysis
4. Forensics Accounting Analysis
5. Next Steps

Executive Summary | Project Overview

The City has undertaken an enterprise assessment focused on the following key areas:

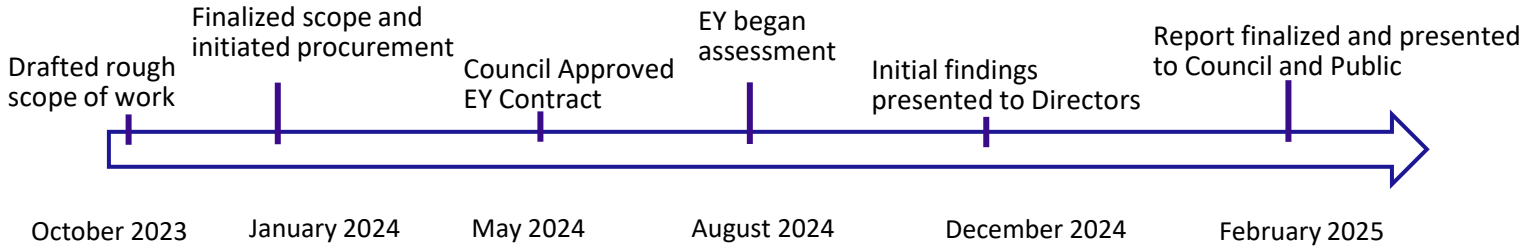
Performance	Organizational	Financial (Spend)	Forensic Accounting

The goal of the assessment was to provide actionable insights into key areas of the organization that will assist the City's new Administration in strategic decision-making and creation of a roadmap to mitigate risks and improve the City's overall operational efficiency, effectiveness, and service delivery.

The assessment included:

- a high-level review of all twenty-two (22) City departments
- a series of interviews, surveys, data analysis and benchmarking against peer cities

Key Study Milestones:



Performance Analysis

Assess and evaluate: Key activities and steps

	Activities	Key steps
Assess	**Program KPI scorecard** Key insights	1. Identified 606 existing KPIs in the FY25 Budget for the in-scope 23 departments and 186 programs 2. Categorized KPIs based on type (output, efficiency, effectiveness, outcome, or equity) 3. Assessed individual programs for KPI completeness based on their KPI mix and whether they are measuring all components of performance
Assess	**Historical performance analysis** Key insights	1. Reviewed historical budget files to identify performance from FY19 to FY25 for the 606 existing KPIs[1] 2. Assessed performance trends across the 606 existing KPIs, including whether actual performance met targets
Assess	**Sample KPI assessment** Key insights	1. Selected a randomized sample of 50 existing KPIs from in-scope departments and programs 2. Deployed a survey to 50 programs across 23 departments to assess the proxy, data, and communication power of the selected KPIs using pre-defined criteria 3. Validated survey findings by interviewing City staff
Evaluate	**Performance management evaluation** Key insights	1. Interviewed 20+ City staff to evaluate the City's data collection and reporting processes 2. Led a performance management workshop with three city departments to discuss current challenges and opportunities for improving performance measurement and management 3. Reviewed the City's performance management protocols against leading practices to identify opportunities for improvement

1. Many KPIs are new so performance data is not available going back to FY19

Executive Summary | Performance Analysis

The City of Houston appears to have a strong foundation in its existing performance measurement and management, including (i) a program budget with program-level KPIs, (ii) a robust collection of output, efficiency, and effectiveness measures across the 186 programs, (iii) an Office of Innovation and Performance with expertise in performance management and continuous improvement, and (iv) a history of proactively managing performance, including performance reporting, Outcome Budgeting, and 311 program.

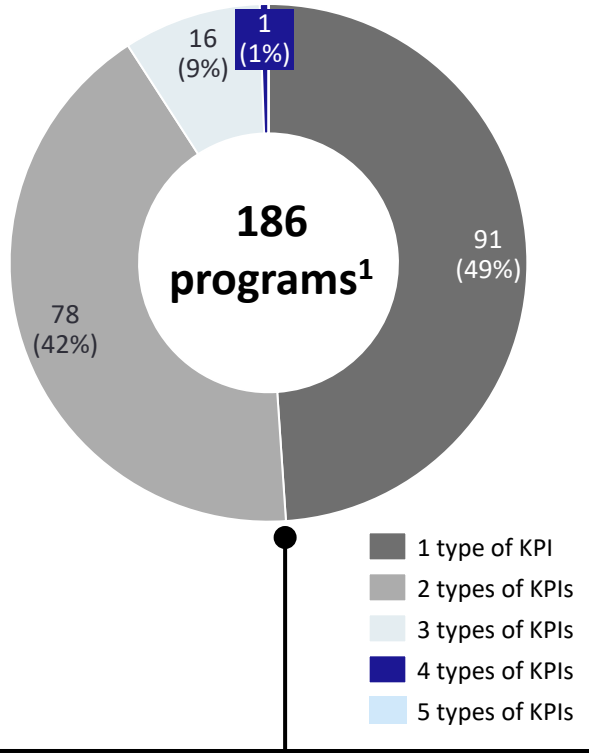
Observations:	*Opportunities:*
1. KPIs tend to measure output, not outcomes: Only ~7% of the City's 606 program KPIs measure outcomes and equity. Only ~10% of 186 programs have KPIs covering more than 2 of the City's 5 performance components	**P1. Update and refine existing KPIs and targets:** Further review the City's program KPIs to confirm complete measurement of results, appropriate targets, and alignment with the Mayor's priorities and strategic objectives
2. Many City programs exceed their metrics: 105 KPIs (~17% of total) have outperformed targets for multiple years, suggesting that raising the targets may be warranted to promote continuous improvement. While two thirds of KPIs show improved performance, performance is declining for the rest of the KPIs.	
3. Good data quality and collection processes: Our review of 50 randomly selected KPIs found that they use quality data that is well-documented and can be pulled with ease. Our review found areas to build on this foundation	
4. Houston lags peers on some priority indicators: Peers appear to perform better than the City on 16 of the 54 performance indicators benchmarked – including emergency response times for EMS and fire, crime rate, and income inequality and racial disparities	**P2. Assess areas of underperformance:** Further assess the peer benchmark findings to identify potential areas for improvement and use these findings to inform resource decisions
5. Good performance management foundation: The team identified opportunities to improve the City's current performance management process to better align with the core tenets of performance management: make it visible, talk about it, and innovate	**P3. Make performance more visible:** Create internal and external dashboards so that everyone can see performance progress **P4. Build data "muscles":** Strengthen data analysis skills across the City through training, hiring, and software **P5. Promote collaboration and learning:** Reintroduce cross-departmental meetings to promote collaboration, problem-solving, and action planning **P6. Drive innovation:** Encourage continuous improvement with centralized support and financial incentives for departments

Report Highlights: Performance

Findings and opportunities from the program KPI assessment

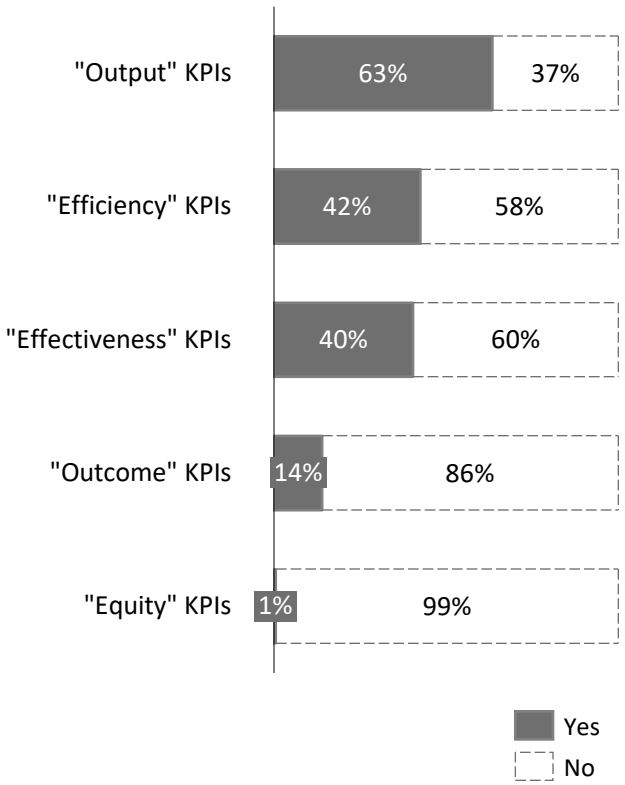
Observation: Based on our assessment, ~91% of the City's programs only have one or two types of KPIs to measure performance

Programs by KPI types measured

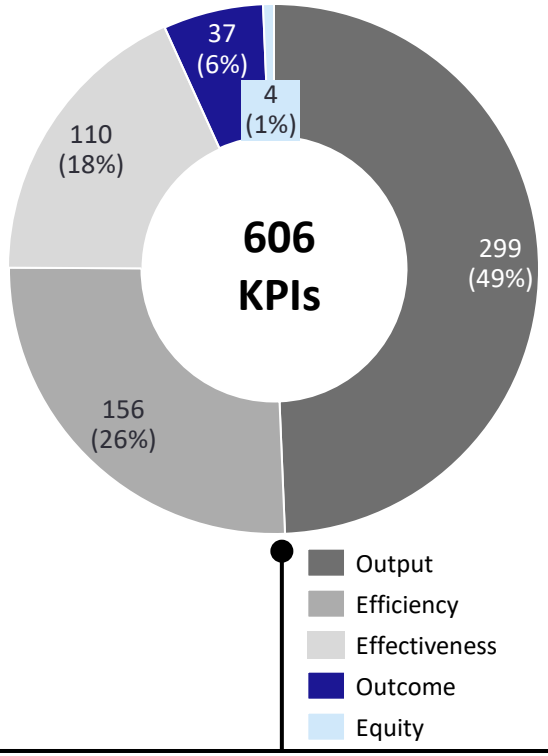


- Only ~**10%** of programs have KPIs that allow them to measure **at least three** components of performance

% of in-scope programs with at least one KPI type



Total KPIs by type



- There may be an opportunity to refine the existing KPIs to prioritize measuring **outcome or equity**
- Output KPIs may be the easiest to measure, but may be the least insightful when measuring performance

1. Includes departments under the Mayor's Office (excludes General Government, City Council, and City Controller). Includes programs that are not funded by GF but report to the Mayor (i.e., Emergency Center)

Sources: City of Houston FY2025 Proposed Budget; Internal analysis

Summary of Houston's performance compared to peer cities

Public safety | Infrastructure | Government that works | Quality of life

Public safety indicators by strategic objective

For indicators where Houston is performing below peers, we conducted supplemental analysis to explain the trend and outlined relevant case studies, if applicable

Strategic objective	KPI	Scoring
Increase number of police offices and firefighters	Average response times in minutes for police priority 1 calls	In line with peers
	Average response times in minutes for fire priority 1 calls	Below peers
	Average response times in minutes for EMS priority 1 calls	Below peers
Improve police and fire retention and attrition rates	Change in police officer FTEs	In line with peers
	Change in firefighter FTEs	Below peers
Strengthen Community Policing Programs	Total civilian complaints per officer	Above peers
	Police call per service percentage	Data not available[1]
Equip first responders with skills to better address mental health situations	Percentage of arrests without use of force	In line with peers
	Police mental health program coverage	In line with peers
Provide programs that integrate former offenders back into the community	Reentry program recidivism rate	Above state average
Increase the use of technology to enhance crime fighting	Homicide clearance rate	In line with peers
	Violent crime per 100k residents	Below peers
	Property crime per 100k residents	Below peers
Collaborate with schools, nonprofits and businesses to increase youth engagement	Percentage of population 15 to 17 enrolled in school	Below peers

Notes: "Above peers" indicates Houston is ranked 1 or 2 in that indicator compared to its peers; "In line with peers" indicates Houston is ranked 3,4 or 5; "below peers" indicates Houston is ranked 6 or 7

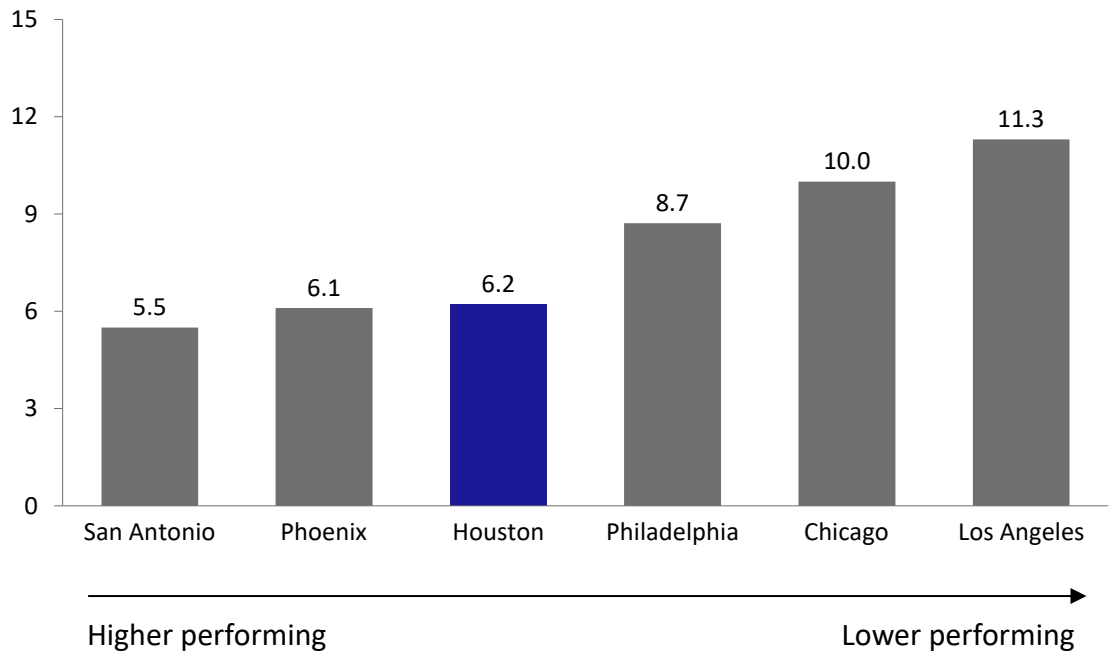
1. The data was not available for the City of Houston, but the City could consider tracking this indicator going forward

Strategic objective: Increase number of police officers and firefighters

Observation: Houston has longer response times than peers for fire priority 1 calls

Average response times in minutes for police priority 1 calls (2023)

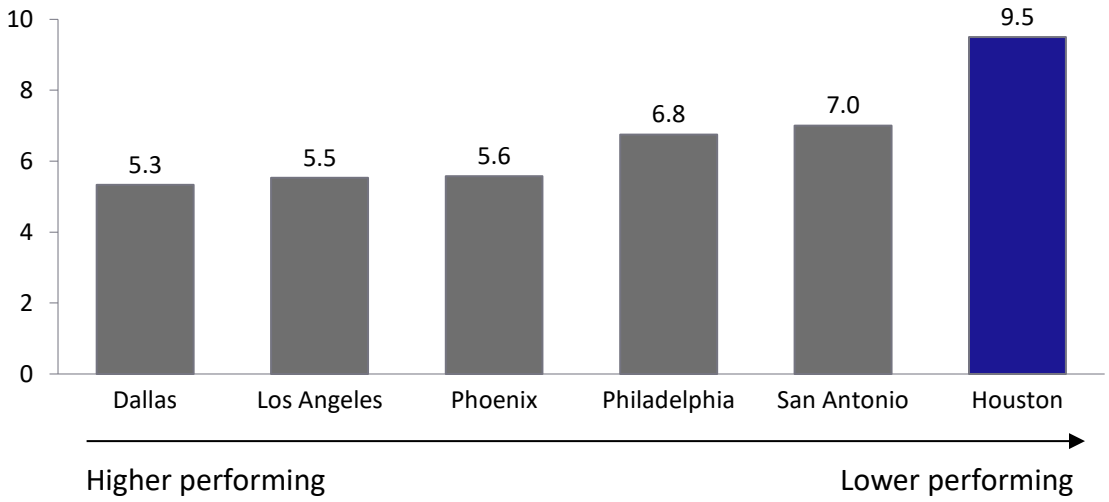
A detailed breakdown of response times by call types is included in the appendix



Measures the ability for the Police Department to respond to emergencies in a timely manner

Average response times in minutes for fire priority 1 calls (2023)

A case study on improving emergency response times is included in a subsequent slide



	Dallas	Los Angeles	Phoenix	Philadelphia	San Antonio	Houston
FTEs per 1k residents[1]	1.6	0.9	1.1	1.8	1.2	1.6
FTEs per square mile[1]	5.5	7.0	3.4	19.6	3.5	5.5

Measures the ability for the Fire Department to respond to emergencies in a timely manner

1. Includes both firefighters and EMS FTEs

Sources: Peer city government websites; Internal analysis

Organizational Analysis

Overview of spans and layers

Conducting a thorough analysis of spans and layers is crucial for any organization as it provides valuable insights into the organizational structure, helping to identify inefficiencies and streamline decision-making processes. By examining the distribution of responsibilities and the hierarchical layers within the organization, companies can optimize resource allocation, improve communication flow, and foster a more agile and responsive workforce

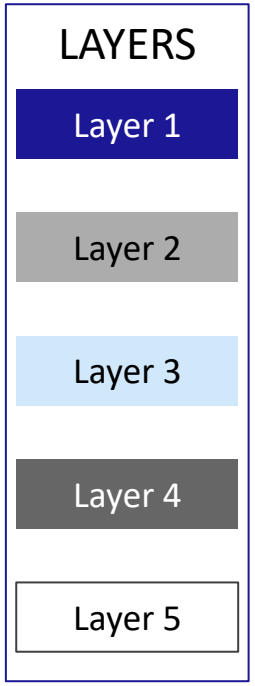
For both spans and layers, ***the higher the number, the more complex*** the organization

Layers:

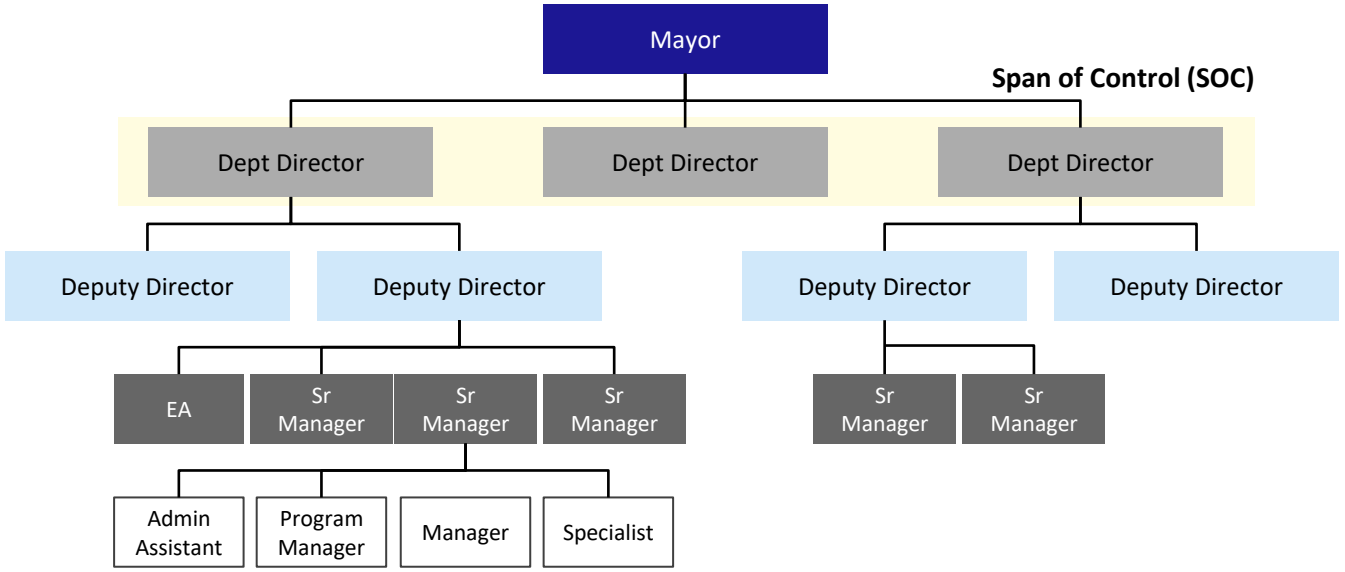
A measure of the **depth** of the organization, referring to the number of organizational levels from the City Executive downward, **regardless of title or supervisory responsibilities**

Spans:

A measure of the **width** of an organization, referring to the number of people reporting directly to one individual



Sample Organization (Illustrative)



Summary of leading practices to create an optimal hierarchy

Leading Practice	Rationale
1 An employee should sit no more than 6-7 layers away from the Chief Executive	If an employee is more than 7 layers away from the Chief Executive, there is too much distance between the strategic objectives set at the executive level and the bottom-line delivery • Middle management is tasked with continuously translating the organization goals and objectives, creating inefficiencies between the strategy and the front-line delivery to customers
2 The recommended span of control averages between 6-8*	This enables the strategic direction to be set at the top, while empowering the levels below with decision rights to reduce the inefficiency of constant translation by middle management • Minimizing unnecessary management layers will elevate the responsibilities of the front-line workers to make decisions, within constraints set by the business
3 People managers should supervise at a minimum 3 direct reports	A manager with less than 3 direct reports adds between 5 and 7 hours of collaboration time per week** • These reporting structures do not enable the people manager to build the competencies needed to run a team • They often create silos within the group and typically result in divided work rather than delegating work

*The span of control will differ based on the level of complexity, but managers should never have fewer than 3 direct reports
** Source: Internal analysis and Microsoft Workplace Analytics findings

Executive Summary | Organizational Analysis

Based on the rapid scan to develop a baseline understanding of the City's organizational metrics (layers, functions, span of controls) and identify organizational efficiency opportunities, below are the high-level observations and opportunities.

Observations:	*Opportunities:*
1. Employees spend over 30% of their time in operational and administrative activities: These include reading emails, handling service requests, participating in meetings, and preparing reports.	**O1. Streamline time spent on operational and administrative tasks by CoH employees:** Enhance operational and administrative efficiency by optimizing processes, leveraging technology, and aligning resources effectively.
2. HR, Finance and IT departments have shadow positions across multiple departments: These shadow groups have varying levels of maturity leading to loss of efficiency and increased labor for alignment to standard practices and policies.	**O2. Review the support functions operating model:** Reevaluate the centralized x decentralized support system to identify and address existing gaps.
3. Organizational structure have excessive layers, narrow span of control (SOC) and 42% of leaders with 1-3 direct reports: Department structures have grown organically with top-heavy layers, misaligned talent, over 4K vacant positions, orphan positions and inaccurate reporting lines.	**O3. Redesign organizational structures and perform talent placement:** Assess and design a future-state organizational structure by reviewing departmental functions for enhanced service delivery and efficiency, aligning with successful models from comparable cities.
4. Lack of clear career pathways and overly general job descriptions hinder retention and recruitment efforts in City departments: Gaps in career pathways lead to fake promotions to manager roles without direct reports. Outdated, overly general job descriptions with misaligned qualifications fail to attract the right talent.	**O4. Revamp career pathways by defining job roles and families and developing targeted training curricula:** Enhance employee engagement and retention by creating transparent and well-defined career progression plans across all City departments. Establish new job families with entry-level positions and individual contributor roles.
5. Challenges in internal salary equity and competitive compensation practices impacts employee satisfaction: Some positions salaries are below market value, leading to difficulties in matching market competitiveness and leading to promotions to accomplish salary raises.	**O5. Review compensation & benefits framework:** Develop a new framework to bolster the City's capability in attracting and retaining talent, upholding equitable and legally compliant practices, adjusting to evolving market conditions, and supporting strategic objectives.
6. Absence of dedicated resources for change management and established Change Management Office: Currently there is a significant gap in change management capabilities to implementation and training for technology-averse employees.	**O6. Develop and implement a structured Change Management Office (CMO):** Establish dedicated change management roles to enhance the organization's adaptability and readiness for future transitions.

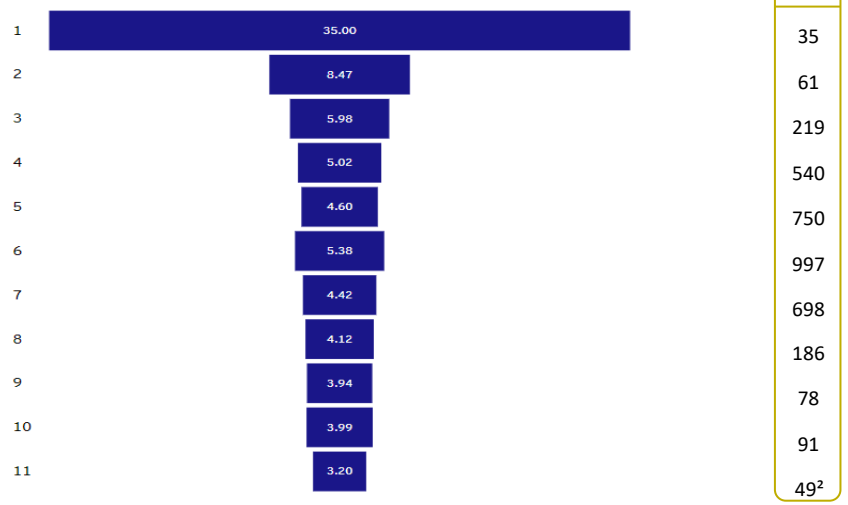
Report Highlights: Organization

City of Houston organization overview

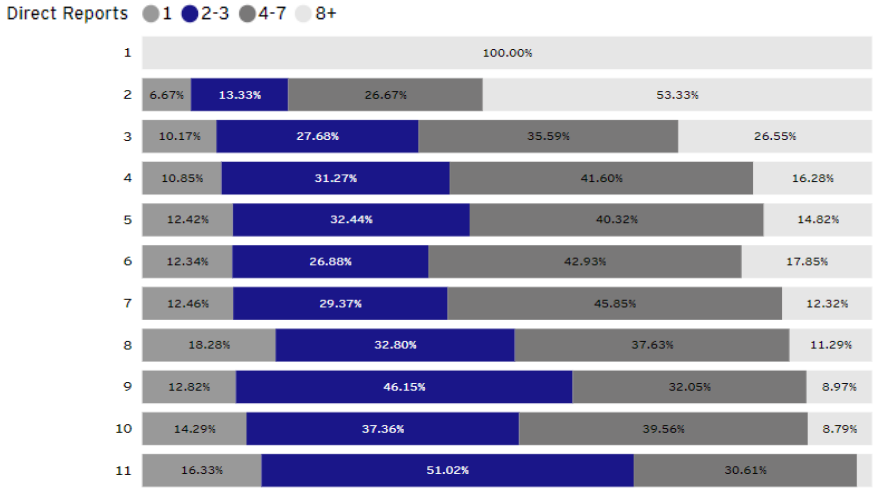
- City has 11 levels[1], and the average span[6] of control is 5.02
- Total number of positions is 21.9K[7] and costs $2.3B
- 3,704 of those positions are People Managers (17%)*

1. *Total number of levels in the City of Houston, does not include layer 1 (Chief Administrative Officer)*
2. *Level 12 is not in this view since they have no span of control/ direct reports*
3. *Peer-cities: Chicago, Dallas, Los Angeles and San Antonio*
4. *Peer-city benchmarking compares annualized salary / base pay, not fully loaded cost of the position*
5. *Span of control benchmarking based on leading practices*
6. *Layers and span of control only includes the 3 first layers of the fire department, does not include 23 positions from Parks and Recreations, 1 from Controllers, 15 from City Counsel and 10 from Police due to insufficient data in the HRIS file*
7. *City of Houston headcount does not include seasonal interns and the Mayor position and cost*
8. *This finding does not include the Fire department *

Average SOC by Level (Reverse Triangle)



Span of Control Distribution by Level



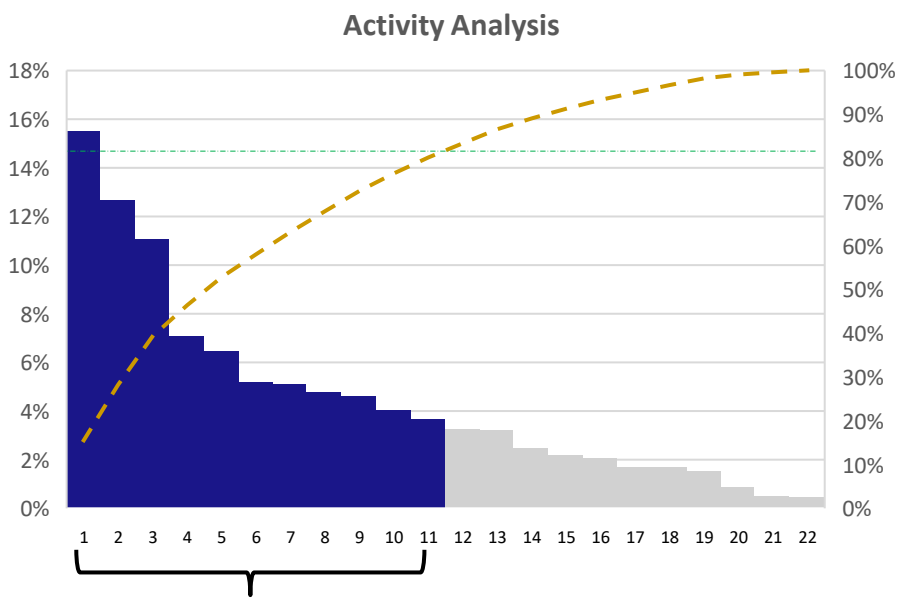
Top Findings	Preliminary Opportunities for Assessment
• CoH 12 selected departments total headcount (18,261) is 6% lower than the average number of FTEs in other peer-cities[3] (19,300)	• Review the roles & responsibilities to identify opportunities to optimize the roles and improve the efficiency
• CoH 12 selected departments base pay cost (1.3B) is 17%[6] higher than the average people cost from peer-cities[3] (1.1B[4])	• Reassess CoH structure and operating model to understand why headcount is lower than average peer-cities, but cost is higher than peer-cities
• People Managers represent 17% of this organization (3.7K), 42% of them (1,555) have 1-3 direct reports. The number of direct reports and SOC decreases from the top to the lower layers implicating on the reverse triangle shape, where there are many leaders / experts but fewer support members	• Review the underutilized People Managers to optimize roles and prevent excessive cost and decision ambiguity
• [8]14,322 positions are individual contributors, and they cost 1.3B. 84% of those positions are in layers 5-8. There are only 49 positions in level 12	• Examine the positions in levels 8-12 and potentially consolidate the layers to improve efficiency and reduce cost

*A typical organization has around 16% of its workforce considered as managers which is often used as a benchmark for the percentage of leaders within a company, signifying a 1:5 ratio of managers to employees.
Source: *ravio* article - Building an effective management structure: how to know if your company is too top heavy

City of Houston activity analysis

The table presented below details the key activities that occupy 80% of the work hours for full-time employees (FTEs) across the 12 selected departments.

#	Grouping	Total % of all time	Total hours per month based on headcount	Total #FTE based on headcount
1	Public works core activities	15.5%	125,661	785
2	Reading/responding to email	12.7%	102,430	640
3	Other	11.1%	89,618	560
4	Managing / handling Service Requests	7.1%	57,258	358
5	Attending internal/external meetings	6.5%	52,438	328
6	Completing internal or external reports	5.2%	41,819	261
7	Performing supervisory/managerial duties	5.1%	41,200	258
8	Health core activities	4.8%	38,738	242
9	Parks & Rec core activities	4.6%	37,224	233
10	Training & Development	4.0%	32,557	203
11	IT core activities	3.6%	29,501	184
12	Solid waste core activities	3.2%	26,168	164
13	Finance core activities	3.2%	25,903	162
14	General Administration & Support	2.5%	20,137	126
15	Legal core activities	2.2%	17,672	110
16	HR core activities	2.1%	16,597	104
17	Risk & Compliance Management	1.7%	13,603	85
18	Data Management	1.7%	13,558	85
19	General services core activities	1.5%	12,440	78
20	Police core activities	0.9%	7,188	45
21	Planning & Dev core activities	0.5%	4,051	25
22	Fire core activities	0.5%	3,670	23



Activities 1-11 warrant the most attention (i.e., activities which the cumulative percent (dots) fall under the 80% cut-off line)

Top Findings	Preliminary Opportunities for Assessment
• Across the City departments, employees spend 43% of their time in core-related activities from their department. Public Works (38%), HR (35%), Fire (28%), and Police (24%) assessed positions spend less than 40% of their time in core department activities.	• Reevaluate and restructure workflows in Public Works, HR, Fire, and Police departments to increase the time allocated to core departmental activities, ensuring that these essential functions receive adequate focus and resources.
• Employees allocate 32% of their time to operational and administrative activities1. Notably, Police and Fire departments spend a significant portion of their time on these activities, with Police (44%) and Fire (42%), both exceeding the 40% mark.	• Streamline and automate operational and administrative tasks within City departments to reduce the time spent on these activities, thereby allowing more focus on core responsibilities and improving overall efficiency.
• Across City departments, only 7% of the time is dedicated to supporting civilians through managing and handling service requests. Notably, the Finance department reported spending 0 hours on this activity. In contrast, Planning & Development (14%), Solid Waste (10%), and Parks & Recreation (10%) departments each allocate over 10% of their time to civilian support activities.	• Evaluate departmental approaches to managing service requests and civilian support to identify optimization opportunities and enhance service delivery.

[1]*Reading and responding to emails, attending internal and external meetings, completing reports, performing supervisory or managerial duties, and general administration and support.*

Spend Analysis

Spend Analysis Workstream Overview

The spend analysis workstream conducted the activities listed below per the City's asks

City asks

- Analyze historical spending data (including contract, non-contract, and P-Card purchases) to identify trends and areas for potential cost savings or optimization. (Analysis should include a classification of historical expenses into relevant categories and subcategories based on vendor, type of goods or services, department, etc.)
- Identify areas where costs can be reduced through negotiation, consolidation, alternative sourcing, or process optimization.
- Review procurement and P-Card practices and controls to identify risks and inefficiencies. Develop a prioritized list of recommendations to mitigate risk exposure.

Our approach

1 Identify and Collect Data

- Collect spend data (determine data requirements, identify source systems, receive data and validate)
- Gather procurement and Purchase Card (P-Card) policy documentation
- Receive translation tables related to budget and accounting codes, etc.

2 Cleanse and Prepare Data

- Develop/define process for categorizing data
- Identify categories and subcategory structure as applicable
- Categorize data

3 Data Analysis

- Analyze core payment data (spend by vendor, department, category, fiscal year, etc.)
- Validate categorizations and update data accordingly
- Conduct review of procurement and P-Card programs

4 Opportunity Identification

- Provide high level reports to analyze and present spend findings
- Identify high-level areas of opportunity for strategic sourcing by Category
- Provide recommendations for improvement on procurement and P-Card programs

Executive Summary | Spend Analysis

The spend analysis workstream's objectives were to: (i) Analyze historical spending data (including contract, non-contract, and P-Card purchases) to identify trends and areas for potential cost savings or optimization. (Analysis should include a classification of historical expenses into relevant categories and subcategories based on vendor, type of goods or services, department, etc.); (ii) Identify areas where costs can be reduced through negotiation, consolidation, alternative sourcing, or process optimization; and (iii) Develop a prioritized list of recommendations to mitigate risk exposure and achieve cost efficiencies. The following seven (7) themes consistently emerged across the categories.

Observations:	*Opportunities:*
1. Contracting efficiency: The data indicates that many vendors across categories have numerous contracts (3 or more) likely impacting contract management efficiencies and non-standard terms and pricing	**S1. Review duplicative contracts** with the same vendors for variations in contract terms and pricing and identify opportunities for economies of scale. Identify opportunities to develop **multi-award Enterprise-Wide Contracts**
2. Non-contract spend: Some categories have greater opportunities for non-contract spend, meaning spend not tied to an outline agreement number; some of these vendors have existing contracts	**S2. Review non-contract spend** to determine if demand can be leveraged by an existing contracting vehicle for economies of scale
3. Supplier relationship management: The data indicates that while the majority of spend is consolidated among each category (5-7% of vendors account for 80% of spend), there is a long tail of vendors for the remaining 20% of spend	**S3. Review top vendors and vendor tail for opportunities** to better leverage more strategic suppliers. Explore developing strategic relationships with top suppliers that foster innovation, leverage price discounts, and establish a governance structure across all work.
4. Emergency POs: Emergency Orders (EOs) are a pain point identified by COH stakeholders; the data indicates that EO spend has remained consist FY22 and FY23 at 3% and up to 4% in FY24	**S4.** Conduct a **detailed analysis on recurring themes for Emergency Orders** (vendors, items, services, etc.) and develop contracting vehicles with standard terms and pricing
5. Department category strategy coordination: The data indicates that within each category, the majority of spend (greater than 70%) is generally aggregated across 1-4 departments	**S5. Incorporate principles of category managemen**t amongst top departments, including preferred contracting vehicles and establishing short- and long-term category goals and strategies
6. Year over year trending: In FY24 spend increased by a total of $1b; there is an increase in spend across all categories	**S6.** Complete **additional analysis on historical data** given the spike in FY24 to understand repeating drivers and anticipate FY25 needs and strategies
7. Data quality: Data received lacked granularity in purchase card descriptions, impeding data categorization. Additionally, certain transactions were significantly high dollar and removed as anomalies per discussions with stakeholders	**S7. Establish a data & analytics team** to regularly synthesize a spend report, looking for and addressing anomalies, and sharing a consistent dashboard with relevant stakeholders

Report Highlights: Spend

4 Data Analysis: Category Overviews

~81% of spend is with the top 3 categories; similar themes exist across categories

All $ are for FY24

Facilities & Construction | $2,276M | 56.4%

- 80% of spend is with 74 out of 1,172 vendors (6%)
- 45 vendors have 3+ contracts
- 3 departments account for 91% of the spend
- Across all departments, 95% of spend is on-contract
- Spend increased by 87% between FY23 to FY24

Industrial Products & Services | $535M | 13.3%

- 80% of spend is with 38 out of 1,027 vendors (4%)
- 7 vendors have 3+ contracts
- Public Works accounts for 71% of the spend
- Across all departments, 84% of spend is on-contract
- Spend increased by 84% between FY23 to FY24

Professional Services | $471M | 11.7%

- 80% of spend is with 120 out of 1,345 vendors (9%)
- 13 vendors have 3+ contracts
- 4 departments account for 57% of the spend
- Across all departments, 75% of spend is on-contract
- Spend increased by 47% between FY23 to FY24

Logistics, Auto. & Transport. | $323M | 8.0%

- 80% of spend is with 33 out of 860 vendors (4%)
- 9 vendors have 3+ contracts
- 4 departments account for 72% of the spend
- Across all departments, 50% of spend is on-contract
- Spend increased by 48% between FY23 to FY24

Information Technology | $165M | 4.1%

- 80% of spend is with 28 out of 614 vendors (5%)
- 8 vendors have 3+ contracts
- IT dept accounts for $65M (39%) of the spend, with 98% on contract; 32% is with HPD and Public Work
- Across all departments, 88% of spend is on-contract
- Spend increased by 45% between FY23 to FY24

Management & Operations | $136M | 3.4%

- 80% of spend is with 14 out of 522 vendors (2.6% of vendors)
- 7 vendors have 3+ contracts
- 2 departments account for 57% of the spend
- Across all departments, 93% of spend is on-contract
- Spend increased by 48% between FY23 and FY24

Lifestyle & Human Service | $91M | 2.3%

- 80% of spend is with 17 out of 678 vendors (3% of vendors)
- 12 vendors have 3+ contracts
- 5 departments account for 75% of the spend
- Across all departments, 91% of spend is on-contract
- Spend increased by 15% between FY23 and FY24

Medical | $25M | 0.6%

- 80% of spend is with 24 out of 239 vendors (10% of vendors)
- 4 vendors have 3+ contracts
- 3 departments account for 91% of the spend
- Across all departments, 82% of spend is on-contract
- Spend increased by 32% between FY23 and FY24

*Vendors with multiple contracts are limited to 3 and above; this assumes vendors with 2 contracts are due to recompetes and only one active contract exists.

Category Summary: Facilities & Construction

$4,460M	52.4%
FY22-FY24 Spend	of Total Spend YoY

Type	($) M	%
Contract	$4,227	94.8%
Non-Contract	$228	5.1%
P-Card	$4	0.1%

PO Year over Year Spend

	FY22 Spend	$968M	FY23 Spend	$1,215M	FY24 Spend	$2,272M
Vendors	725		805		837	
Contracts	586		626		784	
Depts	19		20		22	
PO Count	4,967		6,422		6,376	

P-Card FY24 Spend

FY24 Spend	$4M
Vendors	311
Contracts	-
Depts	36
Transactions	12,034

FY24 Sub-category Spend

Sub-category	($) M	% of Total Spend	Common goods/services purchased
Construction Services	$1,442.5	63.3%	Water/sewer, road/highway, airport
Maintenance & Repair	$371.5	16.3%	HVAC, airport/building maint., roadway maint.
Architectural & Engineering Svs	$149.9	6.5%	Engineering services, testing, installation
Utility Services	$124	5.4%	Electric utility, gas utility, water utility
Facility Services	$98.7	4.3%	Trash disposal, landfill services, custodial services
Construction Management Services	$57.6	2.5%	Site/Building construction/, public facility construction
Equipment & Supplies	$29.6	1.1%	Tools, Containers, Cables and wires

FY24 Top 10 Vendors by Spend*

Parent Company	Transaction Amount	% of Total Transaction
United Airlines INC	$150M	6.59%
Reliant Energy Retail Services LLC	$99M	4.34%
MC2 Civil LLC	$91M	4.01%
FlatIron Constructors INC	$76M	3.32%
DL Glover	$71M	3.14%
TDIndustries	$69M	3.04%
LEM Construction Co INC	$67M	2.96%
Harper Brothers Construction LLC	$65M	2.85%
Grava LLC	$48M	2.12%
Industrial TX Corp	$47M	2.07%
Total	**$2,276M**	**100.00%**

FY24 Top 10 Departments by Spend*

Department Name	Transaction Amount	% of Total Transaction	# of Buyers
Public Works	$1,223M	53.73%	27
Aviation Services (HAS)	$566M	24.88%	21
General Services (GSD)	$273M	12.01%	14
Solid Waste Management	$60M	2.64%	12
Housing (HCD)	$58M	2.53%	9
Houston Police Department	$31M	1.37%	12
Parks and Recreation	$28M	1.23%	16
Health and Human Services	$20M	0.88%	20
Department of Neighborhoods	$3M	0.14%	8
Houston Fire Department	$3M	0.14%	9
Total	**$2,276M**	**100.00%**	**100**

* Unknown = Purchase ID is blank in either the EKPO and EKKO creating the inability to pull in Vendor or Dept Name
Blank = raw data provided contained blank (null) values

Opportunity Identification: Facilities & Construction

The following themes emerged across the categories

Facilities & Construction		

	Contract v. Non-contract with the same vendor	• Review non-contract spend for future procurement strategies to leverage the full demand and obtain better pricing:
		  • Architectural and Engineering Services
		• Review vendors with both contract and non-contract spend
		  • Construction Services

	Multiple contracts with the same vendor	• Review multiple contracts with top vendors for potential renegotiation, leverage buying power and consolidation of requirements: • Construction Services and Maintenance and Repair
	Spend is predominately with 1-3 departments	• Public Works accounted for 54% ($1,223M) of spend followed by Aviation Services for 25% ($560M)
	Vendor base indicates opportunity for rationalization	• 80% of spend covers 74 out of 1,131 vendors (6.5%); consider developing strategic relationships with top vendors and rationalizing supply base to reduce vendor tail. • There are 66 contracts with 34 different vendors totaling ~$182M for Roadway Construction Services. 10 vendors account for ~80% of spend. • 10 vendors provide HVAC Maintenance, Repairs, and installing services for 7 departments (14 contracts).
	Increase in Emergency POs	• In FY24, POs labeled as ‘Emergency Orders’ amount to ~$90M, 99% off-contract and 82% are with Public Works. • Review to see if contracts could be established to include these items.

Forensic Analysis

Executive Summary | Forensic Accounting Analysis

The forensics analysis workstream's objectives were to: (i) Identify, investigate, and quantify any and all abnormal contractual or financial activity over the past six (6) years. (ii) Evaluate risks for financial and contractual fraud, waste and abuse throughout the City's organization, and the sufficiency of the City's control processes against industry benchmarks. (iii) Develop a prioritized list of recommendations to mitigate risk exposure.. The following seven (7) themes consistently emerged across the categories. The following seven (3) themes consistently emerged across the categories.

Observations:	*Opportunities:*
1. Vendor master analytics: Obtained vendor master data from City and conducted vendor analytics to identify potential overlapping business interests. Based on vendor fuzzy matching and exact matching of certain vendor information, results indicate that there are instances of vendors with similar names and addresses, and vendors with the same phone number, fax number and tax ID. Discussions with the City anecdotally indicated that there are instances of multiple vendor records existing for a single vendor.	**F1. Perform sample testing:** Further tracing of contract and vendor invoices will help confirm understanding of patterns and trends. This will also assist in prioritizing subsequent medium-term opportunities. **F2. Enhance vendor master data:** Validate vendor master information for accuracy and completeness to provide the City with improved data for subsequent analysis and will better inform the City for future improvements.
2. High-risk transactions: Obtained SAP data from City and conducted preliminary analytics based on City feedback to identify high-risk transactions and trends. Based on analytics performed, results indicate instances of payments to vendors with residential addresses, payments to non-standard vendors (e.g., high-end retailers) and sequential invoicing across POs. Additionally, results also indicate instances of usage with multiple EPOs for similar scopes of work.	**F3. Conduct contract audits:** Perform additional audit procedures on vendors identified from sample testing to assess vendor adherence and compliance to agreed-upon terms with the City and determine if any remediation or corrective actions are needed. **F5. Enhance vendor systems and processes:** Leverage lessons learned from sample testing and vendor master data enhancements to improve current vendor systems and processes to prevent improper vendor payments, require approved business purpose/justification for vendor updates and clearly define owner department. **F6. Establish standardized vendor evaluation and monitoring processes:** Leverage lessons learned from sample testing and system/process enhancements to establish a standardized process for vendor evaluations and ongoing monitoring.
3. Noncompliant use of P-Cards: Obtained P-Card data from City and conducted analytics to identify anomalies and trends in P-Card utilization. Based on the analytics performed, results identified potential use of P-Cards to split payments that would otherwise be over transaction limits, large round dollar payments, purchases from prohibited vendors, such as Amazon, and use of payment applications, such as PayPal.	**F4. Implement system controls:** Assess risks and identify additional system controls to implement into P-Card system, based on results of P-Card transaction testing to detect and prevent improper or noncompliant use of P-Cards. **F7. Standardize P-Card monitoring and oversight.** Develop a checklist to standardize P-Card monitoring by administrators, centrally track P-Card use and corrective actions for increased governance over P-Card utilization

Where we are| Next Steps

The Administration is actively implementing these recommendations and will use these findings to guide strategic decisions in the years ahead.

Examples of Actions Underway

- Consolidation of HPW Customer Account Services and 311 Helpdesk
- Shared services agreement with HPW and Solid Waste for Illegal Dumping
- Consolidation of DON Inspection & Public Services and Houston Permitting Center
- Strategic Purchasing contract compliance support for Office of Business Opportunity
- Consolidation of Informal Procurement from 8 departments into SPD
- Revised P-Card Policy (A.P. 5-6) to incorporate study recommendations

Next Steps

Focus Area	Action
All	• Finalize a plan for the proposed FY2026 Budget to achieve structural balance • Approve contract with Ernst & Young to achieve Spend Management savings and implement recommendations for Performance and Organization workstreams • Complete similar review of TIRZ currently underway and implement recommendations
Performance	• Refine performance measures focusing on outcomes • Integrate revised performance measures with employee performance assessments (HEAR) • Implement 'Turn the Curve' program
Organization	• Flatten reporting ratios and increase span of control • Revamp career pathways
Spend	• Institute Spend Management protocols • Launch Spend Dashboard
Forensics	• Implement stricter financial controls and monitoring systems • Monitor Revised P-Card Policy compliance