



## MEMORANDUM

**DATE:** September 9, 2025  
**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Madison Rorschach, City Auditor *Madison Rorschach*  
**SUBJECT:** Fiscal Year 2025-26 Annual Internal Audit Plan Projects

The City Auditor's Office is responsible for providing independent and objective reviews of City functions. These are mainly performed as performance audits, which assess City functions and identify various risks, including internal control weaknesses, inefficiencies in City operations, ineffectiveness of City programs, and noncompliance with regulations. Each year, the City Auditor prepares a list of audit project options and presents them to the City Council for direction. The selected projects are then approved via ordinance to set the workload for the Office in the upcoming fiscal year.

Based on available resources, the City Auditor's Office is dedicating 2,400 hours to audit projects during Fiscal Year 2025-26.

### New Audit Projects Proposals

The following new audit project proposals were developed based on a risk assessment of City functions, emerging trends in the industry, and discussions with City leadership.

**Table 1:** Fiscal Year 2025-26 Potential Audit Projects

Audit Projects	Resident Priority	Audit Weighted Risk Score <sup>1</sup>	Covers New Function?	Project Hours
Jail Operations	High	68		500
Financial Planning	Critical	65		600
Vehicle Management	Medium	60		600
Climate Resiliency	High	50	Yes	700
Volunteer Management	Low	53	Yes	400
Airport Operations	Medium	53	Yes	500
Tourism Initiatives	Medium	45	Yes	400
Library Operations	Medium	33	Yes	600

The following pages include descriptions of each audit project proposal and its objectives for your reference:

<sup>1</sup> Risk categories are weighted as follows: Financial 40%; Operational 30%; Regulatory 20%; and Reputational 10%.

**Jail Operations** – The City of Denton operates a medium-security facility that houses up to 25 inmates awaiting trial or serving short-sentences for misdemeanors or minor felonies. It is critical that inmates remain safe and secure, and that accurate records are maintained to ensure their rights are appropriately protected. This audit would evaluate the effectiveness, efficiency, equity, and regulatory compliance of jail operations including booking procedures, detention activities, and release processes.

Estimated time to complete: 500 Hours

**Financial Planning** – The City of Denton spends over \$2 billion annually to construct and maintain public works, promote public health and safety, and provide utility services. Financial planning is the process of ensuring adequate resources are available to fund these services as expenses are incurred. This audit would evaluate the effectiveness, efficiency, economy, and compliance of the City's financial planning activities including budgeting, investment management, and debt management.

Estimated time to complete: 600 Hours

**Vehicle Management** – The City of Denton owns almost 1,000 vehicles that are used by almost all operations throughout the City. This audit would evaluate the effectiveness, efficiency, and economy of the City's vehicle management activities, including the procurement life cycle, usage practices, and maintenance.

Estimated time to complete: 600 Hours

**Climate Resiliency** – In 2022, the City of Denton recognized the importance of climate action and resilience at the local level to address the City's fair share of carbon emissions. In addition, the City adopted the Simply Sustainable Framework and Climate Action Plan in 2012 (updated in 2020) and 2024, respectively. This audit would evaluate the effectiveness, efficiency, and equity of the City's ability to adapt its operations to prepare for and respond to the impacts of climate change on natural resources, public health, and infrastructure, including weather-related preparedness activities, conservation incentive program management, and long-range natural and physical infrastructure planning.

Estimated time to complete: 700 Hours

**Volunteer Management** – Several City functions rely on volunteers to ensure operations run smoothly such as Animal Services, Parks and Recreation, Library Services, and the City's Council-appointed boards and commissions. This audit would evaluate the effectiveness, equity, and regulatory compliance of the City's volunteer programs including recruitment, retention, and risk management.

Estimated time to complete: 400 Hours

**Airport Operations** – The Denton Enterprise Airport annually collects about \$1.5 million in leases, commissions, and gas royalties. This audit would review Denton Enterprise Airport's processes to ensure revenue is collected effectively for these airport operations and verify that fixed business operations comply with contract conditions.

Estimated time to complete: 500 Hours

**Tourism Initiatives** – Annually, the City receives about \$3.5 from hotel occupancy taxes in revenue, which can only be used to promote tourism and the convention and hotel industry per State law. This audit would review the effectiveness, equity, and regulatory compliance of the City's tourism initiatives including hotel occupancy tax usage and marketing activities.

Estimated time to complete: 400 Hours

**Library Operations** – The City of Denton operates three public libraries located throughout the City, which offer a variety of physical items, services, and community programming. In addition, the Denton Public Library system provides digital resources and collections for library cardholders. This audit would evaluate the effectiveness, efficiency, economy, and equity of library operations, including facility planning and usage, collection management, and program offerings.

Estimated time to complete: 600 Hours

## Existing Audit Projects

**Overflow Projects** – The Audits of City-Wide Overtime and Employee Performance Management were authorized on the Fiscal Year 2024-25 Annual Internal Audit Plan and were initiated in July and August 2025 respectively. These projects are being carried over into Fiscal Year 2024-25 for completion.

Estimated time to complete: 400 Hours

**Follow-Up Reviews** – Follow-up reviews are intended to provide information on what changes were made in response to an issued audit. Initial follow-up reviews are typically performed between six to thirty-six months after a new audit report has been published. Due to changes to the Fiscal Year 2024-25 Audit Plan, a significant number of follow-up reviews schedule for completion that year were pushed. Based on this, the City Auditor's Office has prepared three follow-up plan options for review that impact the number of new audit projects that can be complete as detailed in Table 2:

**Table 2:** Follow-Up Review Plan Options

Project	Published	Hours	Option 1	Option 2	Option 3
Capital Project Administration	May 2020	50	Yes	Yes	Yes
Grants Management	Jun. 202	50	Yes	Yes	
Energy Portfolio Management	Mar. 2022	100	Yes	Yes	
Wastewater System Ops.	Apr. 2022	75	Yes	Yes	Yes
Network Management	Jul. 2022	125	Yes	Yes	Yes
Solid Waste Operations	Dec. 2022	125		Yes	Yes
Body-Worn Camera Usage	Jan. 2023	50	Yes	Yes	Yes
Pedestrian & Cyclist Safety	Sep. 2023	100		Yes	Yes
Fire Prevention	Sep. 2023	75		Yes	Yes
Public Safety Communications	Dec. 2023	50		Yes	
Staff Recruiting & Hiring	Mar. 2024	100		Yes	Yes
Franchise Fee Collections	Apr. 2024	75		Yes	
Estimated Hours Needed:			450	975	700

### Council Directed Consultation Projects

Most non-audit services that the City Auditor's Office completes are consultation services requested from City Management or investigative services in response to a received complaint. However, the City Council may direct the City Auditor's Office to perform consultation services as part of the Annual Internal Audit Plan. The following new project would result in the creation of informational reports.

**Annual City Council Travel Expense Compliance Review** – This project was completed for the first time in Fiscal Year 2025 in response to a two-minute pitch. The review would include (1) verification of travel expense approval appropriateness, (2) evaluation of travel expense support documentation adequacy, and (3) assessment of travel expense report submission timeliness.

Estimated time to complete: 25 Hours