



MEMORANDUM

DATE: July 23, 2024
TO: Honorable Mayor and Members of the City Council
FROM: Madison Rorschach, City Auditor *Madison Rorschach*
SUBJECT: Fiscal Year 2024-25 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 directed projects are then approved via ordinance to set the workload for the Office in the upcoming fiscal year.

New Audit Projects Options

The following new audit project options were developed based on a risk assessment of City functions, emerging trends in the industry, and discussions with City leadership. The Department has budgeted 2,700 hours to perform new audit projects during fiscal year 2023-24.

Table 1: Fiscal Year 2024-25 Potential Audit Projects

Audit Projects	Resident Priority	Audit Weighted Risk Score ¹	Covers New Function?	Project Hours
Homelessness Response	Critical	68		600
Employee Performance Management	High	70		600
Public Works Maintenance	High	58		600
Animal Services Operations	High	55	Yes	500
Fire Department Overtime	Medium	65		300
Volunteer Management	Medium	53	Yes	400
Simply Sustainable Programs	Medium	38		400
Airport Operations	Low	53	Yes	500
Language Accessibility	Low	50	Yes	300
Tourism Initiatives	Minimal	45		500

The following pages include descriptions of each audit project option and their potential objectives for your reference:

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

Homelessness Response – Since 2020, the number of people experiencing homelessness in Denton has significantly increased based on information available from previous [Denton County Homelessness Data Reports](#). The City of Denton currently assists those experiencing homelessness through the community shelter and has created a Homeless Outreach Team to connect those experiencing homelessness with local resources and spends about \$700,000 annually to directly support these activities.

However, due to the complex, various issues that cause homelessness, a regional approach to assistance is necessary to ensure people are receiving the resources they need. This audit project would review the effectiveness, equity, and regulatory compliance of homelessness assistance programs and enforcement activities involving people experiencing homelessness as well as provide information on the availability of regional resources.

Estimated time to complete: 600 Hours

Employee Performance Management – Employees are the City's most valuable resource so employee performance must be appropriately monitored and encouraged to ensure operations continue. This audit would review the effectiveness, equity, and regulatory compliance of the City's non-civil service employee performance management processes including training and development opportunities, performance evaluations, and corrective action.

Estimated time to complete: 600 Hours

Public Works Maintenance – Over the next five years, the City plans to spend over \$25 million on improving its public works assets including streets and drainage. This audit would evaluate the effectiveness of public works asset maintenance activities including asset condition monitoring, maintenance project planning, and project quality assurance.

Estimated time to complete: 600 Hours

Animal Services Operations – The City of Denton's Animal Services Department has a mission to promote the health, safety, and welfare of animals and people in Denton through responsive compassionate service. This audit would evaluate the effectiveness of animal shelter care, animal control compliance with relevant regulations, and adequacy of fee collection practices.

Estimated time to complete: 500 Hours

Fire Department Overtime – During Fiscal Year 2023, the Fire Department spent about \$23.6 million in overtime for its civil and non-civil service staff. This audit would ensure Fire Department overtime is calculated accurately and is effectively recorded, approved, and monitored.

Estimated time to complete: 300 Hours

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

Estimated time to complete: 400 Hours

Simply Sustainable Programs – In 2020, the City of Denton enacted the Simply Sustainable Program which is comprised of a framework outlining eight different focus areas along with comprehensive goals and strategies that aim for a more sustainable community. This audit would review the effectiveness of the implementation of this program including program oversight and accountability structures, and progress reporting mechanisms.

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 appropriately for these airport operations and verify that fixed business operations comply with contract conditions.

Estimated time to complete: 500 Hours

Language Accessibility – The City of Denton is home to a diverse population with almost 22 percent of Denton residents speaking a language other than English at home. In 2022, the City adopted a new core value of Inclusion, which is focused on creating an environment where individuals and groups are valued, respected, and supported. This audit would review the accessibility of City key community programs and services for residents who use languages other than English to communicate.

Estimated time to complete: 300 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.

Estimated time to complete: 500 Hours

Existing Audit Projects

The Audit of Park Management and Planning was authorized on the Fiscal Year 2023-24 Annual Internal Audit Plan and is being carried over into Fiscal Year 2024-25.

Further, the following projects are required by Government Auditing Standards and so are also included in the fiscal year 2024-25 Audit Plan:

Follow-Up Reviews – Follow-up reviews are intended to provide information on what changes have been 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. The following follow-up reviews are recommended for completion during fiscal year 2024-25 by the City Auditor's Office. A list of all follow-up reviews and their scheduled fiscal year is attached for reference.

- Capital Projects Administration: Second Follow-Up Review (May 2020);²
- Grants Management: Second Follow-Up Review (June 2020);
- Energy Portfolio Management (Mar. 2022);³
- Wastewater System Operations (Apr. and May 2022);⁴
- Network Management (Jul. and Aug. 2022);⁵
- Warehouse Inventory Management (Aug. 2022);
- Body-Worn Camera Usage (Jan. 2023);
- Recreation Facility Operations (Apr. 2023).

Estimated time to complete: 425 Hours Total

² Will include Phase 1 Planning & Design and Phase 3 Construction. Phase 2 was completed in Jul. 2023.

³ Will include Phase 1 Transaction Administration and Phase 2 Renewable Energy Offset Goals.

⁴ Will include Phase 1 Collections and Phase 2 Reclamation.

⁵ Will include Phase 1 Security Controls and Phase 2 Asset Lifecycles.

Attachment 1

Follow-Up Review Planning

Second Review	FY24-25	FY25-26	FY26-27
Grants Mgmt.	WW Sys. Ops: Phases 1 & 2	Solid Waste Ops: Phases 1 & 2	Electric System Operations
CIP Phase 1 & 3	Energy Portfolio Management	Pedestrian & Cyclist Safety	
Water Sys. Ops: Phases 2 & 3	Body-Worn Camera Usage	Fire Prevention	
Meter Reading & Billing	Network Management: Phases 1 & 2	Public Safety Communications	
	Warehouse Inventory Mgmt.	Staff Recruiting & Hiring	
	Recreation Facility Operations	Franchise Fee Collections	