



MEMORANDUM

DATE: April 29, 2024
TO: Internal Audit Advisory Committee
FROM: Madison Rorschach, City Auditor *Madison Rorschach*
SUBJECT: Fiscal Year 2023-24 Second Quarter Performance Report

FY23-24 Annual Internal Audit Plan Status

Audit Project Status – The following table summarizes the status of each audit project included in the fiscal year 2023-24 Annual Internal Audit Plan at the end of the second quarter. About 41 percent of the time budgeted for audit projects had been used by the end of the second quarter.

Table 1: FY23-24 Audit Project Status As of 03/31/24

| Audit Project | Status | Hours Budgeted | Hour Actuals |
|---|-----------|----------------|--------------|
| Overflow: Staff Recruiting & Hiring | Closed | 500 | 670 |
| Public Safety Communications | Closed | 500 | 325 |
| Community Housing Initiatives | Fieldwork | 500 | 215 |
| Franchise Fees | Reporting | 450 | 117 |
| Electric System Operations | Fieldwork | 600 | 358 |
| Vendor Management | Planning | 500 | 6 |
| Development Planning | Hold | 500 | 0 |
| Park Management & Planning | Hold | 500 | 0 |
| New Audit Project Totals: | | 4,050 | 1,691 |
| Meter Reading & Billing: Electric & Water Utilities | Closed | 25 | 50 |
| Water System Operations | Closed | 75 | 91 |
| Informal Follow-Up Review | Fieldwork | 50 | 26 |
| Payroll Administration | Hold | 25 | 0 |
| Fleet Services Operations | Hold | 50 | 0 |
| Police Property Room | Hold | 50 | 0 |
| Emergency Medical Services: Ambulance Billing | Hold | 25 | 0 |
| Follow-Up Review Totals: | | 300 | 167 |
| All Audit Projects: | | 4,350 | 1,858 |

New Audit Projects Released – One new audit report including 17 recommendations was issued during this period. Results from these reports are summarized below:

Table 2: Released New Audit Report Summary

| Project | Recs. | Agreement | Published |
|------------------------------------|-------|-----------|--------------|
| <u>Staff Recruiting and Hiring</u> | 17 | 71% | Mar. 5, 2024 |

New Follow-Up Reviews Released – No follow-up review reports were issued during this period.

Post-Audit Feedback Survey Results – Based on the one audit project report issued during the second quarter of fiscal year 2023-24, the Internal Audit Division's services were rated 5.00 out of five stars by the auditee department's staff.

Avg. Q2 Internal Audit Service Rating: 

Ad-Hoc Project Updates – The City Auditor's Office completed the following Consultation projects during the second quarter of fiscal year 2023-24:

- Nine advice requests from the Finance, Procurement, Human Resources Departments, and Denton Municipal Electric;
- Six assistance requests from the City Manager's Office, Strategic Services and Finance departments, and the City Council;
- Four new anonymous fraud, waste, and abuse reports were submitted. Per City Policy 509.01 "Fraud Response," these submissions were reviewed by the Investigation Committee. One case was closed without investigation, one case was forwarded to Human Resources for review, one was forwarded to the Building Inspections Division, and one case was reported to Human Resources after preliminary review by the City Auditor's Office.

One analysis project to conduct a cultural assessment of a specific department was performed based on a request from the Human Resources Department. In addition, the City Council requested assistance with developing a procedure for processing complaints received for City Council appointees.

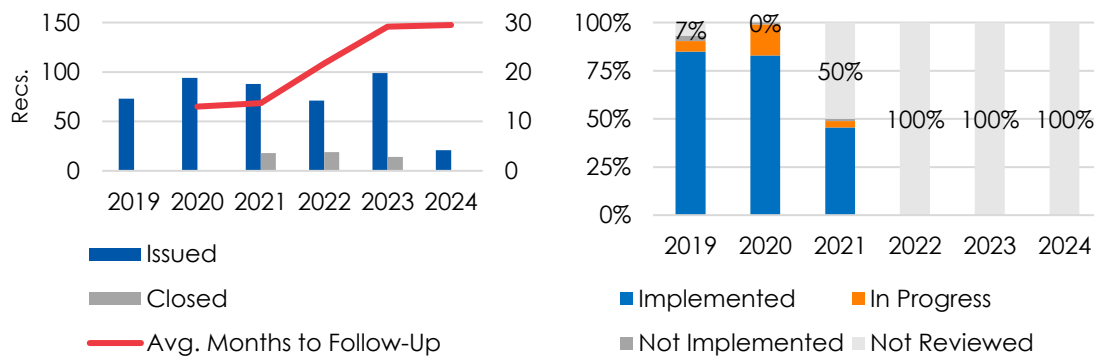
Follow-Up Review Monitoring

Outstanding Recommendations – At the end of the second quarter of Fiscal Year 2023-24, the Internal Audit Division has issued 446 recommendations and has formally completed five audit projects that included 51 recommendations. In addition, four audit projects including 37 recommendations are ready to be considered for completion. Figure 1 shows the current pace of audit recommendation issuance and closure as well as the current follow-up status of audit recommendations by fiscal year issued.

Follow-Up Review Pace Update – The City Auditor's Office's goal is to have followed up on at least 30 percent of outstanding recommendations to initially follow up on audit reports within 27 months of issuance on average. Practically, this means that the Division has planned to perform at least six follow-up reviews annually between 18 to 36 months after each initial audit was issued.

Currently, the Division has performed follow-up work on about 39 percent of outstanding recommendations; however, the average time before an initial follow-up review is published has begun increasing and is currently averaging just under 30 months.

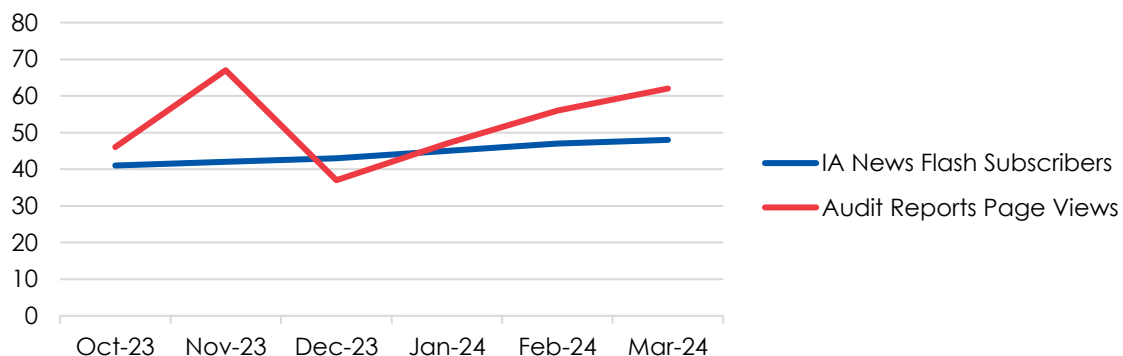
Figure 1: Audit Recommendation Status by Fiscal Year¹
(As of March 31, 2024)



Public Engagement Update

Website Metrics – During the second quarter of Fiscal Year 2023-24, the City Auditor's Office released one news flash covering a new audit report, which drew an average of 55 views to the Audit Reports page. In addition, news flash subscribers continued to steadily grow by one subscription a month. Figure 2 illustrates website engagement during Fiscal Year 2024 so far; news flash subscribers have grown by about 17 percent and Audit Report webpage views averaged around 53.

Figure 2: Fiscal Year 2024 City Auditor's Office Website Metrics



¹ No follow-up reviews were performed in Fiscal Year 2019 or 2020 as they were the first two years recommendations were issued by the City Auditor's Office after it was reformed in 2017.

Fiscal Year 2024-25 Preliminary Budget

According to best practices, audit committees may make recommendations to the governing body regarding the audit function's budget. For this reason, the City Auditor's Office is presenting the Department's preliminary fiscal year 2024-25 budget. Table 3 summarizes the Department's budget and its expenses over the last few years:

Table 3: 2023 Training & Development Program Costs

| Expense | FY22-23 Actual | FY23-24 Estimate ² | FY24-25 Prelim. Budget |
|----------------------------|------------------|-------------------------------|------------------------|
| Personnel Services | \$452,750 | \$553,380 | \$690,000 |
| Operations | | | |
| External Audit | \$113,300 | \$123,500 | \$130,000 |
| Board of Ethics | \$2,790 | \$3,000 | \$3,000 |
| Licenses & Dues | \$2,980 | \$5,500 | \$6,800 |
| Employee Reporting Hotline | \$1,800 | \$1,800 | \$1,800 |
| Travel & Training | \$5,860 | \$8,000 | \$12,000 |
| Community Outreach | \$1,050 | \$1,000 | \$1,000 |
| Peer Review | \$0 | \$0 | \$3,000 |
| Materials & Supplies | \$420 | \$2,240 | \$3,000 |
| Interfund Transfers | \$33,850 | \$44,540 | \$44,540 |
| Total: | \$614,800 | \$742,960 | \$895,140 |

The preliminary fiscal year 2024-25 budget for the City Auditor's Office includes a proposed Staff Auditor position and an increase in associated costs such as dues, licensing, travel, and training. In addition, it includes an increase in the annual external audit cost and a one-time amount for a peer review of the Department. A peer review must be performed every three years to comply with *Generally Accepted Government Auditing Standards*. The Department received the highest opinion possible for its [first peer review](#), which was completed in 2022 for Fiscal Years 2019-2021.

Other Items of Note

Compliance Program – The Compliance Specialist position was filled in January 2024 and the first comprehensive compliance report covering the City's financial activities during Fiscal Year 2023-24 Quarter One is currently being drafted.

Attachments

1. Second Quarter Time Utilization Report
2. Fiscal Year 2023-24 City Auditor's Office Tentative Project Schedule

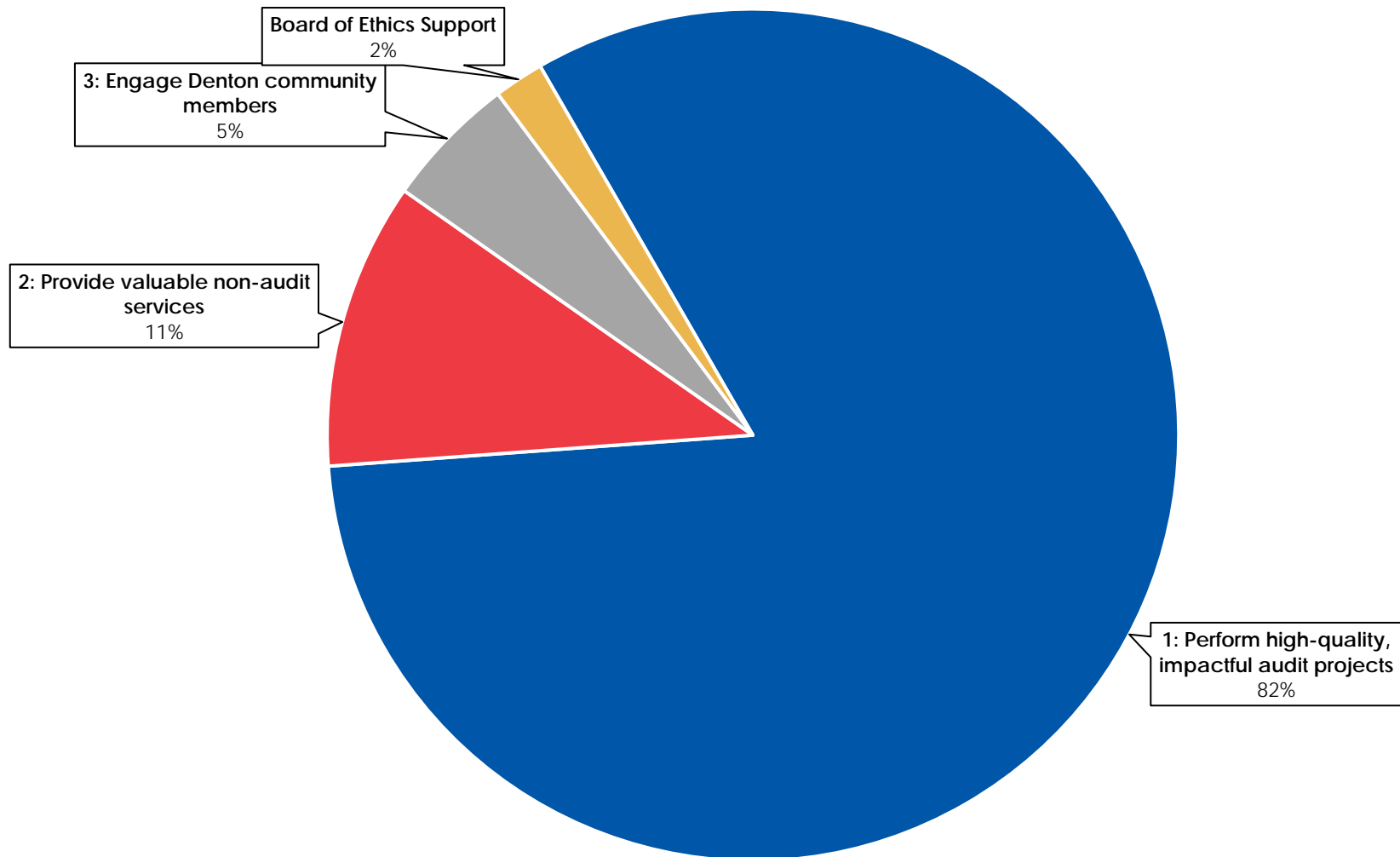
² These estimates were made by the City Auditor's Office and are not the official estimates of the Finance Department.

FY 2022-24 Annual Time Utilization Report

As of Quarter Two

| Program | Quarter 1 | | Quarter 2 | | Quarter | | Quarter 4 | | Year to Date | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-------------|------------|-------------|---------------|-----------------|------------------|
| | Time | Cost | Time | Cost | Time | Cost | Time | Cost | Time | Cost |
| New Audit Projects | 715.75 | \$29,083 | 842.00 | \$35,169 | | | | | 1,557.75 | \$64,252 |
| Training & Development | 113.25 | \$5,917 | 200.50 | \$9,067 | | | | | 313.75 | \$14,984 |
| Audit Follow-Up Reviews | 133.75 | \$6,440 | 9.25 | \$495 | | | | | 143.00 | \$6,935 |
| Non-Audit Services | 19.25 | \$1,201 | 60.25 | \$4,154 | | | | | 79.50 | \$5,355 |
| Board of Ethics Support | 25.75 | \$1,807 | 20.50 | \$1,439 | | | | | 46.25 | \$3,246 |
| Anti-Fraud Activities | 0.50 | \$35 | 11.75 | \$796 | | | | | 12.25 | \$831 |
| Performance Reporting | 61.50 | \$3,249 | 55.00 | \$3,107 | | | | | 116.50 | \$6,356 |
| Community Outreach | 7.25 | \$509 | 0.25 | \$18 | | | | | 7.50 | \$526 |
| Compliance | 31.00 | \$2,176 | 144.25 | \$4,928 | | | | | 175.25 | \$7,104 |
| Total: | 1,108.00 | \$50,417 | 1,343.75 | \$59,172 | 0.00 | \$0 | 0.00 | \$0.00 | 2,451.75 | \$109,590 |

FY 2023-24 Time Utilization by Strategy
(As of Quarter 2)



**City Auditor's Office FY23-24 Tentative Schedule
(April 23, 2024)**

| | |
|---------------|--------------------------|
| Purple | New Audit Projects |
| Blue | Follow-Up Audit Projects |
| Green | Consultation Projects |
| Yellow | Compliance Projects |
| Orange | Administrative Projects |

| | October | | | November | | | December | | | January | | | February | | | March | | | |
|-----------------|--|------|----------------------------|----------|--------------------------|------|-----------------------------------|------|--|--|-----------------|-----------------------|----------------------------|------|------|-----------|---------------|------|--|
| | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | |
| | | | | | | | | | | | | | | | | | | | |
| New Audit Proj. | 036 Public Safety Communications | | | | | | 037 Community Housing Initiatives | | | | | | | | | | | | |
| | | | | | | | 038 Franchise Fees | | | | | | | | | | | | |
| | 035 Recruit & Hire | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | 039 Electric System Operations | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| Other Proj. | 017 Meter Reading | | | | | | | | 2024 Informal Follow-Up Review | | | | | | | | | | |
| | 021 Water System Operations | | | | | | | | FY24 Q1 Vendor Mgmt. Compliance Review | | | | | | | | | | |
| | | | | | Facilities Access | | | | | | | | Trailers & Attch. Inv. | | | | | | |
| | | | | | | | | | Culture Assmt. | | | | Appointee Process | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| | April | | | May | | | June | | | July | | | August | | | September | | | |
| | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | Beg. | Mid. | End. | |
| | | | | | | | | | | | | | | | | | | | |
| New Audit Proj. | 037 Community Housing | | | | | | 042 Park Management & Planning | | | | | | | | | | | | |
| | 038 | | | | 041 Development Planning | | | | | | | | | | | | | | |
| | 040 Vendor Management | | | | | | | | | | | | | | | | | | |
| | 039 Electric | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| Other Proj. | | | 023 Payroll Administration | | | | | | Fuel Cards | | | 004 Police Prop. Room | | | | | | | |
| | | | | | | | 032 Fleet Services Operations | | | | | | 024 EMS: Ambulance Billing | | | | | | |
| | Journal Entry | | | | | | Def. Driving | | | | Audit Plan Dev. | | | | | | Cash Handling | | |
| | FY24 Q2 Vendor Mgmt. Compliance Review | | | | | | | | | FY24 Q3 Vendor Mgmt. Compliance Review | | | | | | | | | |