



## **MEMORANDUM**

**DATE:** July 8, 2016  
**TO:** Carla Romine, Director of Human Resources  
**FROM:** Bryan Langley, Assistant City Manager  
**COPY:** Howard Martin, Interim City Manager  
**SUBJECT:** Internal Audit Activities and City Auditor Information

Recently, Council Member Gregory requested some information regarding the City of Denton's Internal Audit activities over the past few years. Additionally, Mr. Gregory requested information regarding City Auditor positions in other similar cities.

Regarding the Internal Audit activities, I have attached a memorandum (Attachment 1) that I provided to the City Manager which explains our work in this area from 2010 to 2013. Since this time, we have also completed several other internal audits/business process reviews including the following areas:

- Review of fleet fuel tank procedures
- Lean Government Initiative
- Payroll and Timekeeping Controls
- Off-boarding of employees and computer access controls
- Sales tax audit

On average, we have spent approximately \$75,000 to \$150,000 each year on contracted internal audits over the past few years. I am also attaching a summary of the Lean Government process reviews that have been conducted (Attachment 2), and the estimated savings that have been realized as a result of these efforts. To date, we estimate that the Lean program has saved the City over \$600,000 and 7,300 hours in staff time. These audits and process reviews are in addition to the external financial audits which are done each year.

Also, to provide some additional details regarding our efforts to review internal processes, I have attached an article I wrote for the May edition of the *TML Texas Town & City* magazine (Attachment 3). This article does a good job of illustrating our efforts in this regard for the Lean, LEEP, and Innovation programs.

Memorandum from Bryan Langley to Carla Romine

July 8, 2016

Page 2 of 2

Mr. Gregory also requested a list of similar cities which have and do not have City Auditor positions, and he requested the salaries for these positions. This information is provided in Attachment 4. Additionally, Mr. Gregory requested the total compensation for last City Auditor employed in Denton. The total compensation (salary and benefits) for the City Auditor was approximately \$194,000. A Senior Auditor also reported to this position, but clerical support was provided by other City staff.

If you need anything further, or have additional questions, please let me know.

Best regards,

Bryan Langley  
Assistant City Manager



## **MEMORANDUM**

**DATE:** January 28, 2013  
**TO:** George C. Campbell, City Manager  
**FROM:** Bryan Langley, Assistant City Manager  
**SUBJECT:** Internal Audit Activities

As you know, the City of Denton has made a number of significant expenditure reductions over the past several years to offset the economic challenges that we have faced. As part of this approach, the City implemented a personnel vacancy management program in FY 2010-11. The purpose of the program is to “manage” vacancies so that the highest priority positions in the organization are filled while others remain unfilled to generate financial savings. The program has been very successful, and it has generated significant savings over the past two years (approximately \$1.45 million of savings in FY 2010-11 and \$0.9 million in FY 2011-12). Approximately 22 positions were left vacant in FY 2010-11, and the equivalent of 14 positions were identified in the FY 2011-12 Adopted Budget. One such position is the Internal Auditor which has been left vacant since March 2010.

While the City of Denton does not currently have an Internal Auditor position, the organization is still required to actively assess and monitor internal controls. As such, funding has been established in the Internal Audit budget to provide resources for management to pursue outside assistance when circumstances dictate that necessity. In addition, with the city-wide reorganization in October 2010, the role of the Chief Financial Officer was expanded to include the responsibility for organizational risk assessment and business process review. Consistent with this organizational structure, and in response to our fiduciary duties to the organization, we have pursued a number of initiatives to 1) improve our internal controls, 2) protect the organization, 3) improve the efficiency and effectiveness of our operations, and 4) further evaluate key activities over the past several months.

Below is a list of the key items that we have completed or are in the process of completing:

- Assessment of internal control framework in accordance with the Committee of Sponsoring Organizations Enterprise Risk Management framework (COSO) - Completed in July 2010.

## Attachment 1

- Entity-Wide Risk Assessment – Completed in August 2010.
- Special Events Economic Impact Analysis - Completed in August 2010.
- Entity-Wide Data Analysis to assess internal controls, conflicts of interest, operational efficiencies, and other matters - Completed in September 2010.
- Red flag Act Compliance Audit – Completed in September 2010.
- Validation of fixed asset system configuration and depreciation calculations – Completed in October 2010.
- Operational review of Warehouse Operations – Completed in November 2010.
- Assessment of Utility Credit and Collections – Completed in November 2010.
- Development of Internal Control Monitoring Plan – Completed in January 2011.
- Hotel tax audit – Phase I completed in July 2011; Phase II and III scheduled for completion in 2012 and 2013.
- Payroll Process Review – Completed in September 2011.
- Review of Property Tax Exemptions, Utility Billing Data, and Vendors that have Outstanding Debts with the City – Scheduled to be Complete in November 2011.
- Franchise fee audits for Charter Communications, Atmos Gas, and Coserv Electric – Completed in late 2011.
- Audit of sales tax collections – Completed in November 2012.
- Verizon franchise fee audit – Completed in November 2012.
- Review of Purchasing Procedures – Completed in December 2012.
- Audit of overtime payments and procedures – Completed in January 2013.
- Audit of Cash Handling procedures – Expected to be completed in February 2013.
- Prepare entity-wide Data Analysis to assess internal controls, conflicts of interest, operational efficiencies, and other matters – Expected to be completed by summer 2013.
- Audit procurement card program - Expected to be completed by summer 2013.

## Attachment 1

This memorandum is provided to keep you advised of efforts to complete the kinds of organizational/operational analysis that would otherwise be completed with the assistance of the Internal Audit office at City Management's request.

If you have any questions, or need additional information, please do not hesitate to contact me.

Best regards,

Bryan Langley  
Assistant City Manager

City of Denton  
Savings & Efficiency Tracking  
Summary of Lean Projects

Department/Division	Title	Project Type	Coaches	Soft Savings	Hard Savings	Total Projected Savings	Staff Time Savings (Hrs)	Service Level Impact
Finance/Accounts Payable	Operational Definition of an Original Invoice	Standard Work	Lindsay/Puente	\$ 281.07	\$ 13.06	\$ 294.13	8.7	Project freed up 8.7 hours of staff time per year in the Accounts Payable division.
Finance/Accounts Payable	Utility Customer Refunds	Process Mapping	Lindsay/Puente	\$ 2,545.16	\$ -	\$ 2,545.16	65.0	Project freed up 65 hours of the A/P Manager's time per year and increased the response time to customers by approximately 2 days.
Finance/Purchasing	P-Card Limit	Process Mapping	Lindsay/Puente	\$ 37,609.80	\$ 54.26	\$ 37,664.06	1,464.8	Project freed up 1,464.8 hours of staff time per year throughout the organization.
Finance/Accounting	Recording of Deposits (Budget & Bldg Insp)	Process Mapping	Lindsay/Puente	\$ 800.31	\$ -	\$ 800.31	28.4	Project freed up 28.4 hours of the Accounting Technician's time per year.
Human Resources	Hiring Process	Kaizen	Consultant	\$ 14,128.07	\$ -	\$ 14,128.07	688.2	Project freed up 688.2 hours of staff time per year throughout the organization.
Finance/Purchasing	Purchases over \$50,000 & Single/Sole Source	Kaizen	Consultant	\$ 63,669.44	\$ -	\$ 63,669.44	1,124.6	Project freed up 1,124.6 hours of staff time per year throughout the organization and expedited the procurement of goods and services.
Finance/Accounting	Bond Consolidation	Business Process Improvement	Springer	\$ 1,423.31	\$ 8,400.00	\$ 9,823.31	35.3	Project freed up 41.3 hours of staff time per year throughout the organization. Also, improved tracking of projects & expenditure of bonds.
Finance/Accounts Payable	Payment Advice to Vendors	Learn to See	Lindsay/Puente	\$ 1,405.33	\$ -	\$ 1,405.33	43.3	Project freed up 43.3 hours of staff time per year while providing payment detail to vendors quicker and more accessible through their bank.
Fleet	Fleet Replacement/Addition Form	Process Mapping	Lindsay/Puente	\$ 1,788.66	\$ 1.76	\$ 1,790.42	29.2	Project freed up 29.2 hours of staff time per year throughout the organization.
Parks	Burial and Construction Permits	Learn to See	Covey/Gunn	\$ 1,825.67	\$ 12.56	\$ 1,838.23	50.0	Project freed up 50 hours of staff time per year while providing a more electronic means of recordkeeping.
Parks	Parks Daily Deposits	Learn to See	Covey/Gunn	\$ 9,048.53	\$ 6.53	\$ 9,055.06	294.7	Project freed up 294.7 hours of staff time per year in the Parks Department.
Engineering	Development Review Process (Engineering)	Kaizen	Hurd/Whitmore	\$ 86,667.20	\$ 2,400.00	\$ 89,067.20	1,680.0	Project saved 1,680 of staff time and staff has reported several compliments from the development community on the improvements.
Library	Book Collection Weeding	Business Process Improvement	Banks/McElroy	PENDING IMPLEMENTATION OF RECOMMENDATIONS				

Department/Division	Title	Project Type	Coaches	Soft Savings	Hard Savings	Total Projected Savings	Staff Time Savings (Hrs)	Service Level Impact
Library	Material Donations	Business Process Improvement	Banks/McElroy					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Finance/Customer Service	Training	Process Mapping	Lindsay/Puente					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Finance/Customer Service	High/Low Water Meter Reads	Process Mapping	Lindsay/Puente					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Finance/Payroll	Final Paychecks - Separating Employees	Business Process Improvement	Lindsay/Puente/Rosenthal	\$ 3,094.00	\$ 200.00	\$ 3,294.00	78.0	Project freed up 78 hours of staff time per year and eliminated the issuance of paper checks for voluntarily separating employees.
Finance	Records	5S	Lindsay/Puente	\$ -	\$ -	\$ -	0.0	Shredded 7,800 lbs of paper with additional paper sent to recycling, consolidated 5 storage areas into 2 and transformed breakroom into 2 offices.
Planning	Records	5S	Hurd/Dooley					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Finance/Accounting	Sales Tax Prepayment	Business Process Improvement	Lindsay/Puente	\$ -	\$ 60,000.00	\$ 60,000.00	0.0	Project requires some additional staff time to complete required reports but it is offset by additional hard savings.
Materials Management	Docusign	Business Process Improvement	Covey/Smith	\$ 48,130.73	\$ -	\$ 48,130.73	1,204.5	Project eliminated the need for original ink signatures on non-public works contracts and the related transportation waste.
Technology Services	Backup System Consolidation	Business Process Improvement	Covey/Smith	\$ -	\$ 270,000.00	\$ 270,000.00	0.0	Project eliminated the need for a 3 year, \$350,000 maintenance contract (Avamar) by implementing an \$80,000 alternative solution (Data Domain).
Parks	Instructor Contracts	Business Process Improvement	Covey/Smith					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Parks	PLAY Guide	Business Process Improvement	Covey/Smith	\$ 14,531.17	\$ -		516.0	Project reduced the number of Parks employees involved in creating the PLAY Guide.
Parks	Recreation Fund Management	Business Process Improvement	Covey/Smith					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Human Resources	Payroll Onboarding	Business Process Improvement	Hurd/Whitmore					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Human Resources	Employee Outprocessing	Business Process Improvement	Lindsay/Puente					PENDING IMPLEMENTATION OF RECOMMENDATIONS
Human Resources	Open Enrollment	Business Process Improvement	Hurd/Whitmore					PENDING IMPLEMENTATION OF RECOMMENDATIONS







# EMPLOYEE ENGAGEMENT DRIVES INNOVATION AT THE CITY OF DENTON

By **Bryan Langley**  
Assistant City Manager, City of Denton

Every great organization wants to encourage employees to foster a sense of innovation and creativity in the workplace. After all, employees are the core of everything we do in local government, and our staff knows better than anyone how to improve what they do. So how do we engage employees to share solutions and have management support those efforts?

In response to this question, the City of Denton created the following process and workforce improvement programs to engage our employees and help us tackle various organizational and community challenges:

- Lean Government
- Innovation Program
- Leadership Excellence and Enhancement Program (LEEP)

Collectively, these programs attempt to encourage creative thinking, improve efficiency and productivity, and engage employees in continuous quality improvement. As part of this approach, a fundamental objective is to improve customer service and satisfaction, and outcomes for our citizens. Below is a brief explanation of each program.

## Lean Government

The City of Denton is experiencing tremendous growth. The current population in Denton is approximately 125,000, but the city is on track to experience a 60 percent increase in

population to more than 200,000 by 2030. This growth will place great demands on the entire municipal organization including our city-owned utilities, public safety operations, recreation and leisure activities, and other general government services. To meet this demand, the city intends to have controlled growth in our capabilities by innovating and reinventing ourselves rather than just adding equipment, staff, and layers of bureaucracy.

We implemented a "Lean Government" management model to ensure that services are provided in the most effective and economical way and to minimize or eliminate waste. Denton's Lean journey applies methodologies proven in manufacturing, health care, and other service industries to remove redundant and inefficient processes and enhance skills to provide outstanding customer service. This program empowers employees to find solutions, develop programs, and enhance processes that result in service improvements and cost savings. Further, the program allows users from different departments to work together in finding solutions. These interdepartmental relationships will further integrate our employees so that they can collectively embrace future problem-solving initiatives.

Lean methodologies are a series of techniques such as data analysis, swim lanes, process mapping, and asking probing questions to get past the surface level of an issue and determine the root cause of obstacles or delays. The city initiated the Lean program in 2014 with the assistance of the Quality and Productivity Improvement Center (QPIC, LLC).



Training in the methodology was provided to executive staff and select mid-level managers who would serve as Lean coaches throughout the organization. Staff identified several areas that could have a high impact on productivity if improved, and conducted week-long "kaizen" events with teams of employees to improve the processes. In addition, many smaller, one- to two-day projects have been initiated in several departments. Lean, however, is not just about the projects – it is about creating a culture of curiosity in how operations can be improved and embracing these opportunities.

To date, the Lean tools have been used to improve processes in several operational areas including utility billing, accounts payable, procurement, engineering development review, and planning activities. These improvements resulted in a savings to the city of \$613,000, in both hard and soft costs, and more than 7,310 hours of staff time. Perhaps more importantly, these process improvements have allowed our staff to focus their time on more value-added activities, which ultimately improve service to our citizens.

## Innovation Program

The City of Denton also launched the "Employee Innovation Program" in 2014 to encourage employees to submit ideas that could improve city operations. The program offers incentives and recognition to encourage staff to suggest improvements that can have a meaningful impact on improving a program, service, and/or process in order to create new value for the community.

Since strong collaboration is required to successfully develop ideas, we created an online forum where employees can suggest, consider, and discuss potential ideas. As entries are submitted, employees are able to comment in the electronic forum on the strengths and weaknesses of the idea. Additionally, suggestions to improve the idea can also be submitted and considered by other employees. Finally, when the top ideas are determined, employees formally present their program suggestions to the management team for consideration and ask for any additional feedback prior to implementation.

During the inaugural Innovation Program, 46 ideas were submitted, and approximately 170 employees participated in the discussion about improving and/or implementing the suggested items. As a result of employee comments and suggestions, some ideas were removed from consideration while others advanced in the process. The following five ideas were implemented as part of the initial phase of the program:

1. A discounted dependent care solution to improve employee retention
2. An online employee forum
3. A call queue notification solution to provide better customer service

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4. Software to eliminate the need for multiple passwords to the various city technology systems
5. Alternative methods to reduce the cost of underutilized city vehicles

**The implementation of these ideas will provide substantial benefits to the organization in the future.**

The second round of the Innovation Program began in late 2015. To date, more than 60 ideas have been submitted and more than 235 employees have participated, which is a 39 percent increase in participation from the first year. Currently, staff is in the process of examining several possible ideas for implementation including developing a map of businesses coming soon to the community; processing expense and travel authorizations electronically; recognizing outstanding employees; and using a smart phone application to push notifications to employees and citizens. The city expects to make a decision on these topics in the next several weeks, and a third round of the Innovation Program is planned to begin at the end of this year.

**Leadership Excellence and Enhancement Program**

The City of Denton identified the need to create a leadership development program to address a number of impending organizational challenges related to employee retention and succession management. To address these issues, we created the Leadership Excellence and Enhancement Program (LEEP) in 2014, in collaboration with the University of North Texas. The program is designed to provide a small cross-departmental group of participants with the opportunity to focus on select leadership competencies. The purpose of this program is two-fold. First, it offers a formal program for developing leadership and management competencies in employees; and second, it provides a project task group to examine specific city issues and consider alternative and innovative ways to solve challenges.

The program is a 12- to 18-month commitment including approximately 104 hours of classroom training covering the following 13 competencies:

- Project Management
- Strategic Thinking
- Presentation Skills
- Leadership
- Customer Service
- Ethics and Trust



- Managerial and Personal Success Skills
- Implementing Organizational Change
- Personal Financial Planning and Management
- Innovation and Creative Thinking
- Delegation and Time Management
- Decision Making
- Conflict Resolution and Negotiation

Participants also work in teams on projects that benefit the city. The purpose of the project is to integrate departments and create a teamwork atmosphere so that participants can use their skills in solving problems and issues in the city. In the first LEEP class, participants developed and implemented a program focused on improving the aesthetics and image of the city through an enhanced right-of-way maintenance initiative. Additionally, a second team in the LEEP class created a program to improve performance and succession management. These employees received input from various departments across the organization, and presented their findings and recommendations directly to the city council.

The City of Denton began the second LEEP class in late 2015. This class has made substantial progress to develop a city-supported employee volunteer program for community organizations and a centralized records archiving solution. It is expected that project recommendations will be provided to the city council in early 2017.

In conclusion, the City of Denton has been successful in creating three separate employee engagement programs that collectively encourage employees to use creative thinking to improve our operations. In today's challenging economic environment, local governments frequently ask employees to simply do more with less. However, to do this effectively, employees must be given the tools, opportunities, and support to improve their operations. The City of Denton has created this environment by engaging our employees in the Lean, Innovation, and LEEP programs.★

## Attachment 4

## City of Denton

**City Auditor**

## 2016 Compensation Survey

City	Is this position Council appointed?	Population (taken from 2015 survey conducted for CM position)	Salary
<b>Arlington</b>	Yes	365,438	\$120,360
<b>Carrollton</b>	No - reports to ACM	125,409	\$93,900
<b>Dallas</b>	Yes	1,223,378	\$195,815
<b>Flower Mound</b>	N/A	69,062	N/A
<b>Fort Worth</b>	Yes	780,000	\$138,320
<b>Garland</b>	Yes	233,206	\$99,590
<b>Grand Prairie</b>	No - reports to Deputy CM	181,230	\$77,160
<b>Lewisville</b>	No - reports to Dir of Finance	101,074	\$86,409
<b>Mesquite</b>	N/A	142,210	N/A
<b>Richardson</b>	N/A	99,223	N/A
<b>Average</b>			<b>\$115,936</b>