



# Memo

To: Public Utilities Board  
From: Bryan Langley, Deputy City Manager  
Date: July 24, 2017  
Re: Weaver proposal

---

The City Manager has been reviewing operations to improve departmental efficiency and effectiveness. As part of this review, some issues were discovered in the Solid Waste operation that need to be further explored. These issues involve purchasing, contracting, and budgeting. Staff is proposing to contract with an outside firm to evaluate the Solid Waste operation and provide recommendations for improvement. Weaver (attached) is an accounting firm that has a wide array of experience in these issues. The City has used Weaver successfully in the past, and management is recommending contracting with Weaver to for the proposed evaluation and process improvement. It is expected that this contract will be proposed in an amount not to exceed \$75,000. This ACM update is being provided for informational purposes. Staff will be glad to provide additional details to the Public Utilities Board upon request.



# Proposal for Evaluation of Functions, Processes and Controls

City of Denton  
July 20, 2017

# Contents

Executive Summary .....	1
Qualifications and Experience .....	2
Our Team to Serve You .....	4
Engagement Approach .....	6
Proposed Fees .....	10

## Executive Summary

---

Public-sector entities like the City of Denton (the City) face distinct challenges when it comes to managing diverse and complex activities across multiple departments with discrete budgets and objectives. The efficient and effective administration and management of routine and specialized processes within individual departments is critical to ensure proper stewardship of public funds and the ongoing ability to serve the needs of Denton's citizens. With the Solid Waste department comprising operating revenues and expenses of approximately \$38 million, it is critical for City Management to understand whether the department and their processes are well organized, controlled, and align with internal and public expectations.

Weaver's experience with evaluating business processes and assessing the design of internal control activities, along with our prior hands-on experience with the City, provides us with the knowledge and insight needed to provide impactful assistance to ensure key functions and activities are operating effectively and efficiently, with sufficient internal control to mitigate inherent risks within critical functions at the City.

Texas-proud, Weaver is committed to the needs and success of our surrounding communities — and the government entities that support them. Local governments and state agencies alike turn to Weaver because they know we will be sensitive to their needs and circumstances, forthright in our communications and unwavering in our commitment to the highest standards of quality. This is perhaps best illustrated by our long and diverse list of municipal clients, including the City of Denton and other North Texas cities such as Dallas, Fort Worth, Irving, McKinney, Lewisville, Southlake, Grand Prairie, Garland, Frisco and Benbrook.

Our Risk Advisory Services practice specializes entirely on services such as internal control design and implementation, process improvement, compliance, risk assessment and internal audits — with a strong focus on helping our cities achieve their risk management goals. The depth and breadth of our hands-on experience means we have a real-world understanding of the complex landscape entities like the City must navigate on a daily basis.

---

Weaver provides assurance and advisory services to more than 150 public-sector clients, including more than 30 Texas cities and more than a dozen special purpose districts,

---

The largest independent CPA firm based in the Southwest, Weaver offers the City the best of both worlds: the talent and experience of a large national firm, with a hometown commitment to continuous communication and hands-on service. Indeed, the cornerstones of our philosophy are an unwavering commitment to client service and dedication to providing value beyond mere "check-the-box" services.

We will also work to cultivate a lasting, collaborative relationship with you, with an overarching focus on continuity, responsiveness and continuous communication. To that end, the partners on your team will provide much more than oversight and accountability during this engagement — they will remain available to you throughout the year. With this added level of guidance and support, the City can be confident in our commitment to helping you meet both your immediate project objectives and your long-term strategic goals.

## Qualifications and Experience

---

The success of an evaluation such as that required by the City is directly tied to the talent and experience a firm brings. Weaver's Advisory Services practice is made up of approximately 70 dedicated professionals recognized for their breadth and depth of experience in a full range of governance, risk management and compliance services. Our professionals are highly skilled with such specialized services as business process analysis and improvement, internal control evaluations, organizational assessments, internal audit, risk management, IT audits, IT security and forensics — including having provided many of these services directly to Texas cities and other complex public sector organizations.

### Certifications and Affiliations

Underlying our portfolio of work are highly experienced teams that stay at the forefront of the industry through ongoing certifications. Some of the numerous certifications held by our Advisory Services professionals include:

- » Certified Public Accountant (CPA)
- » Certified Internal Auditors (CIA)
- » Certified Information Security Auditor (CISA)
- » Certified Fraud Examiner (CFE)
- » Certified Compliance and Ethics Professional (CCEP)
- » Certified Information Systems Security Professional (CISSP)
- » GIAC Penetration Tester (GPEN)
- » Certified Information Technology Professional (CITP)
- » Certified Ethical Hacker (CEH)
- » PCI Qualified Security Assessor (QSA)
- » Certification in Risk Management Assurance (CRMA)
- » Certified in Risk and Information Systems Control (CRISC)
- » SAP-Certified Consultant
- » Information Technology Infrastructure Library (ITIL)

Our professionals also stay abreast of best practices, industry trends and compliance issues through active participation — including holding key leadership positions — in numerous professional and industry associations, such as:

- » Chair, Baker Tilly International Governance, Risk and Compliance Committee
- » Member, Institute of Internal Auditors' North American Board
- » Member, IIA American Center for Government Auditing
- » Executive Committee Member, AICPA Information Management and Technology Assurance (IMTA)
- » Chair, IT Audit Task Force of the AICPA IMTA Executive Committee
- » Committee Member, Institute of Internal Auditors' Learning Solutions Committee
- » Board Member, Information Systems Audit and Control Association (ISACA)
- » Member, National Association of Corporate Directors
- » Member, Society of Corporate Compliance and Ethics
- » President, Information Systems Audit and Control Association (ISACA), North Texas chapter



## Proven Track Record

Weaver provides a complete range of services to a wide array of local, county and state entities, including:

### Municipalities

City of Arlington#  
City of Allen\*  
City of Benbrook\*  
City of Bryan\*/#  
City of Cedar Hill\*  
City of Corpus Christi#  
City of Dallas#  
City of Denton\*/#  
City of Euless\*  
City of Friendswood\*  
City of Garland\*  
City of Galveston\*  
City of Georgetown\*/#  
City of Greenville \*/#  
City of Grand Prairie\*  
City of Houston#  
City of Irving#  
City of Killeen\*  
City of League City\*  
City of Lewisville\*/#  
City of McKinney\*/#  
City of Midlothian\*  
City of Odessa\*  
City of Rowlett\*  
City of Saginaw\*  
City of Sanger\*  
City of Southlake\*/#  
City of Springtown\*  
City of The Colony\*/#  
City of Tomball\*  
City of University Park\*  
City of Wylie\*  
Town of Addison\*/#  
Town of Fairview\*  
Town of Little Elm\*  
Town of Highland Park\*/#  
Town of Trophy Club\*  
Town of Westlake\*

### Local & Regional Entities

Bethany Special Utility District\*  
Central Texas Council of Governments\*  
Dallas County#  
Denton County Transit Authority\*/#  
East Texas Council of Governments\*/#  
Edwards Aquifer Authority\*  
Ellis County Rural Rail Transport\*  
Emergency Communication District of Ector Co.\*  
Fort Worth Transportation Authority\*  
Greenville Electric Utility#  
Houston Galveston Area Council#  
Lake Cities Municipal Utility Authority\*/#  
Lubbock Housing Authority\*  
Metrocare Services#  
MHMR of Tarrant County\*  
Monahans Housing Authority\*  
North Central Texas Council of Governments\*/#  
North Texas Municipal Water District#  
North Texas Tollway Authority#  
Odessa Housing Authority\*  
Odessa Development Corporation  
Pecos County TJPC\*  
Reeves County Commissary Funds  
Reeves County TJPC\*  
Region XI Education Service Center#  
Region XIII Education Service Center#  
Tarrant Appraisal District\*  
Tarrant County Emergency Services District No. 10\*  
Tarrant County Tax Collectors Office#  
Tarrant Regional Water District#  
Trinity River Authority\*/#  
Williamson County \*

### State Agencies

Cancer Prevention and Research Institute of Texas#  
Employees Retirement System of Texas#  
Texas Council for Developmental Disabilities#  
Texas Department of Insurance#  
Texas General Land Office#  
Texas Health Services Authority#  
Texas Lottery Commission\*  
Texas Military Department\*  
Texas Municipal Retirement System#  
Texas Municipal Power Agency\*  
Texas Permanent School Fund\*  
Texas Student Housing Authority\*

### Educational Entities

Austin Community College#  
Beaumont ISD#  
Burleson ISD\*  
Cedar Hill ISD\*  
Conroe ISD\*  
Crowley ISD\*  
Dallas County Schools\*  
Dallas ISD\*/#  
El Paso ISD#  
Fort Worth ISD\*/#  
Frisco ISD\*/#  
Hurst-Euless-Bedford ISD\*  
Higher Education Servicing Corporation#  
Highland Park ISD\*  
Irving ISD\*/#  
Keller ISD\*  
La Porte ISD\*  
McKinney ISD#  
Montgomery ISD \*  
North Texas Higher Education Authority\*  
Tarrant County College District\*/#  
Texas A&M University#  
Texas A&M University College of Liberal Arts#

\*Assurance Services | #Advisory Services

# Our Team to Serve You

---

## Team Organization

Our entire team — from partner to associates — is tailored to address the complete range of issues that can arise when evaluating complex departmental environments like that of the City. Our experienced team will work to maximize the efficiency and impact of every activity throughout the life of the engagement. We will also work collaboratively with the City to ensure our approach remains tailored to your most pressing needs and provides the greatest short-term impact and long-term value.

Biographies for key team members have been provided below; detailed resumes have been provided in Appendix A.



### **Alyssa G. Martin, CPA | Executive Partner**

Alyssa has more than 25 years of experience in public accounting, including 17 years of internal control process risk management and compliance, with an emphasis on operational analysis, risk management, internal audit, quality assurance reviews, fraud prevention, IT audit, business management consulting, strategic planning and technology consulting — with a strong focus on Texas cities and government entities. She has significant experience overseeing a variety of financial, operational, contract and compliance evaluation services, including engagements for municipal clients such as the cities of Dallas, Houston, McKinney, Lewisville, Corpus Christi, Irving, Greenville, Bryan.

Alyssa is a frequent, sought-after speaker on advisory matters for professional and civic audiences. As an active member of the American Institute of Certified Public Accountants, the National Association of Corporate Directors and the Institute of Internal Auditors, she remains on the forefront of industry regulations and changes. She serves on many community boards and civic committees, and has been honored with a number of awards. She graduated with a master's in business administration and a bachelor's degree from the University of Texas at Dallas.



### **John Wauson, CPA | Partner, Risk Advisory Services**

John has twelve years of public accounting and risk advisory experience. He has extensive experience working with governmental and commercial entities, with a focus on internal control design and implementation, business process improvement, enterprise risk management, entity- and process-level risk assessments, internal audit, compliance and fraud prevention. In addition to prior hands-on experience with the City of Denton, public sector clients served by John include the City of Bryan, City of McKinney, City of Dallas, North Texas Tollway Authority, Employees Retirement System, Ector County Hospital District, and multiple school districts across North Texas.

A Certified Public Accountant, John holds memberships with many professional organizations, including the Institute of Internal Auditors (IIA) and in 2014 was named a Rising Star by the Texas Society of CPAs. He is also the immediate past-chairman for the Young and Emerging Professionals Committee of the Texas Society of CPAs. John earned a Bachelor of Business Administration in accounting from the University of Oklahoma.



**Brandon Tanous, CIA, CFE, CGAP, CRMA | Manager, Risk Advisory Services**

Brandon has more than nine years of experience in internal audit, including extensive work for public-sector agencies, with a focus on business process improvement, internal control evaluation contract compliance audits and monitoring, internal audit, fraud detection and risk management. His recent advisory clients include the City of Houston, City of Corpus Christi, North Texas Tollway Authority, Del Mar College, Lee College, Dallas Independent School District, Texas Commission on Environmental Quality, Texas Department of Public Safety (including the Texas Department of Emergency Management) and Houston-Galveston Area Council.

Brandon has presented sessions at conferences by such organizations as the Institute of Internal Auditors (IIA), the International Law Enforcement Auditor's Association and the Texas State Auditor's Office. He also co-authored a case study in the Bribery and Corruption Casebook, published by the Association of Certified Fraud Examiners. He is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), and a Certified Government Auditing Professional (CGAP). He also holds Certification in Risk Management Assurance (CRMA) and is a graduate of the Texas Internal Audit Leadership Development Program. He earned a both a Master of Public Administration and a Bachelor of Public Administration from Texas State University.

**David Witten, CPA, CIA | Senior Associate, Risk Advisory Services**

David has three years of experience in public accounting and is a full-time member of the risk advisory services team. His specialized focus includes business process analysis and improvement, internal control consulting, internal audit and compliance. He has extensive experience evaluating and documenting internal control design and testing operating effectiveness of key controls.

David is an active member of the Texas Society of CPAs and the Institute of Internal Auditors (IIA). He earned a Master of Science in accounting from the University of Texas at Dallas — including an Internal Audit Education Partnership (IAEP) certificate — and a Bachelor of Arts in economics from Hendrix College.

---

The partners on your team will provide much more than oversight and accountability during this engagement — they will remain available to you throughout the year. With this added level of guidance and support, the City can be confident in our commitment to helping you meet both your immediate project objectives and your long-term strategic goals.

---



# Engagement Approach

---

## Objectives and Scope

Weaver will perform a scoping analysis to identify the discrete transactional processes and procedures that should be considered in the detailed process and control evaluation for the Solid Waste Department. Identified processes will be assessed to determine the effectiveness and efficiency of the process design as well as the adequacy of internal controls to mitigate inherent risks in the process.

The overall objective of the engagement is to provide the City insight regarding the sufficiency and effectiveness of internal controls within key underlying transactional processes at the Solid Waste Department. Key functions to be included in the evaluation will include purchasing and expense authorization and processing procedures, contract execution and management activities, and revenue processing and billing activities. The level of detail to which each of these processes are evaluated will be determined based on a detailed scoping analysis, which may also identify additional transactional processes that should be examined.

The evaluation will include gaining an understanding of the transactional flow and identifying internal controls that exist in the current process. Processes will be assessed and evaluated for the following:

- » Appropriateness of assigned duties and responsibilities based on competing responsibilities
- » Adequacy with which duties are segregated within key transactional processes
- » Compliance with transaction authorization thresholds and documentation requirements
- » Accuracy of the classification and recording of transactions
- » Sufficiency and effectiveness of internal control activities to mitigate inherent risks within the transactional process

We will document all of our findings and provide the City with specific, actionable recommendations designed to improve the effectiveness and efficiency of procedures and internal control activities within identified key processes, and to enable the City to mitigate risks within those key process areas.

## Commitment to Ongoing Communication

Creating value in any engagement starts with open and regular communication — including hands-on partner involvement and effective communication on a timely, regular basis. This serves as the ever-valuable foundation in every Weaver engagement. In addition to regular status updates throughout the engagement, we will meet on a regular basis to:

- » Facilitate a constructive exchange about work in progress and related issues
- » Answer your questions about technical and strategic issues
- » Learn about any changes in your operations, resources or business strategies

## Key Engagement Phases

Based on our current understanding, we anticipate that each evaluation will consist of the following key phases:



We will work with City management to tailor these phases and our work effort as needed based on the results of initial discovery and planning as well as the City's budget.

### Planning and Discovery

The first step in any Weaver engagement is to confirm the project scope and develop a mutually agreeable schedule, including fieldwork timing and deliverable dates. During this stage of the engagement, we will meet with City management to confirm objectives and expectations. Next, we will develop a plan that details the schedule, staffing plans and key milestones. This will serve as a communications and progress monitoring tool, and will help facilitate a smooth engagement flow.

During discovery, we will examine detailed, transaction level financial data to enhance our understanding of the inflow and outflow of funds within the Solid Waste Department. We will evaluate the nature of activity to isolate discrete transactions and types of transactions that will be evaluated during our engagement. High value and volume transactions will be identified and linked to corresponding transactional processes to determine the specific activities that will be in-scope for our detailed evaluations.

Based on our initial discussions with management, we expect the following transaction cycles to be in-scope:

- » Revenue processing and billing, including sales agreements and leases
- » Purchasing and expense processing and authorization
- » Contract execution and management

We anticipate that additional activities, as well as variations in the application of the above processes based on transaction type will be identified during the scoping analysis

As part of our initial planning, we will also will request key information and documents needed to enhance our understanding of the departmental activities and structure. Key activities during this phase will include:

- » Obtaining and evaluating current City documentation regarding department processes, including organization charts, standard forms, checklists, reports, performance metrics, budgets, etc.
- » Interviewing key management and department staff to obtain an understanding of the significant roles, responsibilities and relationships (internally and externally)
- » Identifying and evaluating all applicable and relevant criteria, including City policies, procedures, manuals, and/or guidance, as well as applicable state and local government code requirements

## Fieldwork

### Design Evaluation

Following the identification of key transaction processes and functions within the department, Weaver will perform interviews, walkthroughs, site visits, and evaluate existing documentation to develop a thorough understanding of the design of key transactional processes within the department. Through interviews onsite with process owners, we will develop a thorough understanding of the in-scope transaction processes from initiation to completion.

A critical component of the design evaluation includes the identification and documentation of internal control activities currently performed in the process. Identified controls will be assessed to determine if they are adequate to mitigate associated inherent risks. Key areas of focus for the control evaluation will include, but not be limited to:

- » Established and followed policies and procedures
- » Segregation of duties
- » Management oversight and review
- » Effective systematic controls

In addition, we will determine whether the processes performed meet the criteria and requirements established by the City and/or applicable state laws. Any identified control gaps will be documented in our "Points for Consideration" matrix.

### Effectiveness Testing

Upon completion of the design evaluation and identification of key controls, Weaver will perform testing to confirm that transactions are appropriate and associated controls are operating effectively. We will initially assess the appropriateness of the selected transactions and controls to be tested to ensure high risk and material transactions are evaluated.

Following the identification of appropriate transactions and controls for testing, we will design and execute test procedures to analyze a sample of transactions and verify the accuracy and effectiveness of those existing and identified key controls. Any pervasive issues or control failures identified will be included in our "Points for Consideration" matrix.

---

Ours is a "no-surprises" philosophy, so throughout the engagement, internal control weaknesses and initial points-for-consideration will be provided to City management for review validation.

---

## Reporting

During the reporting phase of the engagement, Weaver will complete our fieldwork documentation and perform final quality control procedures, including multiple levels of internal review of our work. We will then compile the final results of our procedures and create our draft report, which will identify the procedures performed, results, and recommendations for improvement. The draft report will be provided to City management for review, and we will incorporate any feedback as appropriate before finalizing our report.

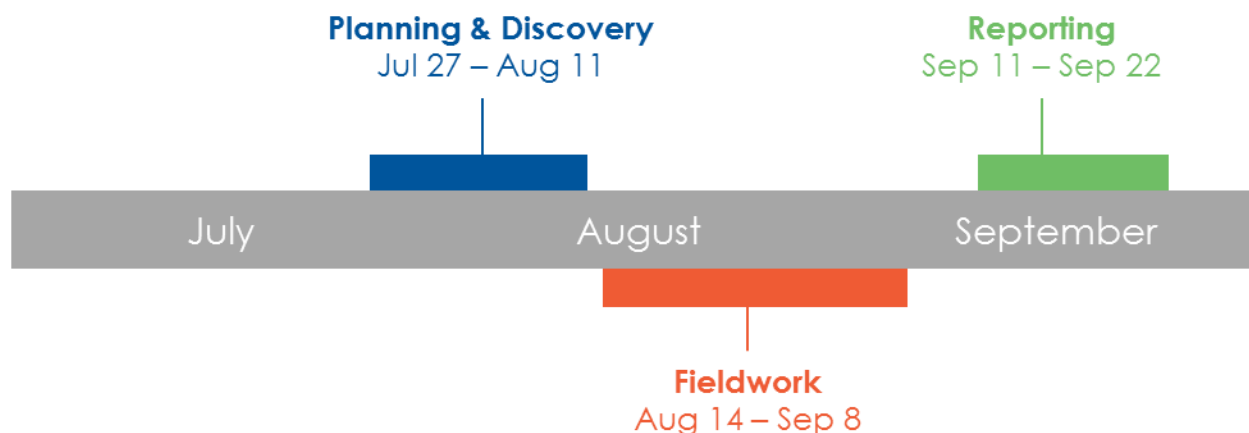
## Sample Points for Consideration

Weaver's Points for Consideration matrix will include the condition observed, risk, root cause of the issue, effect, risk rating and recommendations for improvement.

Reference #	Departments						PFC Responsible Party	Related Control Reference	Observation/Identified Issue	Risk	Risk Assesment	Recommendation	Management Response
	DEPT A	DEPT B	DEPT C	DEPT D	DEPT E	DEPT F							
AP and Expenditures													
PFC-AP-01	X	X	X	X	X	X	Accounts Payable Division	AP-06	<b>Miscellaneous Invoices Used to Bypass Controls</b> We identified that the miscellaneous invoice process does not contain a validation component to ensure the invoice qualifies as such and is appropriate. Situations have occurred in which the miscellaneous invoice process is used to procure items from a non-contract vendors, when a contract vendor was available. In addition, the miscellaneous invoices process has been used to procure items from contract vendors not processed as such to prevent the purchase contract budget from being reduced.	The misuse of the miscellaneous invoice process allows the departments to bypass procurement controls in obtaining items from non-contracted vendors when a contract vendor is available. The purchasing of items from a contract vendor can result in proposed financial savings and therefore increase the cost of procurement. In addition, intentional miscategorization of contract purchases can result in financial statement inaccuracies and misleading contract budget availability.	High	We recommend that AP implement additional measures to scrutinize miscellaneous invoices to determine appropriateness. For instance, miscellaneous invoices that include purchases that should have been procured from a contracted vendor or categorized as such should be brought to the attention of the buyer and their management chain. If problems persist with specific departments or employees, considerations should be made for possibly limiting or removing their purchasing ability.	
PFC-AP-05	X						Accounts Payable Division	AP-01	<b>Receiving Information not Reported Timely to AP</b> We identified that receiving information is not consistently reported timely to AP by the department procuring the goods or services. Commonly, AP must contact the responsible department for the receiving information and wait on its arrival prior to processing the invoice for payment.	Missing receiver information and the untimely response for providing the required documentation to AP results in delays for processing invoices. In addition, the likelihood of missing prompt payment deadlines is increased and could result in potential penalties.	Medium	We recommend modification of the existing policy to create a process to post/save receiver information on a shared location so it can be pulled by AP. The process will allow AP to have access to all the receivers entered.	

## Preliminary Timing

A preliminary timeline for the evaluation of the Solid Waste Department is provided below, based on our current understanding. Weaver will work with City management after discovery and identification of key functions and processes to develop a prioritized, detailed and mutually-agreeable plan for evaluation and testing.



## Proposed Fees

---

At Weaver, we pride ourselves on offering the capabilities of a much larger firm at a reasonable cost. With our streamlined operations, we can provide the knowledge and experience you need, combined with a personal touch and individual attention. We feel our pricing reflects a level of quality — as well as a commitment to ongoing collaboration — that is unmatched by many of our competitors.

Based on our current understanding, our estimated fees are provided below:

Service	Estimated Hours (Not to Exceed)	Estimated Fees (Not to Exceed)
Identification and evaluation of key functions and processes for the City of Denton Solid Waste Department	500	\$75,000

As indicated in the table above, to maximize flexibility and cost-effectiveness, Weaver is offering the City a flat, blended rate of \$150/hour, regardless of staff level. This enables us to provide the City with access to resources at all levels without ballooning budgets.

We will also perform the services described herein on a not-to-exceed basis, as indicated in the table below. Throughout the engagement, we will remain in close communication with City management to ensure the maximum impact is achieved within the budget allotted.

### Pricing Assumptions

1. Weaver anticipates a maximum of 80 hours will be allocated for the planning and discovery phase of the Solid Waste evaluation. Hours required for design evaluation and testing will be determined upon completion of discovery and identification of key functions and processes.
2. Requested documentation and resources will be made available in a timely manner.
3. Weaver's team will have full and complete cooperation from departmental staff as needed; delays on the part of City staff could result in additional hours to complete engagement tasks.