



MEMORANDUM

DATE: February 10, 2021
TO: Audit/Finance Committee
FROM: Madison Rorschach, City Auditor
SUBJECT: Fiscal Year 2020-21 Quarter One Report

FY20-21 Annual Audit Plan Status

Audit Project Status – The Internal Audit Department is responsible for conducting audits to assess a variety of risks including internal control weaknesses, inefficiencies in City operations, ineffectiveness of City programs, and noncompliance with laws, regulations, and policies. Each year, an annual audit plan is approved by the City Council to establish the workload of the Internal Audit Department. The following table summarizes the status of each audit project included on the FY20-21 Annual Audit Plan at the end of the first quarter.

Table 1: FY20-21 Audit Project Status As of 12/31/20

Table with 4 columns: Audit Project, Status, Time Budgeted, Time Actuals. Rows include Health Insurance Operations, Meter Reading & Billing, Utility Payment Assistance Program, etc.

Post-Audit Feedback Survey Results – Based on the two audit project reports issued during the first quarter of fiscal year 2020-21, the Internal Audit Department’s services were rated five out of five stars by auditee department’s staff with a 25% response rate.

Avg. Q1 Internal Audit Service Rating: ★★★★★

OUR CORE VALUES

Integrity • Fiscal Responsibility • Transparency • Outstanding Customer Service

Ad-Hoc Project Updates – The Internal Audit Department completed the following Consultation and Investigation projects during the first quarter of fiscal year 2020-21:

- An Analysis Report Regarding the Denton Fire Department Uniform Program;
- Seven Advice requests and one Data Aid request from City departments including providing support to the new Grants Management Department as it was formed; and
- A preliminary investigation of a Fraud Hotline Complaint submitted on 12/31/2020. This preliminary investigation was conducted per City policy 509.01 “Fraud Directive.” The Investigation Committee determined that the complaint was not substantiated, and the Investigation project was subsequently closed.¹

Continuing Professional Education Annual Compliance Report

Standards Requirements – The Internal Audit Department currently follows the 2018 revision of Government Auditing Standards as promulgated by the United States Government Accountability Office. These standards require audit staff to develop and maintain their competency by completing continuing professional education (CPE) as follows:

- At least 80 hours of CPE for every two years of employment;
- At least 20 hours of CPE during each year of employment; and
- At least 30 percent of CPE hours must be related to government auditing.

Compliance Assessment Results – The table below shows the number of CPE hours each Internal Audit Department auditor completed during the last two calendar years based on available records. Required CPE was calculated assuming ten CPE hours should be completed for every three months of employment with the City.²

Table 2: Continuing Professional Education Summary (CY 2019 & 2020)

Employee	Title	Required CPE	2019 CPE	2020 CPE	Percent Gov. Related	Adequate
Umesh Dalal	City Auditor	54	Unknown	Unknown	Unknown	Unknown
William Mafi	Staff Auditor	14	18	NA	89%	Yes
Amber Jackson	Senior Auditor	4	NA	39 ³	0%	TBD
Madison Rorschach	City Auditor	80	46	59	76%	Yes
Neeraj Sama	Senior Auditor	60	10	50	65%	Yes

Based on the above information, the City of Denton’s Internal Audit Department does not have adequate evidence to verify compliance with the CPE requirements of Government Auditing Standards. This issue was identified in June 2020 and a process has since been developed to ensure Internal Audit staff: 1) understand CPE expectations and requirements, 2) retain CPE certificates adequately and consistently, and 3) monitor and report CPE completion appropriately. This process has been formalized in the Internal Audit Procedures Manual.

¹ Additional details of this investigation may be discussed during the City Auditor’s performance review on February 16 during Closed Session.

² Per Department procedure, compliance adequacy is only determined for auditors who have been employed by the City at least one year; however, all auditors employed during the reporting period are reviewed.

³ Ms. Jackson completed all reported hours prior to employment with the City.

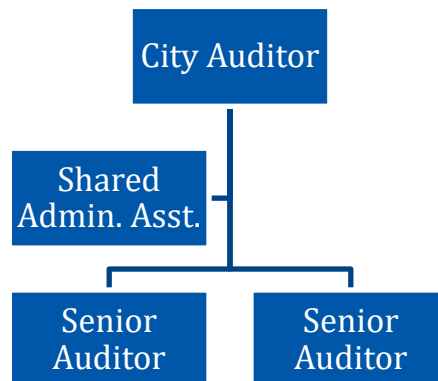
Additional Items of Note

Audit Benchmarking Study Results – In September 2020, the Internal Audit Department conducted an informal benchmarking study of municipal audit shops in the DFW metroplex to assess the appropriateness of the Department’s structure. Seven audit shops were reviewed as part of this study, the details of which are attached. In general, the Department appears to have a comparable budget to other shops in the area. In addition, the Department has a reasonable number of auditors given the Department’s age, City budget, and municipality size; however, most benchmarked audit shops had a clear career path within their shop.

For this reason, a Senior Auditor position level was created through collaboration with Human Resources. Having both a Staff and Senior Auditor level creates a career path within the Department, which should help retain institutional knowledge and attract more highly skilled individuals to the organization.

Two Staff Auditor positions were then reclassified to the Senior Auditor level to reflect current job expectations and Department workload. The new organizational chart is shown in Figure 1. The cost of these position reclassifications is not expected to exceed the Department’s adopted FY20-21 budget.

Figure 1: Internal Audit Department Organizational Chart (FY20-21)



Audit Staffing Addition – Amber Jackson began work as a Senior Auditor for the City in December 2020. Ms. Jackson is a Certified Fraud Examiner and has over five years of internal audit experience.

Audit Report Translations – The Internal Audit Department began offering translated audit reports to City residents upon request. In addition, all new ‘Audit at a Glance’ and ‘Follow-Up at a Glance’ report summaries are being translated into Spanish and are currently available to residents on the City’s website. During the first quarter, about \$150 was spent to translate five ‘at a Glance’ summaries into Spanish. Offering translations of Internal Audit reports will improve transparency and accountability throughout the City.

Attachment:

1. Benchmarking Study Results

**Fiscal Year 2020-21 Quarter One Report
Attachment 1: Benchmarking Study Results**

Table 1: Reporting Structure & Budget Benchmarking

Audit Shop Municipality	Reports To	Municipality	FY19-20 Budget			
		Population (2019)	City	Audit Shop	City Staff	Auditors
City of Dallas	City Council	1,343,573	\$3,789,500,063	\$3,398,923	15,484.0	23.0
City of Forth Worth	City Council	909,585	\$1,985,882,287	\$2,138,734	7,170.0	15.0
City of Arlington	City Council	398,854	\$552,059,290	\$721,343	2,660.0	5.0
City of Garland	City Council	239,928	\$1,109,730,000	\$624,387	2,161.0	5.0
City of Irving	Chief Financial Officer	239,798	\$687,926,200	\$145,576	2,384.0	1.5
City of Grand Prairie Management Services	City Manager	194,543	\$477,353,107	\$387,841	1,444.0	4.0
City of Denton	City Council	141,541	\$1,233,556,997	\$643,519	1,731.1	3.0
City of Lewisville	Finance Director	109,212	\$417,622,663	\$100,572	840.0	2.0
DFW Average:		447,129	\$1,281,703,826	\$1,020,112	4,234.3	7.3
<i>2018 National Benchmarking Study (ALGA)</i>		<i>Unknown</i>	<i>\$771,949,354</i>	<i>\$833,883</i>	<i>Unknown</i>	<i>3-5 Range</i>

Table 2: Salary Benchmarking

Audit Shop Municipality	Staff Auditor Salary Range		Senior Auditor Salary Range		Appointed City Auditor	
	Min.	Max.	Min.	Max.		
City of Dallas	\$50,201	\$86,816	\$61,328	\$116,370	\$200,000	
City of Forth Worth	\$52,275	\$83,640	\$62,451	\$99,922	\$160,660	
City of Arlington	\$48,671	\$73,008	\$62,320	\$93,479	\$140,698	
City of Garland	\$55,016	\$85,010	\$63,253	\$101,234	\$134,209	
City of Irving	\$63,888	\$90,096	\$73,968	\$104,292	NA	
City of Grand Prairie Management Services	\$55,684	\$84,083			NA	
City of Denton	\$51,845	\$86,063	\$59,164	\$98,212	\$110,000	
City of Lewisville			\$64,676	\$91,698	NA	
DFW Average:		\$53,940	\$84,102	\$63,880	\$100,744	\$149,113
<i>2018 National Benchmarking Study (ALGA)</i>		<i>\$60,345</i>	<i>\$87,188</i>	<i>\$76,777</i>	<i>\$107,145</i>	<i>\$126,817</i>