



MEMORANDUM

DATE: July 25, 2022
TO: Internal Audit Advisory Committee
FROM: Madison Rorschach, City Auditor *Madison Rorschach*
SUBJECT: Fiscal Year 2021-22 Third Quarter Performance Report

FY21-22 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 FY21-22 Annual Internal Audit Plan at the end of the third quarter.

Table 1: FY21-22 Audit Project Status As of 06/30/22

Audit Project	Status	Months Budgeted	Month Actuals ¹
Overflow: Emergency Medical Services: Ambulance Billing	Closed	4.00	4.25
Energy Management Office Administration	Closed	3.00	3.75
Wastewater System Operations: Collections	Closed	2.00	2.75
Wastewater System Operations: Reclamation	Closed		
Network Management: Security Controls	Fieldwork	5.00	5.50
Network Management: Asset Lifecycles	Fieldwork		
Warehouse Operations	Fieldwork	2.00	3.25
Police Body-Worn Camera Usage	Not Started	3.00	NA
Overflow – Roadway Quality Management	Closed	1.00	0.50
Overflow – Police Overtime	Complete	1.00	0.75
Overflow – Police Property Room: Procedures	Closed	1.00	1.00
Utility Payment Assistance Program Follow-Up Review	Complete	1.00	1.00
Facilities Maintenance Follow-Up Review	Closed	1.00	0.75
Capital Projects Administration: Property Acquisition Follow-Up Review	Closed	1.00	2.25
Health Insurance Operations: Follow-Up Review	Closed	1.50	2.00
Economic Development: Retention & Expansion Follow-Up Review	Not Started	1.00	NA
Grants Management Follow-Up Review	Not Started	1.00	NA
Procurement Process: Second Follow-Up Review	Not Started	1.00	NA

¹ Month actuals reflect the number of months it took to complete fieldwork on the project. This is calculated from the date of the entrance conference to the date the first draft report was distributed to management.

Post-Audit Feedback Survey Results – Based on the four audit project reports issued during the third quarter of fiscal year 2021-22, the Internal Audit Department's services were rated 4.75 out of five stars by auditee department's staff with a 40 percent response rate.

Avg. Q3 Internal Audit Service Rating: 

Ad-Hoc Project Updates – The Internal Audit Department completed the following Consultation projects during the third quarter of fiscal year 2021-22:

- Two Advice requests from the Technology Services and Engineering Services Departments; and
- Four Fraud Hotline Complaints were submitted. Per City Policy 509.01 "Fraud Response," these submission were reviewed by the Investigation Committee. All four of these cases have been closed.

Technology Services Audit Project Retitle – The Technology Services audit project was retitled to "Network Management" to better reflect the scope and objectives of the audit.

2022 Risk Assessment

Each year, the Internal Audit Department conducts a risk assessment as part of the process to develop the upcoming audit plan. The 2022 risk assessment was based on quantitative and qualitative factors shown in Table 2:

Table 2: 2022 Risk Assessment Factors

Risk Type	Risk Factors	Description
Financial	Funds Processed	Revenues, expenses, or investments created or processed by a function
	Capital Investment	Planned five-year capital expenditures for a function
	Operating Expenses	Budgeted operating expenses for a function
Operational	Labor Inputs	Number of employees dedicated to a function
	Service Impacts	Direct impact to residents if function was ineffective
	Functional Impacts	Direct impact the City's ability to operate if the function was ineffective
	Strategic Priority	Relation of the function to a Council strategic priority
Reputational	Function Type	Type of impact on the public: utility good, public service, organization-wide planning, & internal service
	Safety Impacts	Direct impact on public health and safety if function was ineffective
	Bad Actor Impact	Loss of trust if a function had a bad actor

Ethical	Control Function	Function acts as a control for other City functions or outside parties
	External Monitoring	Function is regularly monitored by external regulatory agency
	Internal Monitoring	Function is regularly monitored by an internal control function
	Regulatory Requirements	Function is subject to Federal, state, or local regulatory requirements

Using these factors, the Department assessed the inherent risk of 111 identified City functions to calculate a weighted risk score. The following table summarizes the average inherent risk score for each City Department as well as the number of audits that have covered each department.

Table 3: 2022 Risk Assessment Result Summary

Department	Risk Score	Reports Issued	Department	Risk Score	Reports Issued
Customer Service	88	3	Development Services	52	2
Solid Waste	76	0	Parks & Recreation	51	0
Finance	67	4	Procurement	50	3
Water Utilities	66	6	Community Services	48	0
Denton Municipal Electric	64	2	Animal Services	46	0
Facilities Management	64	1	Human Resources	46	1
Engineering Services	63	3	Fleet Services	41	0
Emergency Management	61	1	Airport	40	0
Fire	61	1	Economic Development	40	1
Public Safety Communications	60	0	Environmental Services	36	1
Public Works	59	1	Technology Services	35	2
Police	57	3	Library Services	33	0
Municipal Court	54	1	Public Affairs	30	0