

# Innovation and Internal Controls

**AGA Dallas Chapter  
January 25, 2018**

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City of Dallas**



# Training Objective: Learn About

- The City of Dallas' Center for Performance Excellence (CPE)
- The various services provided by CPE
- CPE's current initiatives
- Internal Controls
- Internal Controls Services' collaborative initiatives within CPE



## OUR MISSION

**To enhance the vitality and quality of life for all in the Dallas community**

## FOCUS

**Committed to building a “Service First” culture and the values of service:  
Empathy, Ethics, Excellence, Equity**



# Background

The **Center for Performance Excellence (CPE)** serves as the City's internal consultants for City employees enabling them to provide more efficient and effective services to citizens through the disciplined application of proven management systems



# Background

Overall goals for CPE include:

- Reduce Costs (current and future)
- Reduce Risk by improving internal controls
- Enhance Responsiveness for citizens/customers
- Increase Capacity of existing workforce (save time)
- Motivate Workforce: Employee Empowerment + Job Enrichment = Productive Team Members
- Improve Organizational Communications to enable sharing of improvement ideas
- Leverage Partnerships by applying best practices



# CPE's Purpose

## WHY

We believe that every employee is an equal partner – empowered to be involved and invested to identify new ideas and solve problems for a greater Dallas

## HOW

We engage, empower, and develop employees to build their awareness, knowledge, and skills to achieve organizational excellence

## WHAT

A hub of innovation that facilitates change



# CPE's Programs

- **BIG (Build, Innovate, Give) Academy** – Training and development
  - **Critical Thinking**
  - **Customer Service**
  - **Effective Business Writing**
  - **Emerging Leaders** – Leadership development program
  - **Facilitation Services** – Group decision-making process, facilitated risk discussions, SWOT analysis
  - **M3 Effect: Make Meetings Matter**
- **Employee Advisory Councils (EACs)** – Empowers employees to identify issues and find solutions through innovation



# CPE's Programs

- **Internal Control Services** – Improve Internal Controls through education, monitoring and assistance in remediating audit deficiencies, internal control audits, and annual internal control reporting including a management internal control self-assessment
- **ISO 9001:2015** – Quality Management System integrated with systems for Environmental Compliance and Occupational Health and Safety Assessment Series
- **Lean Six Sigma** – Process, Systems, and Operations Improvement to systematically remove waste and reduce variation





# CPE's Programs

- **Spirit of Excellence Employee Recognition Program** – Citywide Employee Recognition Program, including peer to peer recognition cards and group celebrations
- **Survey Solutions** – Internal Survey Services
- **Toastmasters** – Leadership and Communication Skills
- **Weight Watchers** – Lifestyle System Support
- **Internal Communications** – Employee Awareness through Citywide email announcements, websites, and social media



# CPE's Programs Recap

- Total staff of eleven
- Fifteen different programs
- Each program operates independently
- Staff supports each other's programs



# CPE Program Initiatives

## BIG Academy – Training and Development

- **Customer Service Training**
  - The new City Manager, T.C. Broadnax, developed
    - Four new core values of Empathy, Ethics, Excellence, Equity
    - New management philosophy of “Our Product is Service”
    - T.C.’s signature block is preceded by “In the Spirit of Excellence!!”



# CPE Program Initiatives

## **BIG Academy – Training and Development**

- **Customer Service**
  - BIG Academy is tasked with developing Values of Service training to align with the City Manager's core values
  - BIG Academy will offer live and electronic training formats to ensure that the more than 13,000 City employees receive the mandatory training this year



# Community Survey Results

	2005	2006	2007	2009	2011	2013	2014	2016	<b>2018 GOAL 80%</b>
Knowledge of City Employees	54%	53%	60%	75%	74%	74%	73%	<b>75%</b>	
Responsiveness of City Employees	47%	46%	54%	69%	67%	68%	64%	<b>69%</b>	
Courtesy of City Employees	52%	50%	57%	75%	74%	75%	74%	<b>74%</b>	
Overall	48%	47%	54%	69%	67%	67%	67%	<b>72%</b>	



# City Core Values - EMPATHY

## Defined

Be compassionate, understanding, and listen

## Message

Never get too busy to listen or lose sight of why we are here...**SERVICE!**



# City Core Values - ETHICS

## Defined

Be transparent, open, and honest

## Message

- Public servants are held to a higher standard
- We must always strive to do the right thing
- Public service is public trust



# City Core Values - EXCELLENCE

## Defined

Commit to continuous improvement

## Message

- Seek out best practices
- Become an expert in your field
- Have the courage to get work executed
- Make an impact in the community





# City Core Values - EXCELLENCE



# City Core Values - EQUITY

## Defined

Understand the diverse needs of the community we serve

## Message

Ensure everyone has access to opportunities necessary to satisfy their essential needs

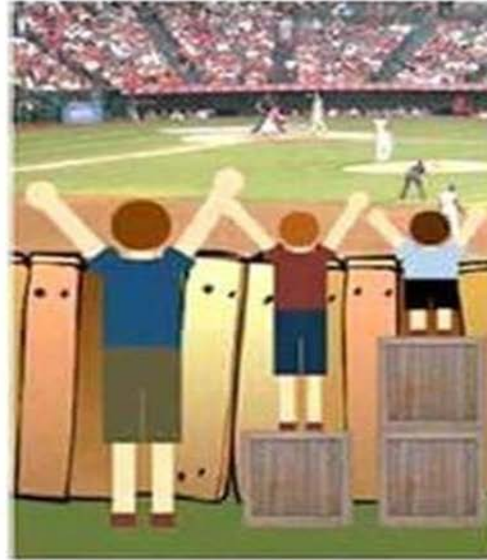


# City Core Values - EQUITY

## EQUALITY VERSUS EQUITY



In the first image, it is assumed that everyone will benefit from the same supports. They are being treated equally.



In the second image, individuals are given different supports to make it possible for them to have equal access to the game. They are being treated equitably.



In the third image, all three can see the game without any supports or accommodations because the cause of the inequity was addressed. The systemic barrier has been removed.



# CPE Program Initiatives

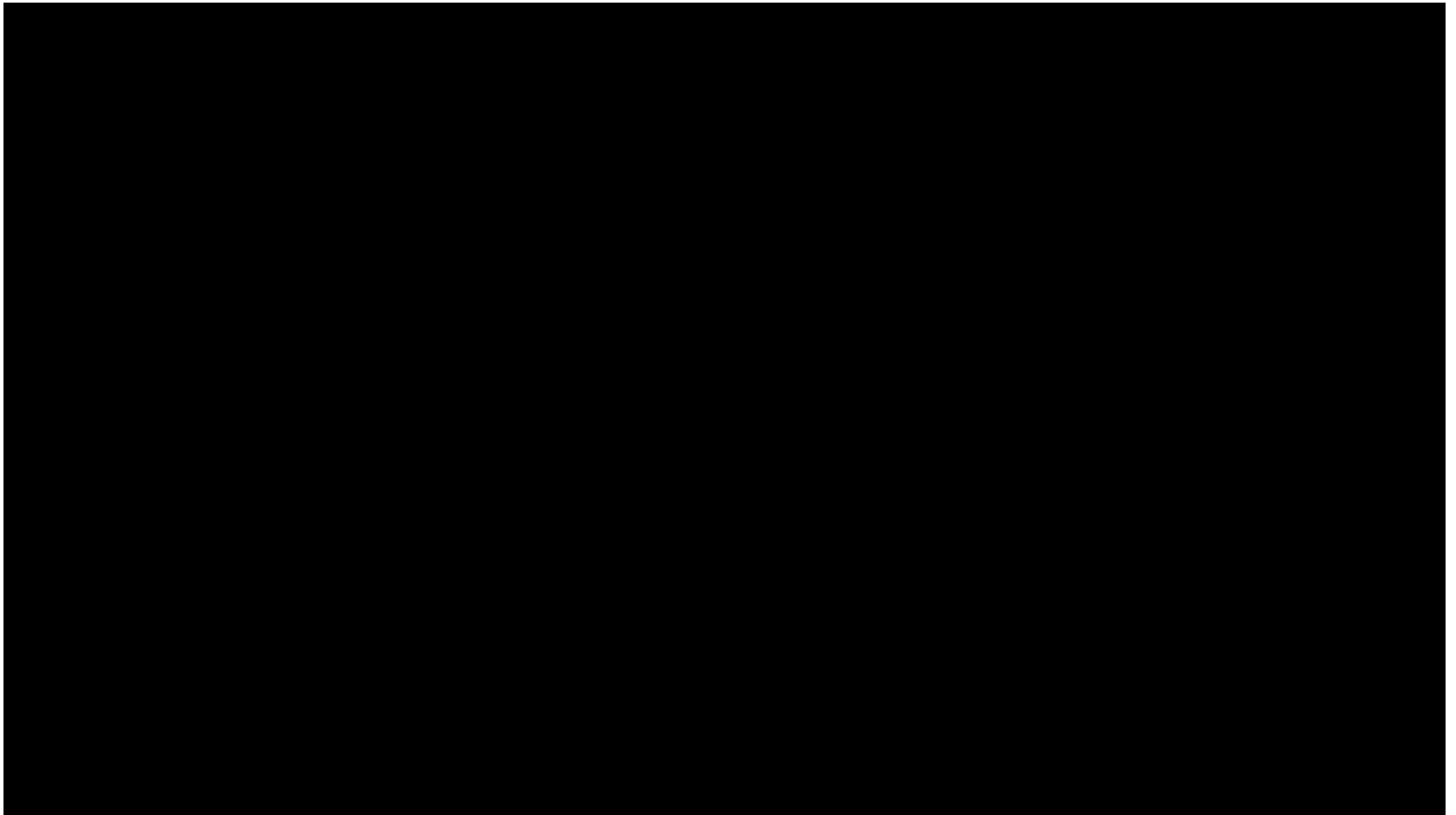
**Employee Advisory Councils (EACs) –**  
Empower selected employees to advocate on behalf of their co-workers to identify issues and find solutions and innovations to increase work place quality of life

Recent solutions include:

- Advocacy for flexible work schedules
- Improved uniforms for field staff



# CPE Program Initiatives – EAC Activity



# CPE Program Initiatives

**ISO 9001:2015** – Quality Management System (QMS) integrated with systems for Environmental Compliance (EMS) and Occupational Health and Safety Assessment Series (OHSAS)

- All three ISO systems, for more than 20 user departments, were converted from Intalex to Entropy last year
- Those departments are currently undergoing internal audits in preparation for external certification audits for the new 2015 standard this summer



# CPE Program Initiatives

**ISO 9001:2015** – Quality Management System (QMS) integrated with systems for Environmental Compliance (EMS) and Occupational Health and Safety Assessment Series (OHSAS)

- All ISO documents, such as procedures, working instructions, and forms, are currently maintained on an external website with very limited update access available
- CPE is leading the development of a new SharePoint webpage so that user departments are able to upload their own documents



# CPE Program Initiatives - ISO 9001

The ISO 9001 standard acts as a framework

It specifies what must be done, but because every department is *different* it does not specify how it must be done





# CPE Program Initiatives - ISO 9001

## ISO 9001 means:

- **“Say what you do”** – Have written procedures
- **“Do what you say”** – Follow your written procedures
- **“Provide evidence”** – Keep records that prove that you followed your procedures



# CPE Program Initiatives - ISO 9001

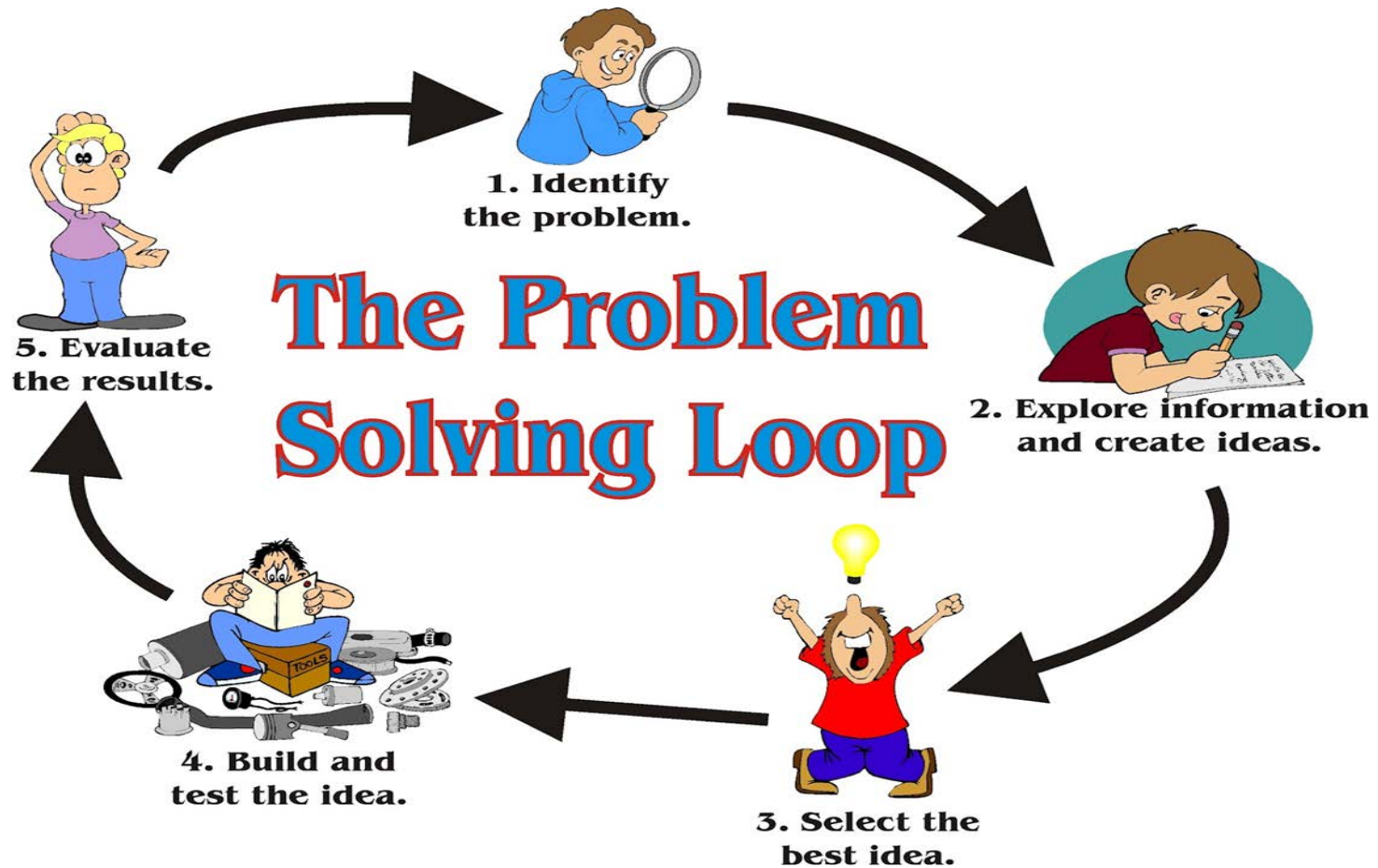
## ISO 9001– Quality Management System (QMS)

**Ensures processes are repeatable and consistent to**

- enhance quality of services,
- improve customer service, and
- improve productivity and efficiency



# CPE Program Initiatives - ISO 9001



# CPE Program Initiatives

**Lean Six Sigma (LSS)** – Process, Systems, and Operations Improvement to systematically eliminate waste and reduce variation in service. LSS projects identify hard and soft cost savings, process improvements and new ways to serve our residents.

LSS is a combination of two disciplined, data-driven approaches and methodologies for improving performance

- Lean focuses on dramatically improving flow in the value stream and eliminating waste resulting in improved efficiency and speed
- Six Sigma focuses on eliminating defects and reducing variation in processes resulting in improved effectiveness



# CPE Program Initiatives

## Lean Six Sigma (LSS)

- Two Master Black Belts, two new Black Belts, and all Green Belt candidates work on LSS projects. Each year, 50 new Green Belts are educated as well as about 350 new Blue (White) or Yellow Belts.
- Green Belt candidates are trained over a four month period while they are completing a LSS project within their work area. Executives support the program by allowing their Green Belt candidates to work up to 20% of their hours on their Green Belt project.
- Total savings achieved in Fiscal Year 2016-2017 were \$1,598,947, including \$867,011 in actual hard cost savings



# CPE Program Initiatives – LSS Projects

Examples of recent Lean Six Sigma projects include:

- Analyze 311 Customer Service Call Center Costs
- Improve the 311 Customer Service Hiring Process
- Improve the 911 Emergency Call Center Hiring Process
- Reduce Dallas Fire Rescue Overtime
- Reduce the Water Utility Usage of Chlorine and Sulfur Dioxide
- Reduce Central Waste Water Overtime

Examples of ongoing Lean Six Sigma projects include:

- Reduce Sanitation Services Overtime
- Assist with the redesign of Open Records Request Process
- Assist with the redesign of the Council Agenda Process



# CPE Program Initiatives

## – LSS Personnel Trained

Belt Level	Currently	Goal
Master Black Belt	2	2
Black Belt	2 (in training)	6
Green Belt	140	Add 50 each year
Yellow Belt	241	Add 100 each year
Blue Belt	377	Add 100 each year



# CPE Program Initiatives – LSS Financial Impact

## Improvement Projects All Time Savings (Millions)

	Combined Savings	Hard Savings	Soft Savings
Estimated Combined Savings	\$4.50	\$2.22	\$2.28
Actual Combined Savings	\$2.13	\$0.99	\$1.14

Estimated vs Actual Savings – difference is potential but not yet realized savings

Hard Savings are reductions in dollars spent, such as reduction of prices paid, reallocated FTEs and increased revenue

Soft Savings are efficiency savings from less time spent or minimizing non-value added activities





# CPE Program Initiatives

## – LSS Project Example

### Reduce Leak Adjustment Process Time

#### Project Opportunity:

Process: DWU Leak Adjustment.

On average it takes 30 minutes to complete one leak adjustment with an average wait time of 53 days.

**Green Belt: Amanda Webster**  
**Savings: \$146,622**

#### Results & Outcome

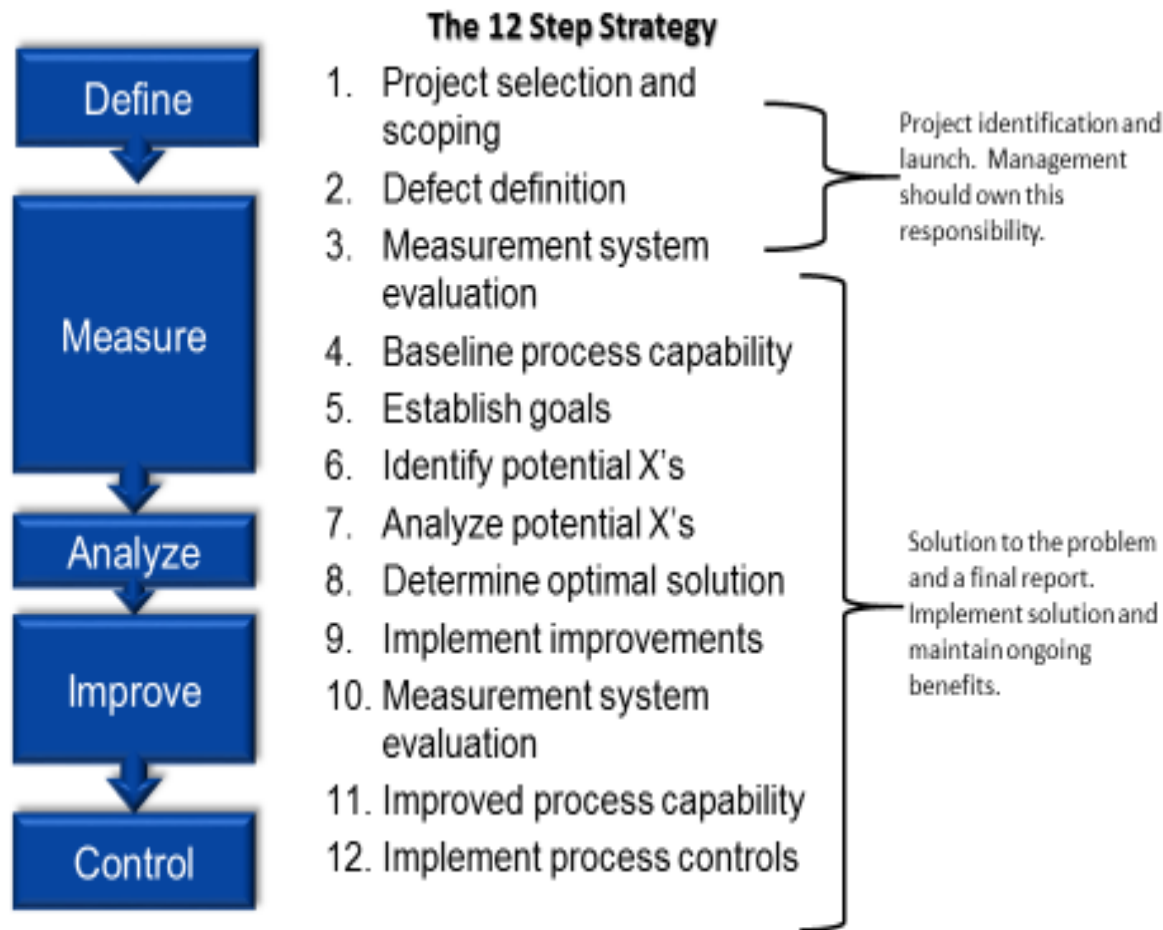
The Leak adjustment process was scrapped and a new process was created.

- We went with the standard SAP process for adjustments
  - Takes less time
  - Eliminated Manual steps.
  - Easier for the call taker to understand
- 2 FTE's reallocated

Implemented Standard SAP process.  
Leak Adjustment Wait time reduced from 53 to 2 days.



# CPE Program Initiatives – LSS DMAIC



# CPE Program Initiatives

**Internal Communications** through Citywide email announcements, websites, and social media, including:

- Messages from the City Manager to employees
- Training announcements
- Recognition announcements
- Upcoming events
- Upcoming schedule of training



# CPE Program Initiatives

DALLAS Center for Performance Excellence

## FOLLOW US ON SOCIAL MEDIA



**Dallas Center for Performance Excellence**

Contact us at [cpe@dallascityhall.com](mailto:cpe@dallascityhall.com)



# Internal Controls Refresher



# What are Internal Controls?

Internal controls are an integral part of any organization's financial and business policies and procedures

Internal controls consist of all the measures taken by the organization to:

- Protect resources against fraud, waste, abuse, and inefficiency
- Ensure the accuracy and reliability of accounting and operating data
- Ensure compliance with the policies of the organization
- Evaluate the level of performance in all units of the organization



# 5 Components of Internal Control

- **1 - Control Environment** - sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control. (management style, corporate culture, values, philosophy and operating style, the organizational structure, and the organization's policies and procedures)
- **2 - Risk Assessment** - the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed



# 5 Components of Internal Control

- **3 - Control Activities** - the policies and procedures that help ensure management directives are carried out
- **4 - Information and Communication** - systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities
- **5 - Monitoring** - processes used to assess the quality of internal control performance over time





# What is Risk?

**Risk is anything that could negatively (or positively) impact the organization's ability to meet its operational objectives**

**Basically you should ask yourself what could go wrong and what do we need to protect?**

**Please Note....**

**We should design control activities to address risk**



# Key Control Activities

**Control Activities** include the policies and procedures that help ensure management goals are met, such as:

- **Segregation of duties** – duties are divided among different employees to reduce the risk of error or inappropriate actions.
- Example – receiving cash, preparing deposits and reconciling the bank deposit should be completed by different employees.



# Key Control Activities

- **Authorization and Approval** – transactions should be authorized and approved to help ensure the activity is consistent with departmental or institutional goals and objectives.
- Example – a department may have a policy that all purchase requisitions and invoice vouchers must be approved by the director. It is important that the approver has the delegated authority and knowledge.



# Key Control Activities

- **Reconciliation and Review** – performance reviews of specific functions or activities may focus on compliance, financial, or operational issues. Reconciliation involves cross-checking transactions or records of activity to ensure that the information reported is accurate.
- Example – bank reconciliations should be reviewed and approved; operations should have built in check points for supervisor review.



# Key Control Activities

- **Physical Security - Equipment, inventories, cash, checks, and other assets should be physically secured and periodically counted and compared with amounts shown on control records.**
- Example - periodic confirmation of equipment by individual departments is a physical security control; keeping cash secured in a safe prior to bank deposit is a physical security control.



# Monitoring Internal Controls

**Monitoring is key....**

**The controls put in place must be periodically reviewed and assessed to ensure that they are effective and adequate**

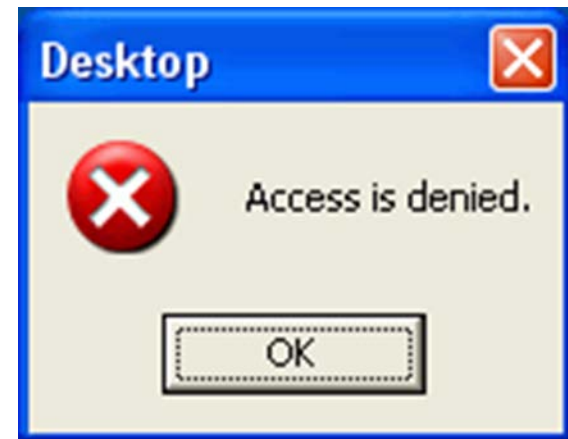


# Types of Internal Controls

**Preventative Techniques**...are designed to provide reasonable assurance that only valid transactions are recognized, approved, and submitted for processing

Many of the preventive techniques are applied **BEFORE** the processing activity occurs to **prevent problems** from occurring

- Segregation of duties
- Physical safeguard and access restriction controls
- Effective planning and budgeting process



# Types of Internal Controls

**Detective Techniques**...are designed to provide reasonable assurance that errors and irregularities are discovered and corrected on a timely basis

Detection techniques normally are performed **AFTER** processing has been completed to timely **detect problems** that occurred.

- Reconciliations
- Budget to actual comparison
- Review of on-line access and transaction logs





# Why Controls Don't Always Work

- Inadequate knowledge of policies or governing regulations.  
*“I didn't know that!”*
- Inadequate segregation of duties.  
*“We trust ‘A’ who does all of those things.”*
- Inappropriate access to assets.  
*Shared passwords, cash not secured...*
- Form over substance.  
*“You mean I'm supposed to do something besides initial/sign it?”*
- Control override.  
*“I know that's the policy, but we do it this way.”*  
*“Just get it done, I don't care how!”*



# Internal Control Failure Example



- Over 8 years, Sandy Jenkins earned \$50,000 per year or \$400,000
- Over those 8 years, Sandy personally spent \$16.7 million
- Sandy wrote 888 company checks for personal expenses
- Now Sandy is in federal prison



# CPE's Programs & Initiatives

## Recap of Programs & Initiatives

- Total staff of eleven
- Fifteen different programs
- Each program operates independently
- Staff supports each other's programs



# CPE's Programs & Initiatives

**How do all these  
programs and initiatives  
help improve internal  
controls?**



# CPE's Programs & Initiatives

# Innovation & Collaboration!



# Draft Administrative Directive

## Standard for Documenting Work Processes

Presented by:

Renee L. Hayden, CPA, CFE  
Center for Performance Excellence



# Background

- Lack of formal (written, approved, and dated) policies and procedures for processes in the City – very common audit finding from the City Auditor
- Wide variety of formats used by departments for written policies and procedures
- Currently documented policies and procedures lack integrated internal controls





# Purpose

- Use ISO format for all written policies, procedures, work instructions, and forms (not for ISO certification)
- Standardize format across departments
- Enable better integration of internal controls
- Enable sharing of common procedures





# Draft Administrative Directive (AD) Contents

- Guidance for using the standard format
- Formal approval process to document adoption of new or revised policies, procedures, work instructions, and forms
- Inventory list of policies, procedures, work instructions, and forms available for use
- Inventory list of policies, procedures, work instructions, and forms requiring annual review

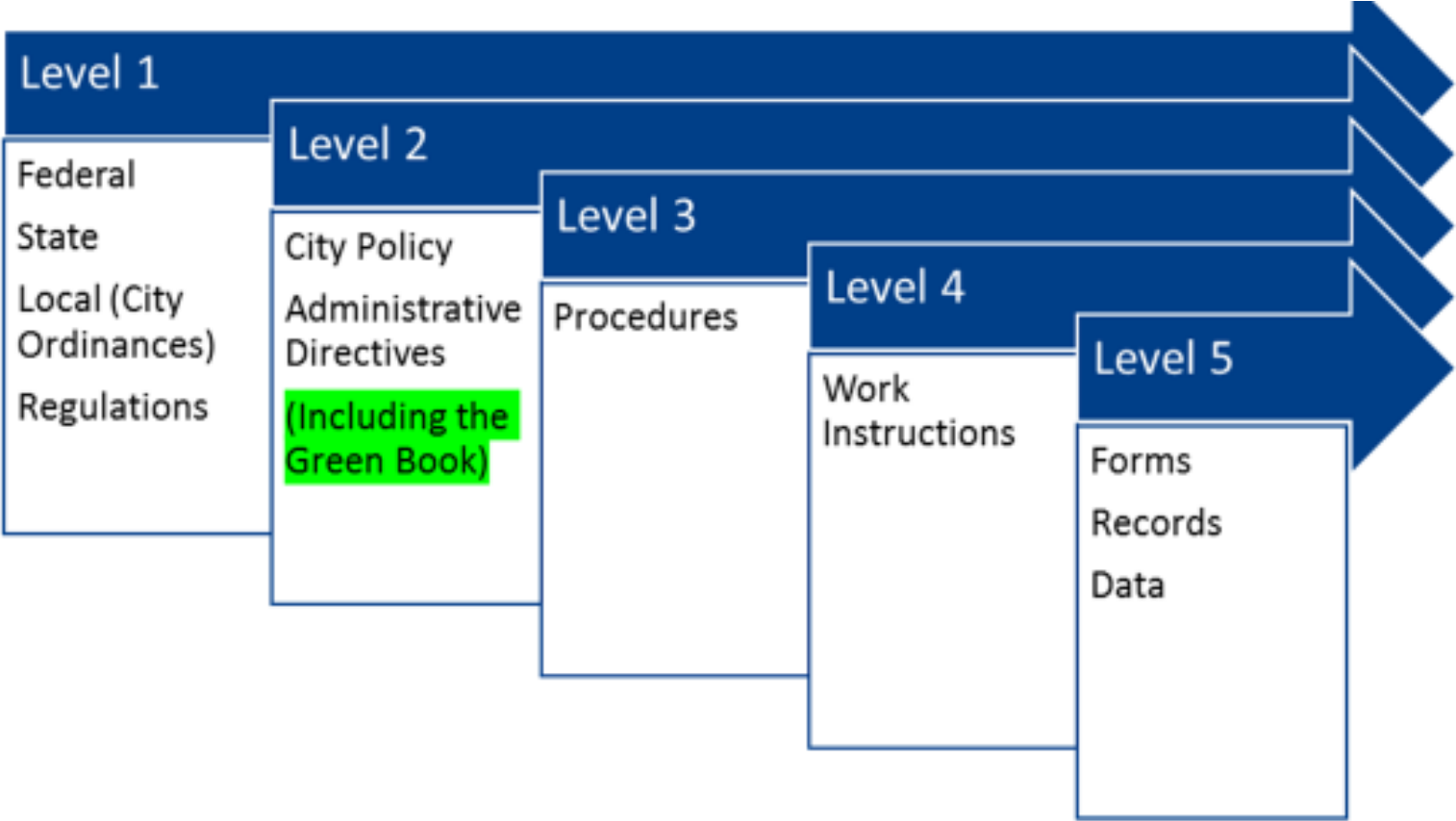


# Putting the GAO Green Book into Action

<b>Green Book</b>	ISO PRO & WKI Policies & Procedures	Actual Operations
<i>What we should be doing</i>	<i>What we say we do</i>	<i>What we actually do</i>
<p><b><u>CPE Internal Control Services</u></b>            Work to better align ISO PRO, WKI and other policies and procedures with the Green Book <b>(NEW AD)</b></p>		
	<p><b><u>CPE ISO Auditors</u></b>            Audit to ensure departments follow written policies and procedures</p>	
<p><b><u>City Auditors</u></b>            Audit to ensure departments perform as they should, including having policies and procedures</p>		



# Putting the GAO Green Book into Action



# Draft Administrative Directive (AD) Contents

New AD will require consideration of the following four key internal control activities:

- **Segregation of Duties**

Duties are divided among different employees to reduce the risk of error or inappropriate actions.

- **Authorization and Approval**

Transactions should be authorized and approved to help ensure the activity is consistent with departmental or institutional goals and objectives.



# Draft Administrative Directive (AD) Contents

- **Reconciliation and Review**

Performance reviews of specific functions or activities may focus on compliance, financial, or operational issues. Reconciliation involves cross-checking transactions or records of activity to ensure that the information reported is accurate.

- **Physical Security**

Equipment, inventories, cash, checks, and other assets should be physically secured and periodically counted and compared with amounts shown on control records.



# Collaboration between Internal Control Services and the ISO Lead Auditor



- One of the two Internal Control Analysts is now the backup for the Lead ISO Auditor for updating the current repository of policies, procedures, work instructions, and forms on the 4eval.com website.
- Formerly, the Lead ISO Auditor was the only person updating the repository for more than 20 departments.
- The Internal Control Analyst is also involved in developing a SharePoint website which will replace 4eval.com and be used by all departments for their policies, procedures, work instructions, and forms.



# Scheduled Timeline for New AD



- Information Technology is setting up a SharePoint website for all ISO formatted written policies, procedures, work instructions, and forms by June 30, 2018
- Administrative Directive should be issued around June 30, 2018 requiring inclusion of four key internal control activities
- New written policies, procedures, work instructions, and forms will be required to use the new ISO format by June 30, 2019
- Existing written policies, procedures, work instructions, and forms will be required to use new ISO format by June 30, 2020



# Scheduled Timeline for New AD



- New written policies, procedures, work instructions, and forms will be required to use the new ISO format by June 30, 2019
- Existing written policies, procedures, work instructions, and forms will be required to use new ISO format by June 30, 2020





# Benefits of New AD & SharePoint

- All City policies and procedures will be on a City secured website instead of a third party website
- City departments will be able to upload their own documents
- With all City policies and procedures in a single repository, documents can be designated as “best practice” for use by other City departments



# Cash Handling Audits of ISO Certified Departments



- The Internal Control Analyst and other CPE staff perform risk based cash handling audits of ISO certified departments. Risk is determined from department completed Cash Internal Control Questionnaires.
- The Internal Control Analyst uses the Entropy ISO Auditing software and will become a backup expert on Entropy for the departments.
- The Internal Control Analyst is also training on the ISO standards to backup the Lead ISO Auditor on training.



# Training Objective Recap:

## Learn About:

- The City of Dallas' Center for Performance Excellence (CPE)
- CPE's various services
- CPE's current initiatives
- Internal Controls refresher
- Internal Controls Services' collaborative initiatives within CPE



## Challenge / Take Away

**Are there opportunities to innovate through the collaboration of talents and services within your organization?**



# Innovation and Internal Controls

AGA Dallas Chapter  
January 25, 2018

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