



## **Independent Audit Committee**

### **City & County of Denver**

Meeting Minutes

Thursday, March 16, 2017, 9:00 a.m.

#### **Opening**

Chairman Timothy M. O'Brien, CPA, Auditor, called the meeting to order.

#### **Members Present**

Vice-chairman Rudy Payan, Florine Nath, Edward Scholz, Charles Scheibe, Leslie Mitchell, and Jack Blumenthal were present.

#### **Also Present**

Deputy Auditor Valerie G. Walling and Committee staff Mollie Horne were also in attendance.

#### **Approval of February 16, 2017 Minutes**

The minutes were approved as written.

#### **Audit Report Briefing: Denver Arts & Venues Red Rocks Event Contracts**

Audit Manager Dawn Wiseman, Senior Auditor Rob Farol, and Staff Auditor Brandon Stolba presented the audit findings and recommendations. Kent Rice, Executive Manager, Denver Arts and Venues; Frank Delmonte, Chief Financial Officer, Denver Arts and Venues; and Tad Bowman, Red Rocks Venue Director were present to respond to the audit report.

Denver Arts & Venues agreed with all five of the Audit Team's findings and recommendations. The recommendations and the Denver Arts & Venues responses from the audit report are summarized below. For the full text of the agency's written response to the recommendations, please see the report itself by visiting [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports. This report is published under the 2017 Audit Reports header and is titled "[Red Rocks Event Contracts](#)." View the video recording of the audit report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the "[Watch Audit Committee meetings](#)" button at the top of the page. The most recent video will be listed first.

**Recommendation 1.1**

**Timely Contract Execution**—Denver Arts & Venues management should monitor that signature pages or fully executed agreements are properly obtained prior to the event date and added timely to the City’s document management system.

**Auditee Response:** Agree, Implementation Date – 2017 Season

**Recommendation 1.2**

**Award Charge Authorization**—Red Rocks and Denver Arts & Venues personnel should obtain authorizing documentation for the entertainer awards that are being charged to the event settlement.

**Auditee Response:** Agree, Implementation Date – 2017 Season

**Recommendation 1.3**

**Service Provider Controls**—Denver Arts & Venues management should strengthen its internal controls by requesting, obtaining, and reviewing an SSAE 16 report for the ticketing system, or similar assurance, at least annually.

**Auditee Response:** Agree, Implementation Date – Completed February 14, 2017

**Recommendation 1.4**

**Electronic Funds Transfer**—The Denver Arts & Venues Director of Finance should work with the Cash, Risk and Capital Funding Division to develop a formal risk and efficiency analysis to determine whether electronic funds transfer is a proper solution for payment of event settlements.

**Auditee Response:** Agree, Implementation Date – June 14, 2017

**Recommendation 1.5**

**Document Waived Interest Penalties**—Denver Arts & Venues should document the rationale for all decisions to waive interest penalties assessed on late payments from venue users.

**Auditee Response:** Agree, Implementation Date – May 15, 2017

**Follow-Up Audit Report Briefing: Department of Finance Accounting Services Audit**

Audit Manager Dawn Wiseman and Senior Auditor Darrell Finke presented the follow-up audit recommendations and findings. City Controller Beth Machann and Director of Financial services Bill Riedell were present to respond to the follow-up audit report. For the full text of the follow-up report, including auditee actions, please visit [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports. This [follow-up report is published](#) under the 2016 Audit Reports header below its corresponding original audit, dated March 2016.

The follow-up audit report was discussed. The findings, summarized below, indicate that while clients are satisfied with services, opportunities exist for Accounting Services to strengthen its communications and management strategy.

**Recommendation 1.1—IMPLEMENTED**

**Succession Plan**—Accounting Services should develop a formal succession plan with strategies related to workforce planning, recruitment, and retention.

**Recommendation 1.2—IMPLEMENTED**

**On-boarding Process**—Accounting Services should consistently follow all steps of its on-boarding process for all new client agencies, and complete all SLAs for its current client agencies.

**Recommendation 1.3—PARTIALLY IMPLEMENTED**

**Service Level Agreements**—Accounting Services should formalize a structure for the annual review and maintenance of service level agreements, which should include updating all service expectations, communication expectations, performance measurements, and issue resolution mechanisms.

**Recommendation 1.4—IMPLEMENTED**

**Customer Satisfaction Survey**—Accounting Services should develop an additional customer satisfaction survey or similar measurement tool that is administered consistently and analyze the data to understand trends in client feedback over time. Conclusions from the data should be used to inform the unit’s broader communications and management strategy.

**Recommendation 1.5—PARTIALLY IMPLEMENTED**

**Performance Measurement**—Accounting Services should develop a comprehensive performance measurement strategy, which include already established and new performance measures and related goals, customer service feedback targets, and a strategy for communicating performance to clients.

**Follow-Up Audit Report Briefing: Budget and Management Office Audit**

Audit Supervisor Emily Owens and Senior Auditor Ron Keller presented the follow-up audit recommendations and findings. Budget Director Stephanie Karayannis Adams and Financial Manager Steve Bohn were present to respond to the follow-up audit report. For the full text of the follow-up report, including auditee actions, please visit [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports. This [follow-up report is published](#) under the 2015 Audit Reports header below its corresponding original audit, dated December 2015.

The follow-up audit report was discussed. The findings, summarized below, indicate that the Budget and Management Office should enhance performance measure practices in the budget development process. Additionally, the Budget and Management Office can take steps to enhance the determination of unassigned general fund balance and contingency reserves documentation.

**Recommendation 1.1**

Establish a formal process to ensure that performance information is reliable. Specifically, BMO should:

- a. Require that agencies provide BMO with the supporting documentation for performance measures included in agency budget proposals. This support should include, at a minimum, the source of the data, any limitations or assumptions associated with the data or measures, and whether the data was validated by the agency and the process used to validate, if applicable.

**Status: PARTIALLY IMPLEMENTED**

- b. Develop a process to determine when to assess agency documentation for reliability. This could include establishing a risk-based approach that includes set criteria that would prompt the need for additional review and independent validation of the data.

**Status: PARTIALLY IMPLEMENTED**

**Recommendation 1.2—IMPLEMENTED**

Enhance communication to all applicable agency personnel at the end of the budget process. In this communication, BMO could provide additional feedback regarding the reasons why budget requests were denied and whether performance measures submitted with a request could be enhanced or alternate or additional measures could be developed to better support a subsequent similar budget request.

**Recommendation 2.1—PARTIALLY IMPLEMENTED**

In conjunction with other Department of Finance divisions, the Budget and Management Office should periodically assess the policy that establishes the unassigned general fund balance.

- a. As part of this assessment, BMO should identify best practices and should conduct an analysis of Citywide risks, which should take into account what other reserves are available to address some of those risks, and then ultimately determine the total dollar amount that is needed from the unassigned general fund balance to address remaining needs. Due to potential limitations in City resources and expertise, BMO should determine whether this assessment is performed by internal resources or by utilizing an external source that is knowledgeable in this approach.

**Status: PARTIALLY IMPLEMENTED**

- b. After performing a risk-based assessment and establishing unassigned general fund balance reserves, the General Fund Reserve policy should be updated to communicate results of the risks identified and how they affected the determination of unassigned general fund balance.

**Status: NOT IMPLEMENTED**

**Recommendation 2.2—IMPLEMENTED**

In conjunction with other Department of Finance divisions, the Budget and Management Office should expand City General Fund Reserve Policy language to incorporate the usage of contingency reserves for purposes not clearly identified in the established criteria, such as foreseen expenditures not budgeted in the current year.

**Recommendation 2.3—IMPLEMENTED**

The Budget and Management Office should develop a formal supplemental request process that includes a structured request document to ensure documentation is provided and retained to support the need and use of general fund contingency reserves.

**Report Briefing: Citywide Information Systems Maturity Assessment**  
***(Concluding in Executive Session)***

Hein & Associates Partner Bill Evert, Associate Donald McLaughlin, and Associate Brian Cather, with Audit Supervisor Shannon Kuhn, presented a high-level summary of the report findings. Chief Information Officer Scott Cardenas and Chief Technology Officer Chris Todd were present on behalf of Technology Services to respond to the report.

Hein & Associates discussed the purpose and scope of the report. Technology Services agreed with the report findings. For the full text of the public portion of the report, please visit [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports. This report is published under the 2017 Audit Reports header and is titled “[Citywide Information Security Assessment](#).” View the video recording of the audit report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the “[Watch Audit Committee meetings](#)” button at the top of the page. The most recent video will be listed first.

With no other public business, Jack Blumenthal moved to continue the meeting in Executive Session to discuss the confidential findings and recommendations of the report. Vice-chairman Rudy Payan seconded the motion. With no objections to the motion, the public portion of the meeting was adjourned at 10:01 a.m.

The next Audit Committee meeting will be held on Thursday, April 20, 2017 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3<sup>rd</sup> floor of the City & County Building at 1437 Bannock Street.

**Conclusion of Citywide Information Systems Maturity Assessment Report Briefing (in Executive Session)**

During Executive Session, the Audit Committee received the report, and no actions were taken by the Committee. Scott Cardenas expressed his appreciation for the way the Hein reports help provide a framework and a road map for moving forward. Auditor O’Brien said the Auditor’s Office will meet with the Mayor and City Council to discuss the report and its findings.

With no other business, the Committee adjourned at 10:35 a.m.

Prepared by Mollie Horne, Audit Committee staff