



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, October 20, 2016

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 September 22, 2016 Minutes

The minutes were approved as written.

Introduction of the 2017 Audit Plan

Auditor O'Brien gave an overview of the goals of the Auditor's Office for 2017, reiterating the importance of a balanced plan including high-quality performance, financial, compliance, and cyber security audits. The complete [2017 Audit Plan](#) can be found on the Audit Services page of the Auditor's website.

Audit Report Briefing: Office of Marijuana Policy

Audit Supervisor Katja Freeman and Audit Supervisor Emily Owens presented the audit findings and recommendations. Executive Director Ashley Kilroy and Deputy Director Molly Duplechain were present on behalf of the Office of Marijuana Policy to respond to the audit report. Also present were Budget and Management Director Stephanie Karayannis Adams, Chief Financial Officer Brendan Hanlon, and Assistant City Attorney David Broadwell.

The audit report was discussed. The Office of Marijuana Policy (OMP) agreed with five of the Audit Team's findings and recommendations and agreed in part with one of them. The recommendations are summarized below. For the full text of the Office of Marijuana Policy's

response to the recommendations, please see the report itself by visiting www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This report is published under the 2016 Audit Reports header and is titled “Office of Marijuana Policy.”

Recommendation 1.1

OMP should work with the Budget and Management Office to develop a separate fund for marijuana-related revenue, or list marijuana-related expenditures as line items in the General Fund, and document this in the Mayor’s Budget to improve the City’s transparency and accountability with regard to this revenue source.

Auditee Response: Agree, Implementation Date: Completed

Auditor Comment: *We do not agree that this is completed.*

During the discussion of *Recommendation 1.1*, some Committee members voiced concern about transparency and accountability for marijuana tax revenues, especially as most revenues are allocated for other City services through the general fund and are not specifically budgeted for marijuana-related expenditures. Auditor O’Brien affirmed the need for more transparency, citing the Colorado State Lottery as an example for BMO to follow. When the lottery was established, the state chose to account for lottery revenues and expenditures in a special revenue fund, and they still do. The state also accounts for all marijuana funds in a special revenue fund. Auditor O’Brien thinks it would, therefore, be appropriate for the City to account for all marijuana revenues and expenditures in a special revenue fund because the public deserves to see an accessible, transparent fund, even if transactions made in such an account are simply payments to the police and fire departments for marijuana-related calls. Other Committee members agreed that more visibility is needed to maintain public trust.

Recommendation 1.2

OMP should improve its communication with all known marijuana businesses through diversifying the industry’s representation in its quarterly industry check-in meetings, striving to increase the number of marijuana businesses receiving the Marijuana Industry Bulletins via email, and timely updating the Newsroom section of the City’s Denver Marijuana Information website with all Marijuana Industry Bulletins.

Auditee Response: Agree, Implementation Date: January 20, 2017 and Ongoing

Recommendation 1.3

OMP should identify and implement one or more strategies to increase contact with Registered Neighborhood Organizations (RNOs), either through regularly attending meetings of the RNOs with the largest concentration of marijuana businesses, or convening quarterly check-in meetings with these RNO representatives.

Auditee Response: Agree, Implementation Date: Early 2017

Recommendation 1.4

OMP should improve its strategy tracking documentation so that all previous and current strategies are documented along with their current status and the reason for the addition or removal of any strategy.

Auditee Response: Agree, Implementation Date: January 2017 and Ongoing

Recommendation 1.5

OMP should integrate its performance measures from the Mayor’s budget with the goals and strategies from its strategic plan and incorporate more outcome, or impact-related, measures.

Auditee Response: Agree, Implementation Date: January 20, 2017

Recommendation 1.6

OMP should formally document the outcomes, such as action items or decisions made, of each of its recurring meetings with City agencies as well as external stakeholders.

Auditee Response: Agree in part, Implementation Date: January 20, 2017

Auditee Narrative: All of OMP’s regular meetings have a stated purpose, a formal agenda that is distributed before the meeting, a regular structure, a consistent method for documenting the outcomes, and a process for following up on action items. OMP “formally” documents the outcomes of workgroup meetings with external stakeholders and will continue to do so. OMP informally documents the outcomes of its internal meetings through handwritten notes taken by both the Executive Director and Deputy Director (logging who said what they would do and when), then reconciling the Executive Director and Deputy Director’s notes and following up. OMP will more formally document the outcomes of the Marijuana Team meetings through written minutes, but declines to do so for the smaller, more frequent meetings based on past experience that this administrative duty was not an efficient use of limited resources when other organizational methods were achieving reliable and successful results.

Audit Report Briefing: Information Systems Maturity Assessment

With Hein & Associates contributors Partner Bill Evert, Manager James Taylor, and Associate Donald McLaughlin, Audit Supervisor Shannon Kuhn presented the follow-up audit recommendations and findings. Chief Information Officer Scott Cardenas, and Chief Information Security Officer Stephen E. Coury were present to respond to the audit report.

Hein & Associates discussed the purpose and scope of the report. For the full text of the [report](#), please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This report is published under the 2016 Audit Reports header and is titled “[Information Systems Maturity Assessment](#).”

Executive Session

Vice-chairman Rudy Payan moved to continue the meeting in Executive Session to discuss the confidential findings and recommendations of the report. Leslie Mitchell seconded the motion. With no objections to the motion, the public portion of the meeting was adjourned at 10:08 a.m.

During Executive Session, the Audit Committee received the report, and no actions were taken by the Committee. Scott Cardenas assured the Committee that a vulnerability identified in one of the report findings has already been resolved. Auditor O'Brien said the Auditor's Office will continue its collaboration with Hein & Associates to evaluate the City's cyber security. He informed Technology Services that there will be a follow-up on the matters discussed today.

The next Audit Committee meeting will be held on Thursday, November 17, 2016 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3rd floor of the City & County Building at 1437 Bannock Street.

With no other business, the Committee adjourned at 10:45 a.m.

Prepared by Mollie Horne, Audit Committee staff