



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, December 15, 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 November 15, 2016 Minutes

The minutes were approved as written.

Announcement of the Mayor's Reappointment of Committee Member Ed Scholz

Auditor O'Brien announced the reappointment of Edward Scholz to the Committee by Mayor Hancock, effective January 1, 2017 to December 31, 2021.

Audit Report Briefing: Personally Identifiable Information

Audit Supervisor Shannon Kuhn, Lead Auditor Nick Jimroglou, Lead Auditor Jared Miller, Senior Auditor Karin Doughty, and Senior Auditor Tyler Kahn presented the audit findings and recommendations. Chief Information Officer Scott Cardenas, Chief Information Security Officer Steve Coury, and Chief Performance Officer David Edinger were present on behalf of Technology Services and the Mayor's Office to respond to the audit report.

Technology Services agreed with all six of the Audit Team's findings and recommendations. The recommendations and Technology Services responses from the audit report are summarized below. For the full text of Technology Services written 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 “Personally Identifiable Information.” The video recording of the audit report discussion can be found at www.denvergov.org/auditor. Click on the Audit Committee tab, then the “Watch Audit Committee meetings” button at the top of the page. The most recent video will be listed first.

Recommendation 1.1

Documented Guidance - The Mayor’s office needs to provide documented guidance based on National Institute of Standards and Technology (NIST) and Federal Information Processing Standards (FIPS) that is updated and disseminated annually and focuses on safeguarding Personally Identifiable Information (PII) to ensure continuity and a basic level of data protection among agencies. This guidance should be communicated through policy or executive order and include the following:

- Definition of PII
- Access rules for PII within a system
- Incident response and data breach notification
- Retention schedule and procedures
- Limits for collection, disclosure, sharing and the use of PII
- Consequences for failure to follow privacy rules of behavior
- Privacy-specific safeguards
- Requirements for informing the public on use and safeguarding of PII
- Review of the City's records, and destruction if they are not relevant
- Disposal in accordance with litigation holds and the City’s General Records Retention Schedule
- Specify a redaction or encryption procedure
- Ensure hardware has been properly sanitized prior to disposal
- Awareness, Training & Education

Auditee Response: Agree, Implementation Date: March 31, 2017

Recommendation 1.2

Policy Review and Signoff - If existing policies are incorporated as part of the overall strategy, the Mayor’s Office should ensure that they are signed by current management, reviewed annually and disseminated/publicized.

Auditee Response: Agree, Implementation Date: March 31, 2017

Recommendation 1.3

Inventory of PII - The Technology Services governance team or another team, as designated by the Mayor’s Office, should collect and maintain a complete and detailed inventory of PII.

Auditee Response: Agree, Implementation Date: March 31, 2017

Recommendation 1.4

Access Rights - Technology Services should complete their evaluation of network shared folders and the implementation of individual and group access rights and address any findings to ensure that network shares are configured appropriately to support limited access to PII.

Auditee Response: Agree, Implementation Date: First agency by March 31, 2017 with the rest by December 31, 2017

Recommendation 1.5

Tools to Safeguard Data - Technology Services should ensure that the data owners for each agency have the necessary tools or information to fulfill their role in safeguarding data. The tools or information should enable the data owners to review access to network shares that contain PII.

Auditee Response: Agree, Implementation Date: March 31, 2017

Recommendation 1.6

Roles and Responsibilities - Technology Services should define roles and responsibilities for administering annual training for PII, employee training prerequisites for receiving access to PII, and employee training frequency and refresher training requirements.

Auditee Response: Agree, Implementation Date: March 31, 2017

Annual Review of Audit Committee Charter

Auditor O'Brien reminded the Audit Committee that the Audit Committee Charter calls for an annual review of the document.

In addition to the AC Charter, the Auditor asked Committee members to consider the Annual Denver Audit Committee Resolution of Statutory Duties and Obligations, a matrix outlining the responsibilities of the Audit Committee, as mandated by the City Charter and the Denver Revised Municipal Code (D.R.M.C.). The Auditor suggested the Committee delegate a number of its duties to the Auditor's Office, including its duty to create complaint-accepting procedures and receive complaints. The Auditor advised that the administrative tasks assigned to the Audit Committee would more easily be accomplished by the Auditor's Office staff, who will alert the Committee to any problems requiring AC action.

These items, and several others assigned to the Audit Committee may be formally delegated to the Auditor by a simple motion and majority vote. Mr. Scholz moved that the Committee accept the recommendations to delegate said duties to the Auditor's Office, as outlined on the above-referenced matrix. Mr. Payan seconded the motion. Auditor O'Brien added that he would like to update the Audit Committee Charter to reflect these changes. The Committee voted, and the motion passed unanimously.

Mr. Blumenthal moved to continue the meeting in Executive Session for discussion of the Risk Assessment with BKD, the City's external auditor, as well as the Audit Committee Self-

Assessment. Ms. Mitchell seconded the motion. With no objections, the motion passed, and the public portion of the meeting was adjourned at 9:46 a.m.

Executive Session: Audit Committee Interviews on Risk Assessment with BKD

The Audit Committee met with BKD Partner Chris Telli to discuss any potential fraud risks and other concerns. Mr. Telli assured the Committee that any information gathered would be considered in BKD's audit planning procedures and investigated as needed.

Executive Session: Audit Committee Self-Assessment Process

For its annual self-assessment, as required by the Audit Committee Charter, the Audit Committee utilized a questionnaire adopted from the American Institute of CPAs (AICPA) audit committee tool book. Prior to today's meeting, Committee members reviewed the questionnaire in preparation for discussion. There will be an update in January about outcome of the Committee's self-evaluation.

The next Audit Committee meeting will be held on Thursday, January 19, 2017 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 10:37 a.m.

Prepared by Mollie Horne, Audit Committee staff

Annual Denver Audit Committee Resolution of Statutory Duties and Obligations

Purpose

This document depicts action the Denver Audit Committee (“Audit Committee”) agrees to undertake to ensure completion of those duties and obligation imposed by Denver law.

Agreement

The City and County of Denver’s Charter and Revised Municipal Code (“D.R.M.C.”) impose specific annual duties upon the Audit Committee. As a means of discharging the aforementioned duties, the Audit Committee agrees to take the following action:

Charter Duty	Means of Discharging Duty
Denver City Charter §5.2.2(A) requires the Audit Committee to select an external audit firm.	The Audit Committee shall review the performance of the external audit and based upon that review elect to maintain the current external audit firms or seek replacement external audit firms.
Denver City Charter §5.2.2(A)-(B) requires the Audit Committee to communicate internal and external audit findings.	The Audit Committee shall communicate internal and external audit findings through the Denver Auditor's Office (“Auditor’ Office”) in compliance with all statutory and government audit standards reporting requirements.
Denver City Charter §5.2.2(E) requires the Audit Committee to create procedures to receive complaints related to accounting, internal accounting controls, or auditing matters.	The Audit Committee delegates its duty to create procedures and receive complaints related to accounting, internal accounting controls, or auditing matters in Denver to the Auditor's Office. The Audit Committee requires the Auditor’s Office communicate to the Committee those complaints and risks that require Audit Committee action.
Ordinance Duty	Means of Discharging Duty
D.R.M.C. 18-347 requires the Audit Committee to conduct an annual audit of the Denver employee flex-cash accounts and report the audit findings to the Mayor, City Council, and the Auditor.	The Audit Committee delegates its duty to conduct this audit to the Auditor's Office.

D.R.M.C. 118-353(b) requires the Audit Committee to conduct an annual audit the Denver employee transit benefit plan and report the audit findings to the Mayor, City Council, and the Auditor	The Audit Committee delegates its duty to conduct this audit to the Auditor's Office.
D.R.M.C. 18-363(b) requires the Audit Committee to conduct an annual audit of the Denver employee qualified plan and report the audit findings to the Mayor, City Council, and the Auditor.	The Audit Committee delegates its duty to conduct this audit to the Auditor's Office.
D.R.M.C. 18-443 requires the Audit Committee to conduct an annual audit of the Denver employee voluntary deferred compensation plan and report the audit findings to the Mayor, City Council, and the Auditor.	The Audit Committee delegates its duty to conduct to the external audit firm.
D.R.M.C. 20- 23 requires the Audit Committee to conduct an annual audit of the petty cash imprest funds without previous notification to the agency concerned.	The Audit Committee delegates its duty to conduct this audit to the Auditor's Office.
D.M.R.C. 53-1(a)-(b) requires the Audit Committee to conduct an annual assessment of real estate for compliance with the general laws of the state and conductance of the county assessor and report the audit findings to the Mayor, City Council, and Manager of Finance.	The Audit Committee delegates its duty to conduct this audit to the Auditor's Office.

The Audit Committee reserves the right to amend the means by which it has agreed to discharge its described statutory duties.

Reporting

The Auditor's Office shall report to the Audit Committee on all duties and obligations delegated to it in compliance with all city, state, and federal laws and all generally accepted government auditing standards.

Deadline for Completion

For duties delegated to the Auditor's Office, including specifically identified audits shall be completed annually by the Auditor's Office.