



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, February 18, 2016

Opening

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

Members Present

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

Also Present

Deputy Auditor Valerie G. Walling, Director of Audit Services Kip Memmott, and Committee staff Mollie Horne were also in attendance.

Approval of January 21, 2016 Minutes

The minutes were approved as written.

Welcome to New Committee Member Charles Scheibe

Chairman O'Brien welcomed the newest member of the Committee, Charles Scheibe. Mr. Scheibe was appointed by Mayor Hancock to fill the vacancy created by the expiration of Jeff Hart's term.

Audit Report Briefing: Department of Environmental Health – Denver Health Operating Agreement

Audit Supervisor Katja Freeman, Lead Auditor Emily Owens, and Senior Auditor Lauri Dahn, along with Kip Memmott, presented the audit findings and recommendations. Senior Auditor Martin Wehrli also attended. Department of Environmental Health Executive Director Robert McDonald, Chief Financial Officer Brendan Hanlon, Budget Management Office Grant Program Administrator Laurel Delmonico, and City Attorney's Office Municipal Operations Division Director Shaun Sullivan were present to respond to the audit.

The Audit Report was discussed, and the Department of Environmental Health (DEH) was in agreement with the Audit Team's findings and recommendations, summarized below.

Recommendation 1.1

Clarify Payment Mechanism for Patient Care Services – DEH should enforce the payment mechanism documentation requirements in the Patient Care Services section of the Operating Agreement; alternatively, DEH could work with the City's Operating Agreement negotiation team to adjust the Operating Agreement language to identify what documentation would enable DEH to validate invoices from Denver Health associated with the Patient Care Services section of the Operating Agreement.

Result – DEH agrees with the recommendation and will work with the City's Operating Agreement negotiation team to evaluate, and adjust if necessary, the language within the Operating Agreement to reinforce and clarify the documentation that is necessary to validate invoices. DEH will then work with the Controller's Office and Denver Health to assure the necessary documentation is received prior to payment. The target date for implementation is Fall 2016.

Recommendation 1.2

Supporting Documentation – DEH should request additional supporting documentation with each invoice from Denver Health that includes specific metrics pertaining to a section of the Operating Agreement (e.g., types of services provided, number of people served, amounts charged per service, contractor and subcontractor invoices for construction projects) so that DEH has a clear understanding of the services being provided and the amount being billed on each invoice.

Result – DEH agrees with the recommendation and will request additional supporting documentation with each invoice when necessary and as outlined in the Operating Agreement. The target date for implementation is March 2016.

Recommendation 1.3

Reconciliations – DEH should work with the City's Operating Agreement negotiation team to add a provision that requires a reconciliation to identify services provided per payment and any budget shortfall or overage to the Patient Care Services and Poison and Drug Consultation Services sections of the Operating Agreement.

Result – DEH agrees to work with the City's Operating Agreement negotiation team to modify the language within the Operating Agreement regarding the reconciliation services provided per payment and any budget shortfall or overage to the Patient Care Services and Poison and Drug Consultation Services sections. The target date for implementation is Fall 2016.

Recommendation 1.4

Monitoring Personnel – DEH should ensure that it has the necessary staffing and skill sets for monitoring payments to and services provided by Denver Health or discuss with the City’s Operating Agreement negotiation team the establishment of a central contract manager responsible for managing oversight of the Operating Agreement.

Result – DEH agrees to engage in discussions with the City’s Operating Agreement negotiation team regarding the establishment of a central contract manager responsible for managing oversight of the Operating Agreement. The target date for implementation is April 2016.

Recommendation 1.5

Utilization Management Resource – DEH should work with BMO and the City’s Operating Agreement negotiation team to pursue the services of a utilization management professional to help the City sample and assess the billing and services provided by Denver Health on a regular basis in accordance with the Operating Agreement.

Result – DEH agrees to engage in discussions with the City’s Operating Agreement negotiation team regarding the benefits of implementing a utilization management professional. It might be possible to achieve the same goal by further utilizing existing infrastructures to include evaluating, and revising if necessary, the existing Service Level Agreement between DEH and the Controller’s Office. The target date for implementation is April 2016.

Recommendation 1.6

Quality of Services Assessments – DEH should explore conducting periodic audits, surveys, or assessments to measure the quality of services provided to residents by Denver Health.

Result – DEH agrees there should be a mechanism for validating the quality of services provided to residents by Denver Health. However, the department suggests that there are public agencies such as the Joint Commission for Accreditation that have the necessary resources and already evaluate the quality of services provided by Denver Health. DEH will monitor these third party reports to evaluate the level of services provided. The target date for implementation is April 2016.

Recommendation 1.7

Clarify Oversight Responsibilities – DEH should coordinate with BMO and other relevant City agencies such as Denver Human Services to formally document which department should fund and provide financial and operational oversight for the Patient Care Services, Denver CARES, Poison and Drug Consultation Services, and the Park Hill Clinic portions of the Operating Agreement and the level of oversight required.

Result – DEH agrees that clarification is necessary regarding the roles and responsibilities of all City agencies involved in the Operating Agreement such that it is clear which department should fund and provide financial and operational oversight for the Patient Care Services, Denver CARES, Poison and Drug Consultation Services, and the Park Hill Clinic portions of the Operating Agreement. This will be achieved by developing internal City policy documents that make this clear. The target date for implementation is April 2016.

Audit Report Briefing: Technology Services – Open Media Foundation

Contract

Audit Supervisor Sonia Montano, Lead Auditor Carl Halvorson, and Senior Auditor Drew Jeffries, along with Kip Memmott, presented the audit findings and recommendations. Senior Auditor Marc Hoffman also attended. Technology Services Chief Information Officer Scott Cardenas and Denver Media Services Director Julie Martinez were present to respond to the audit.

The Audit Report was discussed, and the Technology Services and Denver Media Services staff were in agreement with the Audit Team’s findings and recommendations, summarized below.

Recommendation 1.1

Documentation – The Director of Denver Media Services (DMS) should work with Open Media Foundation to establish a framework for allowable documentation of performance metrics and maintenance costs.

Result – The Director of Denver Media Services will work with Open Media Foundation, Security & Compliance, and the Controller’s Office to establish a framework for allowable documentation of performance metrics and maintenance costs. The target date for implementation is June 30, 2016.

Recommendation 1.2

Capital Costs – The Director of Denver Media Services should work with Open Media Foundation to develop a specific framework of allowable spending for capital costs. The framework should focus on intent rather than accounting definitions, it should be agreed upon and signed by both parties, and it should be a written document that is reviewed and updated on an annual basis.

Result – The Director of DMS will work with Open Media Foundation and the Controller’s Office to develop a Memorandum of Understanding (MOU) regarding terms such as capital costs. The Director of DMS will review the MOU in concert with the annual review of the OMF work plan. The target date for implementation is June 30, 2016.

Recommendation 1.3

Track Equipment Purchases – The Director of Denver Media Services should develop and implement a process to track Open Media Foundation equipment purchases back to the pre-approved budget in a timely manner to determine whether budget line items have available balances before approving disbursements to Open Media Foundation.

Result – The Director of DMS will work with Open Media Foundation and the Controller’s Office to track equipment purchases and manage budget disbursements. The target date for implementation is June 30, 2016.

Recommendation 1.4

Capital Assets – The Director of Denver Media Services should develop a process to purchase capital assets for the Open Media Foundation contract through the City’s purchasing process.

Result – The Controller’s Office will work with the Director of DMS to develop a process to purchase capital assets for the Open Media Foundation contract, following Fiscal Accountability Rules and the City’s purchasing process. The target date for implementation is June 30, 2016.

Recommendation 1.5

Comcast Audits – The Chief Information Security Officer in Technology Services should ensure the audits of Comcast’s payments to the City are completed on an annual basis.

Result – The Chief Information Security Officer in Technology Services will ensure the audits of Comcast’s payments to the City are completed annually. The target date for implementation is June 30, 2016.

Recommendation 1.6

Reconciliations – The Director of Denver Media Services should ensure that regular and timely special revenue fund reconciliations are performed between activity recorded in the City’s system of record and the internal records maintained by the agency. Any differences between the balance in the City’s system of record and the agency’s internal records should be researched and explained on the reconciliation. The differences should not be cleared from the reconciliation until adjusting accounting entries are made.

Result – The Controller’s Office will work with the Director of DMS to ensure regular and timely special revenue fund reconciliations between the City’s system of record and internal records maintained by DMS. Any differences will be researched and explained on the reconciliation. The Controller’s Office will create adjusting accounting entries for the differences

prior to clearing them from the reconciliation. The target date for implementation is June 30, 2016.

Recommendation 1.7

PEG Fund Disbursement – The Director of Denver Media Services should ensure that all decisions made regarding PEG fund distributions are well documented.

Result – The Director of DMS will work with Security and Compliance to ensure that all decisions made regarding PEG fund distributions are well documented. The target date for implementation is June 30, 2016.

Recommendation 1.8

Internal Tracking – The Director of Denver Media Services should develop an internal tracking mechanism to track all special revenue fund activity, such as receipts from Comcast and disbursements to the PEG entities.

Result – The Director of DMS will work with the Controller’s Office to determine the best process for ensuring that all special revenue fund activity is tracked. The target date for implementation is June 30, 2016.

Recommendation 1.9

Policies and Procedures – The Director of Denver Media Services should develop a contract monitoring framework with specific policies and procedures for monitoring contract terms, including at a minimum, review of Open Media Foundation’s Annual Work Plan, Quarterly Reports, Monthly Maintenance Statements, and performance metrics.

Result – The Director of DMS will work with Security and Compliance to develop a contract monitoring framework with specific policies and procedures to review and monitor the Open Media Foundation contract and related documentation. The target date for implementation is June 30, 2016.

Recommendation 1.10

Roles and Responsibilities – The Director of Denver Media Services should ensure specific roles and responsibilities for contract monitoring are identified for staff members.

Result – The Director of DMS will work with Security and Compliance to ensure that specific roles and responsibilities for contract monitoring are identified and incorporated in the role Playbooks. The target date for implementation is June 30, 2016.

External Auditor RFP

Deputy Auditor Walling discussed the draft RFP process. Hiring an independent CPA firm to conduct the external audit, monitoring that firm's progress, and, changing to a new CPA firm (if necessary) is the primary responsibility of the Audit Committee. Periodically releasing an External Auditor Request for Proposal (RFP) is good governance and a good practice, even if the City is satisfied with the existing External Auditor.

The RFP under discussion is substantially similar to the draft the Audit Committee reviewed in September 2015. Since then, Auditor's Office staff have continued discussion on the draft RFP with an advisory committee of experts within the City, including City Controller Beth Machann and Assistant City Attorney Dan Slattery. This advisory committee will provide the Audit Committee with its recommendations, but ultimately, it is up to the Audit Committee to choose the External Auditor. The RFP under discussion remains a confidential document until it is released on Monday, February 29, 2016. In order to move forward with the RFP schedule, Deputy Auditor Walling requested that the RFP be approved during this discussion.

Mr. Payan moved that the Committee approve the External Auditor RFP as written. Ms. Mitchell seconded the motion. The motion passed unanimously.

The Audit Committee members are welcome to attend the pre-proposal conference with invited proposer firms on March 15, 2016. External Auditor proposals are due to the City on April 25, 2016, after which point the Audit Committee will meet for further review, if needed. After narrowing the field of candidates (likely to 3-4 firms), the Audit Committee will interview finalist firms on June 7, 2016.

Executive Session: 2015 BKD Pre-Fieldwork Communications

BKD Partner Chris Telli joined the Audit Committee at the table to share some of his firm's pre-fieldwork communications. Because the external audit is ongoing and therefore confidential, Mr. Blumenthal moved that the Audit Committee move into Executive Session. Ms. Mitchell seconded the motion, and the motion passed.

Following discussion with Mr. Telli, the Committee adjourned at 10:36 a.m.

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

Prepared by Mollie Horne, Audit Committee staff