



Independent Audit Committee

City & County of Denver

Meeting Minutes
Thursday, March 17, 2016

Opening

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

Members Present

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

Also Present

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

Approval of February 18, 2016 Minutes

The minutes were approved as written.

Acknowledgement of Correspondence from Denver Police Department

Mollie Horne informed the Committee and the public that on March 3, 2016, the Auditor's Office received a correspondence from Denver Police Department Deputy Chief Quinones addressing a question from the January 21, 2016 meeting. This letter was shared with the Audit Committee on March 3, 2016, and members received a hard copy during today's meeting.

Welcome to New Committee Member Florine Nath and Recognition of Jeff Hart's Audit Committee Service

Chairman O'Brien welcomed the newest member of the Committee, Florine Nath. Ms. Nath was appointed by City Council to fill the vacancy created by the resignation of Robert Bishop. Chairman O'Brien also recognized Jeff Hart for his service to the Audit Committee, presenting him with a certificate and highlighting some of Mr. Hart's contributions during his eight years of service to the City while on the Committee.

Audit Report Briefing: Department of Finance Accounting Services

Audit Supervisor Dawn Wiseman, Lead Auditor Anna Hansen, Senior Auditor Abby Musfeldt, and Senior Auditor Ian McGee, along with Kip Memmott, presented the audit findings and recommendations. Director of Financial Services Bill Riedell and City Controller Beth Machann were present to respond to the audit.

The Audit Report was discussed, and Accounting Services was in agreement with the Audit Team's findings and recommendations, summarized below.

Recommendation 1.1

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

Result—Accounting Services agrees with the recommendation and will develop and implement a formal succession plan by June 30, 2016. The succession plan will include strategies for addressing workforce planning, recruitment and retention. In addition, the succession plan will include tactics for maintaining consistent service delivery to clients in the event of personnel movement within Accounting Services.

Recommendation 1.2

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.

Result—Accounting Services agrees in principle with the recommendation and will continue to consistently follow all steps of its formal onboarding process to the extent possible. In certain circumstances (ex. new agencies), there is no current state to analyze, so it is not possible to fully follow the formal process. In these instances, Accounting Service will conduct meetings to perform a needs assessment and then follow the regular process. By June 30, Accounting Services will put service level agreements in place for all client agencies where one doesn't currently exist.

Recommendation 1.3

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.

Result—Accounting Services agrees with the recommendation and will develop a structure for the annual review and maintenance of service level agreements by June 30, 2016. The structure will include updating, as necessary, service expectations, communication expectations, performance measurements, and issue resolution mechanisms.

Recommendation 1.4

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.

Result—Accounting Services agrees with the recommendation and will develop a methodology for measuring customer satisfaction. The new methodology will be administered and client feedback will be gathered by December 31, 2016.

Recommendation 1.5

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.

Result—Accounting Services agrees with the recommendation and will develop a comprehensive performance measurement strategy by September 30, 2016. The new performance measurement strategy will include customer service feedback targets and a strategy for communicating performance to clients.

Audit Report Briefing: Citywide Land and Infrastructure Capital Assets

Audit Supervisor Robyn Lamb, Lead Auditor Nancy Howe, Lead Auditor Cody Schulte, Senior Auditor Ronald Keller, and Senior Auditor Jared Miller, along with Kip Memmott, presented the audit findings and recommendations. City Controller Beth Machann, Director of Accounting and Financial Reporting Kelli Bennett, Executive Director of Denver Parks and Recreation Happy Haynes, and Deputy Director of Denver Parks and Recreation Scott Gilmore were present to respond to the audit.

The Audit Report was discussed, and the departments were in agreement with the Audit Team’s findings and recommendations, summarized below.

Recommendation 1.1

The Controller’s Office should update the Capital and Controlled Assets Fiscal Accountability Rule 4.2 and related procedures to distinguish between assets tracked in the City’s financial system of record and those that are tracked by agencies outside of the system of record. The fiscal accountability rule and related procedures should also be expanded to include the rules and procedures applicable to assets not tracked in the system of record.

Result—The Controller’s Office agrees with the recommendation and is in the process of updating Fiscal Rule 4.2 – Capital and Controlled Assets and the related procedures to clarify what assets are required to be tracked in the City’s system of record and which are tracked

outside the system of record by individual agencies/departments. The updated rule will also include language that dictates how assets not tracked in the system of record shall be tracked. Additionally, Fiscal Rule 11.2 – Year-End Reporting Package will be updated to include reporting requirements for agencies that have assets that are tracked outside the system of record. The target date for implementation is June 30, 2016.

Recommendation 1.2

In conjunction with the Department of Public Works Transportation Division, the Controller’s Office should consider leveraging existing reported data to more accurately account for traffic signal disposals. Specifically, the Controller’s Office should require reports from the Department of Public Works to include when the signal was placed into service, if available.

Result—The Controller’s Office agrees with the recommendation and will request that the Department of Public Works include the date the signal was placed into service, if available. We will then re-evaluate our current methodology for accounting for disposals of traffic signals to determine if it’s feasible to use the recommended method. The target date for implementation is September 30, 2016.

Recommendation 2.1

The Department of Parks and Recreation Executive Director should review and assess the requirements specified in City Charter, Executive Order 134, and its Gifts policy to clarify whether they relate to all land donations received by DPR. After this review, the Department of Parks and Recreation Executive Director should clarify processes where needed and communicate with Department personnel to reiterate the requirements.

Result—The Department of Parks and Recreation agrees with the recommendation. A Standard Operating Procedure will be developed by May 31, 2016.

Recommendation 2.2

The Department of Parks and Recreation Executive Director should review the draft Parks Designation Policy to ensure that it reflects the current park designation process, and incorporates any necessary changes to the process. Subsequently, the Department of Parks and Recreation Executive Director should take the necessary steps to formally adopt the Parks Designation Policy.

Result—The Department of Parks and Recreation agrees with the recommendation. After the Department’s internal review, the formal adoption of this policy will require the involvement of the City’s Policy Review Committee, the DPR Parks Designation Committee, the Parks Committee of the Inter-Neighborhood Cooperation, and the Parks and Recreation Advisory Board. DPR intends to formally adopt the policy by September 30, 2016.

Update on External Auditor RFP

Deputy Auditor Walling updated the Committee on the External Auditor Request for Proposals (RFP) process. The RFP was issued and posted to the Auditor's website on February 29, 2016. A pre-proposal conference was held on March 15, 2016, and nine interested firms attended. A number of questions from the firms were submitted to the Auditor's Office prior to March 15, some of which were addressed during the pre-proposal conference. As the proposals must be received by the Auditor by April 25 2016, all submitted questions will be formally addressed in writing as soon as possible.

Audit Committee Procedures

The City Attorney's Office provides support to the Auditor's Office as well as the Audit Committee. Assistant City Attorney Dan Slattery met with the Committee to discuss policies and procedures important to the Audit Committee.

The State has an open meetings law (these types of laws are often referred to as "Sunshine Laws"). Denver's City Code, however, has its own open meetings law with different rules and exceptions to the open meetings requirement. Under the Code, the Audit Committee enjoys a unique status in that it is expressly stated that meetings of the Audit Committee need not be open. If it were the desire of the Auditor's Office and the Audit Committee to never have an open meeting, this would be acceptable under the Code. There is a provision that deems these to be internal staff meetings. However, it has also been expressly said that should the Audit Committee wish to discuss non-confidential matters such as public audit reports on agencies in televised meetings, the open meetings law requirements—in terms of providing notice—*do* apply. When holding televised meetings such as these, to the extent there is a need to discuss something confidential, the Audit Committee is allowed to go into Executive Session for designated, specific reasons. Mr. Slattery provided the Audit Committee with copies of the Code language that discusses these special provisions.

Executive Session is a means by which the Audit Committee, upon a motion and a two-thirds vote of the members present, can adjourn into an Executive Session after declaring the general purpose for the session. Common purposes include: meetings with the external auditor that require CPA-client privilege (i.e. discussions of ongoing contract negotiations), meetings with an attorney that require attorney-client privilege, and other privileges recognized under state law. These other privileges might include a meeting between the Audit Committee and Auditor's Office staff. Additionally, it would also be acceptable for the Audit Committee to call a meeting with the external auditor *without notice* and not be concerned about Executive Session. Mr. Slattery noted that while the Code does not expressly prohibit the making of decisions during Executive Session, it has been the practice of all boards and committees in the City *not to* make decisions in Executive Session; if decisions need to be made following such a session, the Committee is encouraged to go back on the record to make those decisions publicly. Mr. Slattery also reminded the Committee that going into Executive Session can be unpopular with the public; as such, he encouraged the Committee to use Executive Sessions sparingly.

With no other business the Committee adjourned at 10:34 a.m.

The next Audit Committee meeting will be held on Thursday, April 21, 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