



## **Independent Audit Committee**

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

Meeting Minutes

Thursday, April 21, 2016

#### **Opening**

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

#### **Members Present**

Vice-chairman Rudy Payan, Jack Blumenthal, Leslie Mitchell, Florine Nath, 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 March 17, 2016 Minutes**

The minutes were approved as written.

#### **Audit Report Briefing: Information Technology Asset Management**

Audit Supervisor Shannon Kuhn, Lead Auditor Nick Jimroglou, Senior Auditor Karin Doughty, and Senior Auditor Tyler Kahn, along with Kip Memmott, presented the audit findings and recommendations. Chief Information Officer Scott Cardenas, Chief Technology Officer Chris Todd, Director of Service Operations Alex Stefanacci, City Controller Beth Machann, and Director of Accounting & Financial Reporting Kelli Bennett were present to respond to the audit.

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

#### **Recommendation 1.1**

The Controller's Office should work with the Chief Information Officer in Technology Services to ensure that a base inventory is established for all audited IT assets in 2016 and should

maintain the inventory through periodic reviews of changes in asset inventory such as purchase of new equipment and disposed assets.

**Auditee Response:** The Controller's Office has been working with Technology Services on reconciling the asset listing for computers and laptops, and this will continue through the 2016 annual inventory. Once the inventory is reconciled, it will be maintained through current business processes and inventoried annually. The target date for implementation is September 30, 2016.

**Recommendation 1.2**

The Controller's Office should work with the Chief Information Officer in Technology Services to provide an annual mandatory training and communication to the agency asset custodians on the inventory and asset management processes for IT assets. In addition, the Controller's Office and Technology Services should ensure the right person is in the agency asset custodian role annually and request the agency to assign a new custodian if needed.

**Auditee Response:** The Controller's Office will provide training and communication to agency asset custodians prior to the 2016 inventory process. The Controller's Office will communicate to agency leaders the importance of the agency's responsibilities regarding asset management and ask that they verify their asset custodian(s) are the appropriate people assigned to this role. The target date for implementation is June 30, 2016.

**Recommendation 1.3**

The Chief Information Officer in Technology Services should ensure that IT equipment designated for disposal, which may contain sensitive or City data, is stored in a secure location that is not publicly accessible. Additionally, we recommend that the IT Director of Asset Management should notify TS staff through a new policy about the establishment of the secure location.

**Auditee Response:** Technology Services (TS) has moved all equipment designated for disposal that may contain sensitive or City data to a secure location not accessible to the public. TS will develop and communicate a policy for IT Asset Management to include the establishment of the secure storage location. The target date for implementation is October 31, 2016.

**Recommendation 1.4**

The Chief Information Officer in Technology Services should update the Technology Asset Purchasing and Replacement Policy to ensure that it aligns with the new IT asset management process which includes defining roles and responsibilities regarding IT asset management.

**Auditee Response:** Technology Services will create an IT Asset Management Policy and ensure that the new IT asset management process aligns with the policy. In addition, TS will define roles and responsibilities regarding IT asset management in the appropriate process documentation. The target date for implementation is October 31, 2016.

**Recommendation 1.5**

The Chief Information Officer in Technology Services should update the Technology Asset Purchasing and Replacement Policy to specify a timeframe by which agencies must transfer unused equipment back to TS for redeployment.

**Auditee Response:** Technology Services will create an IT Asset Management Policy and specify a timeframe by which agencies must transfer unused equipment back to TS for redeployment. The target date for implementation is October 31, 2016.

**Recommendation 1.6**

The Chief Information Officer in Technology Services should establish a procedure for lost or stolen IT equipment that includes a control to update the system of record.

**Auditee Response:** Technology Services will establish a formal procedure for lost or stolen IT equipment that includes a control to update the system of record. The target date for implementation is October 31, 2016.

**Recommendation 1.7**

The Controller's Office should perform a clean-up of historical IT asset data prior to the implementation of a new Enterprise Resource Planning solution.

**Auditee Response:** We agree that the asset data should be as accurate as possible, however because the asset profile value does not impact reporting, tracking, inventorying, transferring, or disposing of any asset, this cleanup will be performed during our conversion to a new financial system. The target date for implementation is June 2017.

**Audit Report Briefing: Technology Services IT Service Desk**

Shannon Kuhn, Nick Jimroglou, Senior Auditor Karin Doughty, and Senior Auditor Tyler Kahn, along with Kip Memmott, presented the audit findings and recommendations. Chief Information Officer Scott Cardenas, Chief Technology Officer Chris Todd, and Director of Service Operations Alex Stefanacci were present to respond to the audit.

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

**Recommendation 1.1**

Technology Services should continuously monitor the contract between the IT Service Desk and the third-party vendor contract for continued compliance with contractual terms, including verifying that the vendor is maintaining insurance coverage.

**Auditee Response:** Technology Services will establish a process to periodically review the contract between the IT Service Desk and the third-party vendor for continued compliance with contractual terms, including verifying that the vendor is maintaining insurance coverage. The target date for implementation is September 30, 2016.

**Recommendation 1.2**

If the contract with the third-party vendor is renewed, requirements for cyber-liability insurance should be included in the contract language.

**Auditee Response:** Technology Services will ensure that requirements for cyber-liability insurance are included in the contract language during the contract renewal process. The target date for implementation is December 30, 2017.

**Recommendation 1.3**

Technology Services should obtain a copy of the SOC 2 Report from the third-party vendor upon release and review the report.

**Auditee Response:** Technology Services will obtain and review a copy of the SOC 2 Report or similar independent audit report from the third-party vendor upon release. The target date for implementation is December 31, 2016.

**Recommendation 1.4**

The IT Director should establish formal operational level requirements between the IT Service Desk and escalated teams, which establish expectations surrounding communication to the client that a ticket was escalated and providing regular updates on when resolution may be expected.

**Auditee Response:** The Director of Service Operations will establish formal operational level requirements for time to update as well as for providing communication to the client when a ticket is escalated and regular updates when resolution may be expected. The target date for implementation is October 31, 2016.

**Recommendation 1.5**

Technology Services should develop a process to have subject matter experts review the TS Wiki (the collaborative, online key knowledge base for all service desk technicians), and any other knowledge bases used by the IT Service Desk, to ensure that information is complete, accurate, and up-to-date. Additionally, access to the TS Wiki should be reviewed on a periodic basis in order to monitor access at a more secure level.

**Auditee Response:** Technology Services has completed the requirements-gathering phase of the Knowledge Base project that will replace the TS Wiki and all other knowledge bases used by the IT Service Desk. TS will develop a process to have subject matter experts review the information that populates the new Knowledge Base. In addition, TS will ensure that access to the new

knowledge base is secure and reviewed on a periodic basis. The target date for implementation is June 30, 2017.

**Recommendation 1.6**

Technology Services should develop methods for increasing the user awareness of SupportNow (the employee self-service web interface for submitting service requests), and develop communication that encourages customers to use the new tool as a means for getting a quicker response and making the IT Service Desk function more effectively.

**Auditee Response:** Technology Services will create a marketing campaign to increase user awareness of SupportNow and develop communications that encourage customers to use the self-service feature as a means for getting quicker responses and improving the effectiveness of the IT Service Desk function. The target date for implementation is October 31, 2016.

**Audit Report Briefing: Boards and Commissions—Board of Adjustment for Zoning Appeals**

Audit Supervisor LaKeshia Allen-Horner, Senior Rob Farol, and Senior Auditor Sam Gallaher, along with Kip Memmott, presented the audit findings and recommendations. Board of Adjustment for Zoning Appeals Chairperson Penny Elder and Technical Director Janice Tilden were present to respond to the audit.

The Audit Report was discussed, and the Board of Adjustment for Zoning Appeals was in agreement with the Audit Team’s findings and recommendations, summarized below.

**Recommendation 1.1**

The Board should update its administrative policies and procedures to reflect current administrative practices and facilitate knowledge transfer by and between current and future administrative personnel.

**Auditee Response:** The Board’s staff has recognized the need for an updated office procedure manual since the adoption of new methods in the last three years. In preparation for staff changes in 2017, it is the agency’s goal to have an updated office procedure manual completed by August 21, 2016.

**Recommendation 1.2**

The Board should collaborate with Technology Services (TS) to develop a formal information technology plan that will enable it to identify and mitigate risk associated with its information systems. The plan should include strategies to stabilize the current Access database, replace the existing database with one that is supported by TS, and migrate data from Access to a replacement database once identified.

**Auditee Response:** The Board was informed by TS staff this year that there is a long-term plan to replace all the Access Databases currently used by various Denver agencies. It was estimated

that there are over 200 of them still in use at this time. Often, standardized databases such as Accela or Alfresco are not compatible with the needs of these agencies. For this reason, although TS provides only minimal support for these databases, it is unwilling to dismantle them until reasonable substitutes can be found. The Board's staff has been told that TS staff are considering designing an agency-specific database for the Board, using a stable cloud-based program, as early as 2016. Preliminary discussions with Tech Services staff will be scheduled by the target date. Board members familiar with the current database and the Board's needs are anticipated to be available to guide the process.

### **Recommendation 1.3**

The Board should require ethics training to ensure that it is providing its members with the information necessary to identify or frame the facts of ethical issues, appropriately evaluate options for addressing the issue, and select the most ethical option in accordance with applicable standards.

**Auditee Response:** As the audit correctly states, there is currently no City requirement that any member of a Denver board or commission attend formal Ethics training. The Board of Ethics (BOE) typically contacts all newly appointed board or commission members, sending information about the Denver ethical rules and inviting them to meet for training if desired. However, the Board agrees that its status as a quasi-judicial body merits higher standard. By April 21, 2016, all Board members will receive a copy of the most recent Denver Ethics Handbook and will attend or verify that they attended at least one Ethics training session since they began serving. Also by this date, the Board will establish a written policy requiring Ethics training within the first three months of an appointment to the Board. The Board will determine a regular scheduled Ethics update as biennial training.

### **Recommendation 1.4**

The Board should update its performance management approach to include strategic goals and performance measures that reflect its current administrative practices. As part of updating its performance management approach, the Board should also establish a mechanism to collect relevant information to fully understand the customer experience and satisfy customer expectations about the level of service that it provides.

**Auditee Response:** The Board will be updating its strategic goals and performance measures during the upcoming budgeting season for 2017. As part of the evaluation process for future budget periods, the agency will develop a survey to be accessed from its database. By June 1, 2016, a draft of target questions shall be prepared and circulated to the Board and staff for review and comment. By August 1, 2016, the survey will be online. The staff will establish a process to present the survey results to the board on a quarterly basis.

## **Update on External Auditor RFP**

Deputy Auditor Walling updated the Committee on the External Auditor Request for Proposals (RFP) process. The proposals are due to be received by the Auditor's Office by April 25, 2016. Once the proposals are received, the Auditor's Office will conduct an internal review process to narrow the field of candidates presented to the Audit Committee. However, all received proposals can be made available to Audit Committee members, should they desire to review each one. The Auditor's Office has enlisted the assistance of an internal team of City financial executives to advise the Audit Committee in its selection of an external auditor. Prior to May 5, this team will review the proposals and analyze them according to the criteria presented in the RFP. This information will be provided to the Audit Committee to aid it in its scheduled review of the proposals on May 5. By May 23, the Audit Committee will have selected a smaller pool of finalist firms. These firms will be asked to attend interviews with the Committee on June 7. The selected external auditor will be notified by July 15, and a new external audit contract will be in place by September 1, 2016.

With no other business the Committee adjourned at 10:36 a.m.

The next Audit Committee meeting will be held on Thursday, May 19, 2016 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3<sup>rd</sup> floor of the City and County Building at 1437 Bannock Street.

Prepared by Mollie Horne, Audit Committee staff