



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, August 18, 2016

Opening

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

Members Present

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

Also Present

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

Approval of July 21, 2016 Minutes

The minutes were approved as written.

Audit Report Briefing: Municipal Sales Tax Collection Practices

Lead Auditor Cody Schulte, Lead Auditor Jared Miller, and Senior Auditor Ron Keller presented the audit findings and recommendations. Chief Financial Officer Brendan Hanlon and Director of Tax Compliance Bruce J. Moore were present on behalf of the Treasury Division to respond to the audit report.

The audit report was discussed. The Treasury Division agreed with all of the Audit Team's findings and recommendations, summarized below. For the full text of the audit 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 "[Municipal Sales Tax Collection Practices](#)."

Recommendation 1.1

The Treasury Division’s Tax Collections unit should periodically review and reassess the new Policy Regarding Waivers and Write-Offs (Adjustments) to ensure that it provides Tax Revenue Agent personnel with sufficient guidance.

Auditee Response: Agree, Implementation Date – Annually in the 2nd Quarter of Each Year (Next review – 2017)

“Treasury agrees with this recommendation. After the Audit Team identified and communicated to us during the course of the audit, some concerns regarding the existing policy, we undertook immediately to update our policy. Consequently a new policy regarding waivers and write-offs (adjustments) was documented and issued to Tax Collection staff on June 9, 2016 (a copy was sent to the Audit Team) strengthening internal controls, separation of duties and approval authority. We will do an annual review of this policy to ensure it provides Tax Collection personnel with sufficient guidance and is meeting our current needs and addressing any issues.”

Recommendation 1.2

The Treasury Division’s Tax Collections unit should periodically assess GenTax [an integrated tax processing software package] security controls and other features as appropriate to ensure that the system enforces appropriate separation of duties in approval responsibilities.

Auditee Response: Agree, Implementation Date – Annually in the 2nd Quarter of Each Year (Next review – 2017)

“As with Recommendation 1.1, when the Audit Team communicated concerns with GenTax security controls, we immediately undertook a review of those controls (including appropriate separation of duties in approval responsibilities) and modified the system such that no Tax Revenue Agents (or any user) can approve their own adjustment requests, and that only supervisors can approve adjustments of more than \$2,000. Treasury will now conduct an annual review of these areas in GenTax.”

Recommendation 1.3

The Treasury Division’s Tax Compliance Section should develop an estimation methodology to estimate the ongoing revenue impact of product category tax exemptions and provide that information periodically to decision makers to help ensure that existing exemptions continue to make business sense in the City’s economic climate.

Auditee Response: Agree, Implementation Date – October 31, 2016

The Tax Compliance Section will work diligently to develop an estimation methodology to project estimates on the revenue impact of product category tax exemptions and provide that information periodically to decision makers.

Recommendation 1.4

The Treasury Division should provide additional instruction on the Sales Tax Return form to make clear the requirement that taxpayers must include both storefront and online sales in their gross sales reporting.

Auditee Response: Agree, Implementation Date – June 15, 2016

Treasury implemented this shortly after the Audit Team identified and communicated it during the course of the audit. Additional language was added to the sales tax returns instructing taxpayers to include any Denver-related online sales (updated sales tax returns can be viewed on Treasury’s website).

Recommendation 1.5

The Treasury Division’s Tax Compliance Section should direct delinquent returns and payments to the City’s Dallas bank lockbox by revising the return address on notices, envelopes, and its website.

Auditee Response: Agree, Implementation Date – December 31, 2016

“Treasury will work with our printing vendor, our bank/lockbox vendor, and our Technology Services Division to make this change.”

Recommendation 1.6

The Treasury Division’s Tax Compliance Section should obtain the listing of possible incorrectly registered business sites identified in the Colorado Office of State Auditor’s Local Sales Tax audit and investigate whether the possible errors have any local impact.

Auditee Response: Agree, Implementation Date – December 31, 2016

Treasury will contact the Colorado State Auditor and/or the Colorado Department of Revenue to obtain this list.

Recommendation 1.7

The Treasury Division’s Tax Compliance Section should reassess the feasibility of conducting a routine or periodic comparison of the sales and use tax businesses registered by the City with DOR’s sales and use tax business registration records.

Auditee Response: Agree, Implementation Date – December 31, 2016

“Treasury will contact the Colorado Department of Revenue to obtain a list of sales and use tax business registrations, and compare them to our records to determine their usefulness, and evaluate setting up a periodic review.”

Recommendation 2.1

The Treasury Division’s Tax Compliance Section should continue to monitor the legal challenge to C.R.S. § 39-21-112 (3.5)(d), which requires retailers that do not collect Colorado sales tax to

file an annual report for each purchaser by March 1 of each year to notify Colorado tax authorities of the total amount paid for Colorado purchases when sales tax was not imposed. If the Colorado Department of Revenue (DOR) is legally able to pursue collection of the annual reporting requirements outlined in this statute, the City should work with DOR to assess the information reported and determine the usefulness of the information to help inform the Treasury Division's audit risk assessment function.

Auditee Response: Agree, Implementation Date – Ongoing

“Treasury will continue to monitor this situation, and if the Colorado Department of Revenue can ultimately legally pursue vendors for this report, we will work with them to obtain the information and evaluate its usefulness.”

Recommendation 2.2

The Treasury Division's Tax Compliance Section should continue to engage in work efforts to standardize local home rule municipalities' sales and use tax definitions and monitor ongoing legal challenges that could impact the collection of sales tax from remote online sellers.

Auditee Response: Agree, Implementation Date – Ongoing

“Treasury will continue with our efforts in these areas.”

Audit Report Briefing: Disability Parking Enforcement

Audit Supervisor Dawn Wiseman, Lead Auditor Anna Hansen, and Senior Auditor Brad Harwell presented the audit findings and recommendations. Executive Director of Human Rights and Community Partnerships Derek Okubo, Director of the Office of Disability Rights Dr. Aisha Rousseau, and Disability Parking Enforcement Program Administrator Debra Gomez were present to respond to the audit report.

The audit report was discussed. The Agency for Human Rights and Community Partnerships agreed all of the Audit Team's findings and recommendations, summarized below. For the full text of the Agency'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 “[Disability Parking Enforcement Program](#).”

Recommendation 1.1

The Agency for Human Rights and Community Partnerships and the Denver Office of Disability Rights should work with other City stakeholder departments, such as the Right-of-Way Enforcement Division, to determine which City agency would be best suited to identify and remediate accessible parking spaces that are not being maintained in accordance with the Americans with Disabilities Act.

Auditee Response: Agree, Implementation Date – August 2018

Recommendation 1.2

After a course of action is determined regarding how to implement Recommendation 1.1, the Agency for Human Rights and Community Partnerships should work with the City Attorney’s Office to codify in the Denver Revised Municipal Code the agency responsible and the method for ensuring that accessible parking spaces are maintained in accordance with the requirements of the Americans with Disabilities Act.

Auditee Response: Agree, Implementation Date – August 2017

Recommendation 1.3

The Denver Office of Disability Rights should collaborate with the Right-of-Way Enforcement Division and other relevant stakeholder agencies to assemble an inventory of accessible parking spaces and locations to aid in ensuring that the City maintains compliance with requirements for accessible parking established in the Americans with Disabilities Act.

Auditee Response: Agree, Implementation Date – August 2018

Recommendation 1.4

Disability Parking Enforcement Program management should hold program volunteers accountable for full compliance with all program policies, procedures, and expectations established for the volunteer role.

Auditee Response: Agree, Implementation Date – December 2016

Recommendation 1.5

The Denver Office of Disability Rights should pursue its goal of expanding its staff with paid employees who will cover the enforcement gaps created by the nature of the volunteer program.

Auditee Response: Agree, Implementation Date – July 2016

Update on Workday Implementation

City Controller Beth Machann, Director of Accounting & Financial Reporting Kelli Bennett, and Deputy Chief Information Officer Chris Binnicker presented an update on the rollout of Workday to replace PeopleSoft.

The budget for the Workday implementation is \$9.8 million, and the total cost of ownership over five years is expected to be approximately \$14 million. The anticipated savings over the next 15 years is more than \$40 million.

The HR/Payroll portion of Workday will be the first to go live on January 1, 2017. The first round of prototype testing with HR/Payroll has been completed. The Workday team will be conducting parallel testing in October, November, and December on all three of the July payrolls. Workday agency ambassadors meet on a monthly basis to keep abreast of developments and serve as liaisons to their colleagues. Online training sessions are available, and in-person labs will be held in January, as well.

One of the major impacts of the new program will be with regard technology services. Workday aligns closely with TS's cloud-first system. Upgrades are included in the Workday subscription, and this takes a significant burden off TS.

For the latest information on the status of Workday, please visit the [What's Up With Workday](#) page on the City's website. You can find more helpful information by visiting www.denvergov.org/workday.

The next Audit Committee meeting will be held on Thursday, September 22, 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. ***Please note this is a deviation from our typical third-Thursday schedule.***

With no other business the Committee adjourned at 10:55 a.m.
Prepared by Mollie Horne, Audit Committee staff