



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, July 20, 2017, 9:00 a.m.

Opening

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

Members Present

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

Also Present

Deputy Auditor Valerie Walling and Committee staff Edyie Thompson were also in attendance.

Audit Report Briefing: DEN Airside Construction Projects

Audit Manager Katja Freeman, Audit Supervisor Sonia Montano, Lead Auditor Patrick Schafer, and Staff Auditor Joah Flood presented the audit findings and recommendations.

Ken Greene, COO/EVP of Operations, DEN; Mark Baker, SVP AIM, DEN; Greg Hegarty, SVP Finance, Business Operations, DEN; and Mark Adams, Senior Director, AIM Development, DEN were present to respond to the audit report.

For the full text of the report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports, then By Year. This report is published under the 2017 Audit Reports header and is titled "[DIA Airside Construction](#)." View the video recording of the audit report discussion under the [Audit Committee](#) tab at www.denvergov.org/auditor. Click on the "[Watch Audit Committee meetings](#)" button at the top of the page. The most recent video will be listed first.

Denver International Airport (DEN) agreed with all seven of the Audit Team's findings and recommendations. The recommendations and the DEN responses from the audit report are summarized below.

Recommendation 1.1

Technical Specification Review and Approval Process – The Airport Infrastructure Management Senior Director of Development should establish a process by which to ensure that all airfield project specifications are reviewed internally for accuracy and completeness and approved prior to being included in projects going out for bid.

Auditee Response: Agree

Recommendation 1.2

Document Management – The Airport Infrastructure Management Senior Director of Development should ensure that project management files are maintained in accordance with policies and procedures, which shall include clear and proper labeling and final versions.

Auditee Response: Agree

Recommendation 1.3

Tollgate Process – The Airport Infrastructure Management Senior Director of Development should document a formal process for Tollgate meetings in the AIM Division’s policies and procedures and communicate the process to users.

Auditee Response: Agree

Recommendation 1.4

Lessons Learned – The Airport Infrastructure Management Senior Director of Development should document a formal process for lessons-learned activities in the AIM Division’s policies and procedures, which should include how the data will be maintained and utilized for future projects.

Auditee Response: Agree

Recommendation 1.5

Project Management System Evaluation – The Airport Infrastructure Management Senior Director of Development should evaluate the current project management systems to ensure that functionalities are properly utilized and duplication of efforts is minimized.

Auditee Response: Agree

Recommendation 2.1

Align Standard Operating Procedures with Bid Documents – The Director of DEN Business Management Services (BMS) should ensure that the information in bid documents is reviewed and aligns with BMS Standard Operating Procedures.

Auditee Response: Agree

Recommendation 2.2

Maintain Supporting Documentation – The Director of DEN Business Management Services should establish controls in the bid process, which require that the proper support documentation for bids is maintained.

Auditee Response: Agree

Audit Report Briefing: Personally Identifiable Information in Salesforce

Audit Manager Katja Freeman and Senior Auditor Karin Doughty presented the audit findings and recommendations.

Chris Todd, Chief Technology Officer, Technology Services; Chad Mitchell, Director of Application Planning and Customer Engagement, Technology Services; and Chris Binnicker, Deputy Chief Information Officer, Technology Services were present to respond to the audit report.

For the full text of the report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports, then By Year. This report is published under the 2017 Audit Reports header and is titled “[Personally Identifiable Information in Salesforce.](#)” View the video recording of the audit report discussion under the [Audit Committee](#) tab at www.denvergov.org/auditor. Click on the “[Watch Audit Committee meetings](#)” button at the top of the page. The most recent video will be listed first.

Technology Services agreed with all six of the Audit Team’s findings and recommendations. The recommendations and the Technology Services’ responses from the audit report are summarized below.

Recommendation 1.1

Salesforce Project Documentation – The Technology Services Project Management Office should ensure that Salesforce project documentation and artifacts are archived and readily available.

Auditee Response: Agree

Recommendation 1.2

Profile and Security Documentation – Technology Services should ensure that user profile security settings are documented and maintained for Salesforce administrators.

Auditee Response: Agree

Recommendation 1.3

Profile and Security Documentation – Technology Services should document information about Salesforce applications and specific security requirements for user agencies.

Auditee Response: Agree

Recommendation 1.4

Safeguard Citizen PII – Technology Services should provide language on the Denver 311 webpage to inform citizens that sensitive personal data is not required and is discouraged when submitting an inquiry.

Auditee Response: Agree

Recommendation 1.5

Review Attestation Reports – Technology Services should obtain and review Salesforce SOC2 report, vulnerability scans, and penetration testing results on an annual basis to ensure that the vendor continues to provide secure services as required under the contract.

Auditee Response: Agree

Recommendation 1.6

Contract Tool or Process – Technology Services should confirm that a process or tool for tracking deliverables and tasks related to contract management, including items such as insurance renewals and attestation reports received, is implemented and working as intended.

Auditee Response: Agree

Examination Report Briefing: Wastewater Management Division Contractor Hiring & Payment

Audit Supervisor Cody Schulte; Director of Financial Audits Heidi O’Neil; and Paul Niedermuller, Principal, CliftonLarsonAllen presented the findings and recommendations of the examination.

George Delaney, Interim Executive Director of Denver Public Works; Jim Potter, Public Works Capital Project Engineer and Architect Manager; Charles Hart, Public Works Capital Project Engineer and Architect Supervisor; and Elizabeth Zollo, Public Works Finance and Administration Manager were present to respond to the examination.

For the full text of the report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports, then By Year. This report is published under the 2017 Audit Reports header and is titled “[Wastewater Management Contractor Practices.](#)” View the video recording of the audit report discussion under the [Audit Committee](#) tab at www.denvergov.org/auditor. Click on the “[Watch Audit Committee meetings](#)” button at the top of the page. The most recent video will be listed first.

The Wastewater Management Division agreed with all five of the examination’s findings and recommendations. The recommendations and the Wastewater responses from the examination report are summarized below.

Recommendation 1

We recommend the Wastewater Management Division enhance the internal controls surrounding the accurate and daily completion of inspection reports and billing records. We also recommend the development of a process to track and monitor machinery usage on construction job sites or a provision in the contract language to require the contractor to outline the daily usage of all machinery used on a specific job site. Further, establishing formal written policies or procedures for completion of daily inspection reports should include observations noted on the job site related to equipment, labor, materials, and subcontractors. The enhancement of the daily inspection reports should better corroborate the billing records provided by the third-party contractor.

Auditee Response: Agree

Recommendation 2

We recommend revisions be made to the contract language which incorporate specific provisions to state how overtime and associated labor burden and fringe benefits are to be calculated. This will establish a set percentage to limit the labor burden and fringe benefit mark-up. An analytical approach based on certified payrolls, labor agreements or industry resources to establish an equitable percentage may be necessary and would remove the ambiguity and opportunity for billing in excess of actual costs.

Auditee Response: Agree

Recommendation 3

We recommend the Wastewater Management Division review and enhance their internal controls over the invoice review process to ensure contractor payments and reimbursements do not include sale and use taxes as outlined in §IB-23. We also recommend modifications be made to the contract language to explicitly state certain state, RTD, and Cultural Facilities sale and use taxes will not be paid or reimbursed by the Wastewater Management Division.

Auditee Response: Agree

Recommendation 4

We recommend construction contract language be modified and internal controls be enhanced to remove ambiguity and to provide more specificity on the definition of a subcontractor as one who provides physical labor on a project site from a vendor who provides materials or services, but does not employ physical labor on the project site. The IRS definitions may provide the necessary guidance on enhancement and definition of who is considered a subcontractor versus a vendor.

Auditee Response: Agree

Recommendation 1.5

We recommend the Wastewater Management division review and strengthen their process to ensure the best value is being received regarding payment on asphalt. This could include:

- Establishing a maximum price for installation of asphalt based on historical data specific to cost plus contracts;
- Considering a contract pay provision to establish a unit price for all patching which could be performed under a separate contract;
- Determining whether the Wastewater Management Division should prohibit the sale of asphalt from the Prime Contractor to the subcontractor, to be installed by the subcontractor; and
- Determining whether the City and County of Denver's asphalt plant has the capacity to manufacture asphalt specifically for the Wastewater Management Division projects. If so, incorporating a contract provision that the City and County of Denver's plant has the right of refusal to furnish asphalt due to other commitments and the subcontractor may then purchase from an outside asphalt plant, with a limitation on maximum price to be paid.

Auditee Response: Agree

General Business

Approval of June 15, 2017 Meeting Minutes

The minutes were approved as written.

Auditor O'Brien made note of several reports that are publicly available on the website, including:

- The City's final 2016 Comprehensive Annual Financial Report (CAFR) that contains the report of the independent external auditor BKD, LLP; the report on the financial statements of the Airport Enterprise Fund; and Single Audit Reports on Schedule of Expenditures of Federal Awards with related findings, as prepared by BKD, LLP;
- The BKD, LLP Management Letter and the City's Corrective Action Plan; and
- Reports on the financial statements of the Deferred Compensation Plan Trust Fund and the Wastewater Management Fund, as prepared by the independent external auditor Anton Collins Mitchell, LLP.

The next meeting is on Thursday, August 17, 2017 at 9:00am in the Parr-Widener Room (#389) of the City and County Building, 3rd floor.

With no other business, the Committee adjourned at 10:39 a.m.

Prepared by Edyie Thompson and Mollie Horne, Audit Committee staff