



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, September 21, 2017, 9:00 a.m.

Opening

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

Members Present

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

Also Present

Deputy Auditor Valerie Walling and Committee staff Mollie Horne were also in attendance.

Approval of August 17, 2017 Minutes

The minutes were approved as written.

Audit Report Briefing: Payroll System Conversion and Internal Controls

Audit Supervisor Jeremy Creamean, Lead Auditor Vilma Balnyte, Senior Auditor Roberta Holbrook, Senior Auditor Ron Keller, and Staff Auditor Alex Green presented the audit findings and recommendations.

Beth Machann, Controller; Chris Binnicker, Deputy Chief Information Officer; and Chris Longshore, Director of HR Technology & Innovation were present to respond to the audit report on behalf of the Controller's Office and the Office of Human Resources (OHR).

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 "Payroll System Conversion and Internal Controls." 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 Controller's Office and OHR agreed with all 19 of the Audit Team's findings and recommendations. The recommendations and the auditee responses from the audit report are summarized below.

Recommendation 1.1

Incident Management Process—The Controller's Office should develop a method in Salesforce for categorizing recurring incidents accompanied by policies and procedures for using incident data.

Auditee Response: Agree

Recommendation 1.2

Review of Incidents—The Controller's Office should determine the appropriate level of management for regular review of Salesforce incidents and develop procedures for identifying recurring problems and devising resolutions.

Auditee Response: Agree

Recommendation 1.3

Training for Incident Review—The Controller's Office should develop training to help implement policies and procedures for appropriate level of management to regularly review Salesforce issues to identify recurring problems and take steps to resolve them.

Auditee Response: Agree

Recommendation 1.4

Updated Written Procedures—The Controller's Office should develop detailed written procedures regarding the Workday payroll process, from initiation of the process to recording the final journal entries. This should be a living document, subject to revision as the City's payroll process under Workday evolves.

Auditee Response: Agree

Recommendation 1.5

Employee Training on Written Procedures—The Controller's Office should develop and provide additional training to ensure that employees are aware of all the procedures that are required for their position as well as to ensure that employees are aware of the job requirements of positions for which they are the back-up.

Auditee Response: Agree

Recommendation 1.6

Timecard Approval Requirements—The Controller's Office should review and revise policies and procedures related to enforcement of timecard approval requirements.

Auditee Response: Agree

Recommendation 1.7

Payroll Approvals Training—The Controller’s Office should develop and provide additional training related to payroll approvals.

Auditee Response: Agree

Recommendation 1.8

Department of Public Safety Timecard Reports—The Controller’s Office should ensure that accurate reports for timecard approval rates are available for the Department of Public Safety employees.

Auditee Response: Agree

Recommendation 1.9

Payroll Reports—The Controller's Office should evaluate current risks and controls related to payroll register reviews and add or revise reports to better identify high risk transactions, such as pay rate changes, new employees, terminated employees, employees paid at a rate outside their pay range, zero pay employees, excessive hours, and other payroll-related risks.

Auditee Response: Agree

Recommendation 1.10

Payroll Review by Agencies—The Controller’s Office should ensure that reports that detail significant changes from one pay period to the next are reviewed and approved by personnel with direct knowledge of agency payroll details, such as human resources personnel assigned to the agency or senior agency management.

Auditee Response: Agree

Recommendation 1.11

Compensation Pay Range—The Office of Human Resources should take necessary steps to ensure that employee compensation falls within their pay range, unless there is a valid exception.

Auditee Response: Agree

Recommendation 1.12

Periodic Reviews of Internal Controls—The Controller's Office should develop and implement policies and procedures to routinely review the Payroll Division’s internal control structure, including business process rules, to determine when further enhancements can be made.

Auditee Response: Agree

Recommendation 1.13

Timely Terminations—The Office of Human Resources should terminate or inactivate all non-working employees in relevant systems within a specified timeframe.

Auditee Response: Agree

Recommendation 1.14

Policies and Procedures for Terminations—The Office of Human Resources should implement policies and procedures addressing specific circumstances defining when terminations or inactivation should be done and provide training to help enact such policies.

Auditee Response: Agree

Recommendation 2.1

Project and Test Documentation—The Technology Services Project Management Office should ensure that project and test issue logs are documented, maintained, and updated timely.

Auditee Response: Agree

Recommendation 2.2

Project Record Repository—The Technology Services Project Management Office should reassess the project’s record repository to ensure records are available and accessible.

Auditee Response: Agree

Recommendation 2.3

New Employee Workday Training Needs—The Office of Human Resources should evaluate Workday training needs and best methods for new employees and supervisors.

Auditee Response: Agree

Recommendation 2.4

Training Needs Surveys—The Office of Human Resources should conduct employee surveys to identify potential additional Workday training needs.

Auditee Response: Agree

Recommendation 2.5

Training Revisions—The Office of Human Resources should review current training offerings and, if needed, revise to ensure that common Workday-related issues or questions are addressed.

Auditee Response: Agree

Report Briefing: Information Systems Cybersecurity Assessment **(Concluding in Executive Session)**

Along with Audit Manager Kevin Sear, Cornerstone Partners presented the report findings and recommendations. Representing Cornerstone Partners were Bill Evert, Partner; Donald McLaughlin, Associate; and Brian Cather, Associate.

Scott Cardenas, Chief Information Officer; Chris Todd, Chief Technology Officer; and James Stoner, Information Security Manager were present to respond to the report.

Cornerstone Partners discussed the purpose and scope of the report. Technology Services agreed with the report findings.

For the full text of the public portion of the report, 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 “[Information Systems Assessment](#).” 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.

At the conclusion of the public briefing, Jack Blumenthal moved to take the meeting into Executive Session. Rudy Payan seconded the motion, and the motion passed unanimously.

Before continuing in Executive Session, the Auditor announced the Committee would also be conducting its annual assessment of the External Auditor, BKD, during the Executive Session.

The Auditor also noted that the next Audit Committee meeting is on Thursday, October 19, 2017 at 9:00am in the Parr-Widener Room (#389) of the City and County Building, 3rd floor.

Additionally, he reminded Committee members of a special meeting scheduled on October 26, 2017 for a risk assessment with BKD.

The public portion of the meeting adjourned at 9:57 a.m., and those not directly involved with the report were excused from the room.

Executive Session

Once in Executive Session, the details of the above cybersecurity report were discussed with the involved agency representatives.

Deputy Auditor Valerie G. Walling then led a Committee assessment of the External Auditors, BKD, LLP and Anton Collins Mitchell LLP.

With no other business, the Committee voted to leave Executive session, and the meeting adjourned at 10:44 a.m.

Prepared by Mollie Horne, Audit Committee staff