



## **Independent Audit Committee**

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

Meeting Minutes

Thursday, October 19, 2017, 9:00 a.m.

#### **Opening**

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

#### **Members Present**

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

#### **Also Present**

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

#### **Audit Report Briefing: Denver Human Services' Child Welfare Services**

Audit Supervisor Emily Owens, Lead Auditor Kharis Eppstein, Senior Auditor Darrell Finke, and Senior Auditor Colleen West presented the audit findings and recommendations. Contributing Lead Auditor Jared Miller was also present in the gallery.

Donald Mares, Executive Director, Denver Human Services; Joseph Homlar, Deputy Executive Director, Protection and Prevention; and Mimi Scheuermann, Director, Child Welfare and Adult Protection Division were present to respond to the audit report on behalf of Denver Human Services.

For the full text of the report, including auditee actions, please visit [www.denvergov.org/auditor](http://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 "Child Welfare Services." View the video recording of the audit report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://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 Human Services agreed with all 10 of the Audit Team’s findings and recommendations. The recommendations and the auditee responses from the audit report are summarized below.

**Recommendation 1.1**

**Internal Background Check Policy**—Denver Human Services should revise its internal policy to include, at a minimum, the following elements: clear guidance regarding which background checks are required for all types of candidates; retention requirements for all required background check documentation (for candidates that did and did not pass); identification of individual(s) responsible for ensuring all required checks are completed; and the effective date of each required background check.

**Auditee Response:** Agree

**Recommendation 2.1**

**Review and Revise the AAVC Policy**—Denver Human Services should review the AAVC Policy to clearly document the following elements, at a minimum: criteria for applying the AAVC Policy, whether an assessment must be completed for all referrals meeting criteria regardless of Volume 7, the data to be collected to monitor the AAVC Policy’s implementation, and DHS’s plan for periodic reviews and evaluations of the AAVC Policy’s effectiveness.

**Auditee Response:** Agree

**Recommendation 2.2**

**Develop Procedures for the AAVC Policy**—Denver Human Services should develop procedures for the AAVC Policy that require, at a minimum, all staff to consistently and uniformly document in Trails whether a referral meets AAVC Policy criteria and the final screen-in or screen-out decision that includes the reasoning behind the decision. Additionally, DHS should develop procedures for the AAVC Policy that require consistent and uniform documentation of when an override occurs and who authorized the override.

**Auditee Response:** Agree

**Recommendation 2.3**

**Training on the AAVC Policy**—Denver Human Services should disseminate the AAVC Policy to all Child Welfare Division staff, and incorporate the AAVC Policy in all training of new caseworkers. As part of this, DHS should maintain documentation demonstrating that all CWD staff participating in RED Team decision-making receive this training.

**Auditee Response:** Agree

**Recommendation 2.4**

**Prevention Services Program Design and Implementation**—Denver Human Services should conduct an internal review of the design and implementation of the Prevention Services Program. The review should result in updated policies and procedures that document, at a minimum: clearly defined target population and eligibility criteria, data collection requirements, outcomes to measure effectiveness, and a plan for regular program monitoring or evaluation.

**Auditee Response:** Agree

**Recommendation 2.5**

**Prevention Services Program Training**—Denver Human Services should develop and implement a training plan that ensures that all RED Team members understand the purpose of the Prevention Services Program and the types of referrals that are, or are not, eligible for the program. Additionally, DHS should maintain documentation that RED Team members receive this training.

**Auditee Response:** Agree

**Recommendation 2.6**

**Prevention Services Case Management**—In conjunction with Recommendation 2.4, once the review of the Prevention Services Program is completed, Denver Human Services should ensure that Prevention Services Program staff are trained on any changes impacting their case management responsibilities. Additionally, DHS should develop and implement monitoring processes to ensure that caseworkers adhere to case management process steps.

**Auditee Response:** Agree

**Recommendation 2.7**

**Child Abuse Prevention Month Mini-Grant Process**—Prevention Services Program management should ensure that Child Abuse Prevention Month processes formally document mini-grant management procedures that ensure consistency and accountability. These procedures should include a detailed description of the award selection process and criteria, and steps to ensure compliance with mini-grant agreements and requirements by awardees.

**Auditee Response:** Agree

**Recommendation 3.1**

**Revise Internal Travel Policies**—Denver Human Services should revise its internal policies and procedures regarding travel expenditures to include procedures that ensure travel vouchers are calculated correctly, reimbursements for travel expenditures are in accordance with Fiscal Accountability Rule 10.8, and any exceptions to Fiscal Accountability Rule 10.8 are fully documented.

**Auditee Response:** Agree

**Recommendation 3.2**

**Revise Service Provider Contract Terms on Time Accounting**—Denver Human Services should consider incorporating new language into provider contracts during the next cycle of contract negotiations in 2018. Such language should require providers to document and explain what services were provided, and include the associated time spent providing such services, to ensure that billed amounts can be reconciled to invoices and system payments.

**Auditee Response:** Agree

## **Approval of September 21, 2017 Minutes**

The minutes were approved as written.

## **Audit Report Briefing: Special Revenue Funds**

Audit Supervisor Cody Schulte, Lead Auditor Brad Harwell, Senior Auditor Marc Hoffman, and Staff Auditor Shannon Dale presented the audit findings and recommendations.

Beth Machann, Controller, Department of Finance; Stephanie Adams, Budget Director, Department of Finance; and Skye Stuart, Administration Officer, Mayor's Office were present to respond to the audit report.

For the full text of the report, including auditee actions, please visit [www.denvergov.org/auditor](http://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 "Special Revenue Funds." View the video recording of the audit report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://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 Budget and Management Office agreed with all 12 of the Audit Team's 12 findings and recommendations. The recommendations and the auditee responses from the audit report are summarized below.

### **Recommendation 1.1**

**Provide Special Revenue Fund Listing** – The Budget and Management Office should provide a way for citizens to access a master list of special revenue funds, such as through a link within the budget book to a master list, or adding a table as an appendix within the budget book.

**Auditee Response:** Agree

### **Recommendation 2.1**

**Develop Policies and Procedures** – The Budget and Management Office should develop formally documented policies and procedures that provide guidance regarding the opening of special revenue funds. BMO should consider creating a checklist that details all aspects of the opening process and clarifies their decision-making criteria. The checklist could include items such as:

- Documentation of decision-making criteria including why the special revenue fund is approved or denied, why the fund is appropriated or non-appropriated, and why inactive special revenue funds are left open; and
- Preliminary approvals of the ordinance by relevant agencies prior to approval by City Council to ensure that the draft ordinance contains specific allowable revenue and expenditures that are clear to the agency managing the special revenue fund, or ensure that the managing agency has internally documented policies containing specific allowable revenue and expenditures.

**Auditee Response:** Agree

**Recommendation 2.2**

**Periodically Review Funds for Closure** – The Budget and Management Office should periodically review all special revenue funds to identify which funds do not have activity and consult with the responsible agencies to determine whether they should be closed. This review should be documented in the Budget and Management Office’s policies and procedures.

**Auditee Response:** Agree

**Recommendation 3.1**

**Ensure All Reconciliation Certification Forms Are Submitted** – The Controller’s Office should take additional steps to follow up with agencies that have not completed or submitted their Reconciliation Certification Forms to enhance internal controls over the reconciliation process and ensure compliance with the City’s records retention policy.

**Auditee Response:** Agree

**Recommendation 3.2**

**Reviewing Supporting Documentation** – The Controller’s Office should institute a process for reviewing a sample of the supporting documentation of agency reconciliations over special revenue funds, to ensure completeness and the accuracy of the reconciliation and any necessary, correcting journal entries.

**Auditee Response:** Agree

**Recommendation 3.3**

**Bolster Questions on Reconciliation Certification Form** – The Controller’s Office should bolster the special revenue fund Reconciliation Certification Form to include questions about the discrepancies identified by agencies and the methods used to identify them.

**Auditee Response:** Agree

**Recommendation 3.4**

**Create Missing Policies and Procedures for Reconciliation** – The District Attorney’s Office should create formal, documented reconciliation procedures for the financial management of the special revenue funds for which it is responsible.

**Auditee Response:** Agree

**Recommendation 3.5**

**Create Missing Policies and Procedures for Reconciliation** – The Department of Safety should create formal, documented reconciliation procedures for the financial management of the special revenue funds for which it is responsible.

**Auditee Response:** Agree

**Recommendation 3.6**

Create Missing Policies and Procedures for Reconciliation – The Department of Public Works should create formal, documented reconciliation procedures for the financial management of the special revenue funds for which it is responsible.

**Auditee Response:** Agree

**Recommendation 4.1**

**Improvements to Executive Order 134** – The Mayor’s Office should work to improve the agency gift reporting process by:

- Clarifying whether a series of gifts from the same source should be summed before applying the \$2,500 threshold;
- Granting an agency, such as the Clerk and Recorder’s Office, the authority to follow up with agencies that have not reported gifts as required; and
- Creating and implementing an official, standardized form for agency gift reporting.

**Auditee Response:** Agree

**Recommendation 4.2**

**Add Agency Gift Reporting to Denver Revised Municipal Code** – The Mayor’s Office should increase the applicability of the agency gift reporting process so that all City agencies are required to report gifts over \$2,500. This could be accomplished by updating the Denver Revised Municipal Code, Fiscal Accountability Rules, Executive Order 134, or another suitable method to ensure compliance.

**Auditee Response:** Agree

**Recommendation 4.3**

**Gift Disclosures Posted to Website** – The Office of the Clerk and Recorder should ensure that all gift disclosures are available on the City’s website as required by Executive Order 134.

**Auditee Response:** Agree

**Follow-Up Audit Report Briefing: Rocky Mountain Human Services**

Director of Financial Audits Heidi O’Neil, Audit Manager Dawn Wiseman, and Lead Auditor Anna Hansen presented the follow-up audit recommendations and findings.

Jay Morein, Chief of Staff, Department of Human Services; and Shari Repinski, Executive Director, Rocky Mountain Human Services were present to respond to the follow-up audit report. For the full text of the follow-up report, including auditee actions, please visit [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports. This [follow-up report is published](#) under the 2015 Audit Reports header below its corresponding original audit, dated December 2015.

The follow-up audit report was discussed. The findings, summarized below, indicate that Denver Department of Human Services' failure to adequately monitor its contract with Rocky Mountain Human Services has contributed to misuse of taxpayer funds.

**Recommendation 1.1—IMPLEMENTED**

**Allowable Costs** – DDHS should amend the contract exhibit to specify what constitutes an allowable cost to restrict questionable spending of mill levy funds in the future.

**Recommendation 1.2—IMPLEMENTED**

**Source Documentation** – DDHS should request source documentation from RMHS to verify that expenditures were in compliance with contract terms. At a minimum, DHS should verify that administrative costs do not exceed 15 percent on all future invoices, that executive salaries are properly classified as administrative expenses, that administrative expenses do not include fundraising expenses, and that mill levy funds are only funding communications and outreach expenses for intellectual and developmental disability programs.

**Recommendation 1.3—IMPLEMENTED**

**Residency Requirements** – DDHS should work with the City Attorney's Office and RMHS to determine how to best address the residency requirements of Initiative 100.

**Recommendation 1.4—IMPLEMENTED**

**Initiative 100** – DDHS should work with the City Attorney's Office and City Council to determine whether the intent of Initiative 100 should be codified in City Ordinance and filed with the Office of the Clerk and Recorder.

**Recommendation 1.5—IMPLEMENTED**

**Update Contract** – DDHS should address deficiencies in the RMHS contract by clarifying reporting requirements, such as annual reporting to City Council, and eliminating any outdated items, such as local match and the Center for Training and Technical Assistance areas in the contract exhibit.

**Recommendation 1.6—IMPLEMENTED**

**Monitoring** – DDHS should monitor its contract with RMHS by reviewing, at a minimum, monthly financial statements and cash disbursements, and conduct quarterly cycle audits to understand how mill levy funds are utilized. In addition, DDHS should ensure that RMHS's Board of Directors is executing its fiduciary duty to ensure mill levy funds are spent according to the contract.

**General Business**

Auditor O'Brien introduced the 2018 Audit Plan, available at [www.denvergov.org/auditor](http://www.denvergov.org/auditor), and Deputy Auditor Valerie G. Walling gave a brief overview. She explained how the Office's continuous risk assessment informs the following year's auditing activities. The Auditor's Office looks forward to auditing a variety of agencies and providing a broad body of reports in 2018.

Committee members were also reminded of a special meeting with external auditor BKD scheduled for October 26, 2017 at 9:00 a.m. to discuss the coming year's CAFR plan and risk assessment.

The next Audit Committee meeting will be held on Thursday, November 16, 2017 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3<sup>rd</sup> floor of the City & County Building at 1437 Bannock Street.

With no other business, the Committee adjourned at 11:00 a.m.

Prepared by Mollie Horne, Audit Committee staff