



Independent Audit Committee

City & County of Denver

Meeting Minutes

Tuesday, September 29, 2015

Opening

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

Members Present

Rudy Payan, Vice-chair; Robert Bishop; Jeff Hart; Leslie Mitchell; and Edward Scholz were present. Jack Blumenthal was excused.

Also Present

City Controller Beth Machann, Assistant City Attorney Dan Slattery, Agency Controller for the Wastewater Enterprise Fund-Public Works Mary Temple, Director of Contracts and Accountability Jeff Garcia, Deputy Auditor Valerie Walling, Director of Audit Services Kip Memmott, Director of Communications Kathleen MacKenzie and Committee staff Mollie Horne were also in attendance.

Approval of August 20, 2015 Minutes

The minutes were approved as written.

Approval of Audit Committee Charter

Chairman O'Brien introduced a draft Audit Committee Charter (prepared 9/18/15) for review by the Committee.

Discussion, Questions, and Approval:

Mr. Hart inquired as to whether this draft charter was based on a specific model or built from scratch. In fact, the draft charter was based on a draft of a similar document from Kip Memmott which was prepared for the Audit Committee in 2009 but for which there is no documented Committee approval.

Mr. Scholz noted the use of both “CFO” and “Manager of Finance” in the charter language. Chief Financial Officer is the customary title, so Mr. Scholz suggested that that title be used throughout for clarity and consistency.

Mr. Payan moved that the Committee adopt the charter. The motion was seconded by Ms. Mitchell. The Audit Committee Charter was adopted. Mr. Hart asked to see the document again after the suggested changes were made.

Discussion and Review of Draft RFP for External Auditor

The Audit Committee is responsible for commissioning an annual external audit of the finances of the City and County. The draft Request for Proposals for such an audit, beginning with the fiscal year ending December 31, 2016, was distributed to the Committee.

This draft RFP is the first one issued by the Audit Committee. The last RFP was issued when it was still the responsibility of the Mayor to commission the external auditor.

Chairman O’Brien encouraged the Committee to take a close look at the language of the RFP and consider how best to weight several criteria on which it will be evaluating candidates. Those criteria are: expertise and experience, audit approach/staffing plan, understanding of work to be performed, women and minority-owned (WBE/MBE) firm participation, and audit cost.

Mr. Hart asked if there is standard or generally accepted method for weighting and prioritizing the aforementioned criteria. He also suggested looking into the practices of groups like the Council of the Inspector Generals on Integrity and Efficiency (CIGIE) and the American Institute of Certified Public Accountants (AICPA) for guidance on the matter.

In Mr. Payan’s opinion, the first three criteria are interrelated and paramount. He anticipates having some flexibility with regard to audit cost and is enthusiastic about reaching out to WBE/MBE firms.

Ms. Machann explained that many firms do not realize how large and complex an undertaking it is to audit the City and County of Denver. Consequently, the RFP should set forth sufficient detail to “level the playing field” between competing firms. Once the firms understand the work to be performed, Ms. Machann expects the larger firms will have no problem providing expertise, experience, and appropriate staffing.

Chairman O’Brien pointed out that the draft includes a bidder’s conference in order to address questions from interested firms regarding the external audit process, including how many hours are required, what the process has looked like in years past, expectations, etc.

Ms. Mitchell inquired as to how many firms may be interested in the external audit contract. The Committee anticipates three to four strong candidates.

Mr. Scholz suggested the Committee request Ms. Machann’s feedback, either verbally or in writing, on any proposals from bidding firms, considering how closely the external auditor works with the Controller’s Office.

Ms. Machann requested that the calendar be changed to show May 31 of each fiscal year as the deadline for the completion of the final CAFR, and that annual audit be initiated no later than October 1 of each year.

Assistant City Attorney Dan Slattery asked to offer comments, at a later date, on the WBE/MBE portion of the RFP.

Mr. Payan asked Ms. Machann to offer her comments on what the learning curve might be like, should the Committee choose a new external auditor. How many startup hours does she expect the firm will require? Ms. Machann replied that a new firm would likely start auditing at a “high level,” meaning it will take some time for the firm to dig deep and eventually ask the questions which, at first, they won’t know to ask.

Mr. Hart was concerned that a new firm might assign its most junior auditors to this contract with the City and County of Denver. He asked what the turnover in external audit staff has looked like in years past. Ms. Machann said that despite inevitable staff turnover and shifting, even at the beginning, the external auditor has not assigned junior auditors to the City and County of Denver. Each year, there tend to be 10-15 auditors assigned to the audit, and the turnover is typically only one or two auditors per year.

Regarding “Understanding of Work to be Performed,” Mr. Bishop asked what is expected to be returned in a proposal. Should the Committee expect a narrative from the firm? Chairman O’Brien agreed that it should be a narrative in which the firm expresses its understanding of how complex and multi-faceted the City is, especially considering the breadth of the audit and, as Ms. Machann noted, the special City-County relationship within this government.

The next Audit Committee meeting will be held on Thursday, October 15, 2015 at 8:00 a.m. in the Parr-Widener Community Room (#389) on the 3rd floor of the City and County Building at 1437 Bannock Street.

With no other business the Committee adjourned at 8:50 a.m.

Prepared by Mollie Horne, Audit Committee staff