

City of Denver missing millions in assets, suggests auditor

APR 19, 2018 by STAFF in LATEST

Replace your timing belt

TODAY



A new report from the Denver City Auditor suggest millions of dollars in taxpayer's assets are missing under the management of Denver Mayor Michael Hancock.

Unclear and inaccurate capital asset records throughout city agencies are resulting in missing and misidentified equipment and other physical and intangible assets a report from Denver Auditor Timothy M. O'Brien, CPA, shows.

When Auditor O'Brien's team tried to physically examine 124 assets listed on agency books, they were unable to find 15 of them, or 12 percent. Based on the team's sampling methodology, this result indicates that between 670 – 1,590 of the capital asset types included in the scope of this audit— which includes equipment as well as buildings and fixtures — could be missing or improperly classified.

Examples of capital asset inaccuracies found during the report include a car the city sold in 2003 that was still on the books nearly 15 years later and a garbage truck no longer in use that was listed as still in service. In another case, city records counted a portion of the cost of a swimming pool at the La Alma Recreation Center twice, inflating the historical cost of the city's assets by \$853,000.

In another example, the audit team was unable to find any record of what happened to five of the items in their sample even after asking for help from the managing agency. In one case, a \$3.5 million asset was listed only as "Bond C&C Bldg – Exterior," and officials could not explain the reason for the entry. You can read the full list of inconsistent or inaccurate capital asset entries identified in our testing in Appendix B of the audit report.

"These record-keeping errors are significant and indicate a high probability of other missing or improperly recorded assets, both large and small," Auditor O'Brien said. "These assets belong to the taxpayers and should be accurately tracked."

Other types of inaccuracies included wrong locations, descriptions, classifications and identification numbers listed in the inventory reports as well as problems with the timeliness of asset recording and discrepancies between the recorded historical costs of the assets and the actual historical costs. An example of an incorrect location is a series of outdoor sculptures recorded at the McNichols Building, which were actually in various parks throughout Green Valley Ranch.

Capital assets are items or software used in operations with an initial useful life of greater than one year and usually a value of at least \$5,000. Our audit did not include the airport, land and construction in progress, infrastructure asset categories or information technology assets, many of which had been the subject of previous audits. In total, the city's capital assets are disclosed at a value of \$7.1 billion.

With unclear asset records, turnover within managing agencies and a lack of internal procedures to ensure consistency, it is possible for the city to lose track of assets for which it is responsible. Auditor O'Brien recommends a plan of action to detect and correct more errors in the capital asset inventory verification process, including training and spot checks.

"The lack of accurate asset information can increase the risk of theft, loss, waste or abuse of city-owned property," Auditor O'Brien said. "More thorough capital asset identification and tracking procedures would help avoid many of these identified problems."

The audit team found employees with the agencies responsible for tracking the capital assets are also not properly trained. In a survey conducted during the audit of city custodians and other agency employees that handle capital assets, 43 percent of respondents said they had not received capital asset management training. Best practices include ensuring that employees managing capital assets are not only knowledgeable about the capital assets they count, but also about the tracking process as a whole.

Auditor O'Brien recognizes many of the city's agencies have significant operational responsibilities that are not necessarily centered around capital assets. As a result, agencies might not prioritize tracking capital assets.

Although city agencies have a significant responsibility for maintaining accurate and complete data regarding their capital assets, they share that responsibility with the Controller's Office. The audit found that the Controller's Office could improve the guidance it gives to city agencies.

As a result, Auditor O'Brien recommends the agencies work with the Controller's Office to develop their own policies and procedures to ensure the annual review of assets is more accurate.

One agency is already taking proactive steps to correct the problems our team identified. The Department of Parks and Recreation is making changes to improve asset tracking by adding it as an element of annual performance goals for employees.

Auditor O'Brien and the audit team made eight recommendations for cleaning up the capital asset list, improving policies and procedures and ensuring proper training for asset custodians. The agencies included in the asset sampling and the Controller's Office agreed to all recommendations.

Google Chrome

Chrome Safe Browsing will protect you from malicious sites. google.com



Share this:

