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May 21, 2015

Dear Citizens of the City and County of Denver,

I am pleased to present the 2014 Auditor’s Office Annual Report. Accountability and transparency is and should be a milestone of the Auditor’s Office. Hence, the public needs to be informed about the actions taken over the past year, the accomplishments for the year, and future goals of the Denver Auditor’s Office. This report does that!

This report highlights the efforts of the entire office. This past year has seen the expansion of the Auditor’s Office, which has allowed us to increase our effectiveness and efficiency for the citizens of Denver. The Auditor’s Office Divisions—Prevailing Wage, Audit Services, and Management—as well as our Special Investigator, Construction Monitor, and affiliated staff and activities have produced a truly remarkable amount of work this past year on behalf of Denver.

The more aggressive and dynamic enforcement of prevailing wage requirements by our Prevailing Wage Division helped 475 individuals who received a total of $218,231.09 in pay, which they had been denied and we recovered for them. This included individuals who received less than $10.00 in some cases to individuals who received in excess of $5,000.00 in recovered wages. Our Audit Services Division completed a total of 19 performance audits conducted using the nationally recognized “Denver Audit Model,” which we have created and are modifying on a regular basis.

As this year, 2015, will be my last year as Denver City Auditor, I would like to publicly thank all the citizens of Denver for providing me with the opportunity to serve you these past twelve years. Your faith and trust in me is and will always be greatly appreciated. I am proud to say that I will leave the City of Denver with a high-performing Denver Auditor’s Office that serves the citizens of Denver well!

Sincerely,

Dennis J. Gallagher
Denver City Auditor
OFFICE OF THE CITY AUDITOR

Who We Are

The Denver Auditor’s Office is granted under the Denver City Charter the responsibility to work for the betterment of the citizens of the City and County of Denver by working with city agencies and the public to make Denver city government work more efficiently and effectively.

As Denver City Auditor for almost twelve years I have strived to accomplish this goal. During my time as Auditor major changes have been accomplished in the Auditor’s Office and we can honestly say that Denver is a better functioning city for our efforts. We have taken the Auditor’s Office from five divisions to a more manageable three for greater internal efficiencies in the office. We gave up the Accounting and Payroll functions, which previously existed in the Auditor’s Office, to the Finance Department of the city where they should be. This streamlined the financial process for the city. We greatly expanded the auditing powers and staffing to provide more robust performance and financial audits. We expanded and continued our efforts to enforce and protect the employees of the companies who perform work with the City and County of Denver or who work on projects involving federal monies, which require enforcement of the Davis-Bacon Act and Prevailing Wage requirements.

The three Divisions within the Auditor’s Office—the Management Division, the Audit Services Division, and the Prevailing Wage Division—perform a variety of functions that further the agenda of the Auditor’s Office and the interests of the residents of Denver.

The Denver Auditor’s Office has played and will continue to play the crucial role of being the “watch dog” for the public. Our job is to make certain that the residents of Denver are well served by their city government.
What We Do

Management Division

Human Resources

Our agency Human Resources Director for the Auditor’s Office handles all human resources responsibilities for the agency. This includes strategy and execution of recruiting, compensation administration, performance management, employee relations, on-boarding, and departures and exit interviews, to name a few.

To identify the best candidates for our agency, we tapped into the top 25 graduate programs offering Public Policy or Public Administration degrees. Additionally, we reached out to at least 40 state and local government performance audit shops as well as the U.S. Government Accountability Office to inform these organizations of our openings. Individuals hired from these types of agencies are better able to hit the ground running and they generally have a better understanding of what we do. Additionally, they oftentimes have a master’s degree in Public Administration or Public Policy, which indicates a professional commitment to public service.

In addition to recruiting, the Human Resources Director spends significant time in the areas of performance management and compensation as well as all other human resources areas.

Contracts and Accountability

The Denver City Charter requires the Denver City Auditor to be the final signature on all City contracts and agreements. The Management Division includes the Contract and Accountability Administrator, who is responsible for reviewing and then accepting or rejecting the contracts for further revision. The review includes making certain all necessary provisions have been included in the contract; the information, such as the scope of work, in the contract is complete and consistent; and the dates and monetary amounts are correct. The Contract and Accountability Administrator reviews roughly 3,500 contracts a year. Once the Administrator finally accepts the
contracts, they are then forwarded to the Auditor for signature.

During the last twelve years the Auditor’s Office worked with the other appropriate city agencies to reform the contracting process in the city. Adopting new technology to improve the process, the Auditor’s Office and the rest of the city now process contracts electronically, which has greatly reduced the time required to complete the contract process. From beginning to end, most contracts in the city are now processed within 45 days. The average contract time in the Auditor’s Office is less than three days. These changes have substantially reduced the costs to the taxpayers of Denver.

**Special Investigator**

The position of Special Investigator was created in mid-2014 for the purpose of augmenting the capacity of the Management Division to examine a variety of issues and concerns brought to the attention of the Auditor. The Special Investigator acts as an investigative resource to the Auditor and has the capability to conduct extensive research, investigation, and analysis. He also has greater flexibility in pursuing leads and confirming the veracity of assertions, accounts, and reports brought to the attention of the Auditor.

Periodic reporting of initial assessments and findings to management allows the Auditor to make preliminary assessments as to the authenticity of claims and determine whether further investigation is needed or alternative avenues need to be pursued. Although the Audit Services Division must conduct its audits systematically and methodically according to Generally Accepted Government Auditing Standards, the Special Investigator provides management the capacity to marshal appropriate information and counsel more expeditiously in order that the Auditor can weigh-in on pressing matters in both an informed and timely fashion.

Additionally, the Special Investigator’s purview includes reviewing various projects, agency programs, and other city undertakings as well as the contractual relationships between the city and outside individuals or companies. Using the capabilities of the Special Investigator appropriately allows the Denver Auditor’s Office to proactively address issues and concerns as they arise to both minimize the occurrence of costly errors as well as rectify inappropriate agency practice.

**Construction Monitor**

The Management Division includes the Construction Monitor position, which was created in 2014 and fully funded in the 2015 budget. The primary purpose of the position is to examine construction contracts and ongoing construction projects to ensure that the citizens of Denver are receiving the highest quality performance possible from both the contractors and contracting agencies.

This position allows the Auditor to have both an upfront review as well as an ongoing presence in construction projects, as opposed to the typical audit review process, which tends to be more in arrears. Construction needs to be monitored on an ongoing basis. In essence, the position needs to be involved as construction is being performed so that the actual decision-making process is monitored—particularly change orders, which tend to be the source of significant cost overruns. This gives the city an additional, experienced reviewer whose objectivity can assist in avoiding costly errors.

The position’s primary focus for 2014 was, and for a substantial part of 2015 will be, the complementary review by an experienced construction professional to assist in the ongoing performance evaluation of the South Terminal Redevelopment Program (STRP) at Denver International Airport (DIA) by the Auditor’s Office. The construction monitor was assigned to review
the contracts for Parsons Transportation Group and Kiewit International; the Tri-Venture, a consortium of Mortenson, Hunt, and Saunders that is performing the construction of STRP—also known as the Hotel Transit Center (HTC)—and a variety of smaller contractors and sub-contractors.

The Construction Monitor position provides the Auditor’s Office with a stronger grasp of the situation at DIA and allows the office to work with DIA staff to better address the financial impacts of this massive construction project, which is approaching two-thirds of a billion dollars.

Community Outreach

The Management Division is also responsible for the Auditor’s community outreach program. The program involves the creation and production of reports and public documents for presentation to the national auditing and prevailing wage communities, all city agencies, and the citizens of Denver. The Auditor and the entire Auditor’s Office take very seriously our responsibility to be transparent and accountable to the residents of Denver. In this regard, a variety of efforts are undertaken to fulfill this obligation.

Monthly audits are presented at the Independent Audit Committee and discussed with the appropriate city agencies and the members of the Audit Committee. These meetings are televised to gain the maximum amount of exposure to the residents of Denver. The Independent Audit Committee presentations occur on the third Thursday of every month.

Regular newsletters, the Accountability Update, white papers, and other documents are created and then distributed throughout Denver to keep the public informed about happenings within the Auditor’s Office that impact the public. These are distributed electronically and in hard copy form to neighborhood, community, and business organizations; presented at special meetings by the Denver City Auditor; and through social media.

The Auditor’s Office maintains and uses a website—www.denvergov.org/auditor—to serve as a baseline source of information for the residents of Denver. The Auditor also operates a Facebook page, a blog, a Twitter account, and an active email account, which publishes weekly updates.

All these initiatives are designed to keep the citizenry of Denver aware of the efforts of the Denver City Auditor to promote a more efficient and effective city government.

Audit Services Division

The Audit Services Division (ASD) of the Auditor’s Office conducts independent performance audits of City agencies, programs, and contracts. Performance audits focus on strengthening
governance, enhancing efficiency, increasing revenues, reducing costs, and improving the quality of services provided by the City and County of Denver to its citizens.

Several key components serve as the cornerstone for what we call the Denver Audit Model, which was the brainchild of Auditor Dennis Gallagher. First, the City and County of Denver has an elected Auditor who is completely independent from other elected officials and operational management. Second, city charter and municipal code authorize the Auditor to have access to all officers, employees, records, and property maintained by the City and County and to all external entities, records, and personnel related to their business interactions with the City and County. Third, city ordinance requires that audited agencies formally respond to all audit findings and recommendations. Fourth, the Auditor’s Office conducts all audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the United States Comptroller General. Fifth, the City Charter establishes an Independent Audit Committee, chaired by the Auditor and consisting of six other members, through which all audits are formally issued. These elements provide the Auditor with optimal independence resulting in audits that are truly impactful.

After establishing and executing a well-defined annual audit plan, we document the results of each audit engagement through a formally issued audit report presented during the City’s Independent Audit Committee meetings. Audit reports include a one-page summary of the audit; introductory and background material; an explanation of audit scope, objectives, and methodology; one or more major findings; and recommendations for the audited entity. These reports are both educational and actionable, increasing citizen awareness regarding the functions of their City and County government as well as identifying opportunities to improve the city’s operations. Through ASD’s audit follow-up program, we verify that recommendations have indeed been implemented.

ASD also offers a suite of non-audit advisory services products—Audit Alerts and Special Advisory Reports—designed to provide elected officials and operational management with critical information and analysis without the formality of an audit. Audit Alerts identify potential risk areas that may prevent the achievement of city objectives. They disseminate key information identified through an audit engagement, in the event that corrections need to be made to city operations prior to the conclusion of the audit. Special Advisory Reports provide information on limited reviews of time-critical assessments, investigations, or evaluations.

**Prevailing Wage Division**

The Prevailing Wage Division of the Denver Auditor’s Office is responsible for the enforcement of prevailing wage and living wage requirements of the Denver Revised Municipal Code and enforcement of the federal Davis-Bacon Act. The Division works with employers and employees as it monitors and enforces compliance with the
above mentioned city and federal laws. The Denver Auditor’s Office takes its responsibilities in this regard very seriously and works in a pro-active manner to protect the interests of workers, employers, and the City and County of Denver.

The Prevailing Wage Division uses an electronic online system to track compliance issues. This electronic approach is more efficient and more effective in allowing us to catch mistakes and make sure they are corrected. The system automatically checks for math errors and allows Prevailing Wage staff to audit for proper classification of workers, appropriate pay scales, and making certain that payrolls are accurate.

Each year the Prevailing Wage Division discovers hundreds of workers who have either been misclassified or are receiving incorrect payments. The Division then works with the employers to correct these errors. If the misclassification appears intentional, we will work with the employees to ensure proper classification.

Another responsibility of the Prevailing Wage Division is on-site visits to construction sites where employees and employers are observed and interviewed to verify the work that the employees are doing and confirming how they should be classified and paid, and that appropriate city ordinances or the federal Davis-Bacon Act is being followed.

When underpayments are discovered, the Prevailing Wage Division will require employers to issue the checks and give them to our office for placement. The enforcement powers of the Prevailing Wage Division include the ability to withhold payment in the rare cases where firm action is need to force compliance with city and national laws. Unfortunately, nearly 20 percent of all invoices that Prevailing Wage processed were held for some problem with payrolls. Fortunately, the majority of those held pay applications are paid the next day, when the contractor finally gets its certified payrolls submitted.
YEAR IN REVIEW

The year 2014 marked another successful year for the Auditor’s Office in promoting efficiency, effectiveness, accountability, and transparency for the citizens of Denver.

Management Division

This past year the Management Division achieved a substantial expansion of the Denver Auditor’s Office. This expansion fulfilled a long term goal of Auditor Gallagher, who restructured the office to maximize the effectiveness and efficiency of the Denver Auditor’s Office. The Prevailing Wage Division had a number of vacant positions filled, which allowed for a more robust enforcement of prevailing wage rules and regulations. The Audit Services Division had a seventh audit team and the position of a Contract Oversight Administrator created. These additions allowed for an increase in the number of audits being performed by Audit Services and for a more timely response time in regard to audits of current interest.

The Auditor’s Office Management Division was also expanded with the creation of a Special Investigator position and a Construction Monitor position. The individuals in these positions were tasked with working on the half-billion dollar Hotel and Transit center project at Denver International Airport. Their knowledge and expertise allowed for rapid investigation and reporting on issues at the airport as they were happening. The Auditor’s Office could then respond to those issues before they became bigger problems. This more proactive approach has and will pay greater dividends in the future.

The Contracts and Accountability section of the Management Division continued to review all new contracts and change orders instituted by the city in 2014. A surprisingly large number of them were returned to the requesting agency for mistakes, omissions, and corrections. The Auditor’s signature is the last one affixed to contracts and as such is the final step in trying to make certain the contracting process works efficiently.

The Community Outreach program ran by the Management Division was increased in size and focus during 2014. One hundred and ninety seven neighborhood organizations were identified along with a large number of service, business, and educational organizations and labor unions as a result of our expansion process. Our specific social media involved use of the Auditor’s Office website, Facebook, blogs, Twitter, and weekly emails. The Auditor’s Facebook postings received 118,452 different hits, his weekly email blast was distributed to over 2,000 different individuals each week, and his blog readership and Twitter followers both increased.
Audit Services Division

The Audit Services Division (ASD) conducts performance audits, which focus on delivering key strategies that strengthen governance, enhance efficiency, increase revenue, reduce costs, and improve the quality of governmental services for the citizens of Denver. In 2014, the Division conducted 21 audit engagements and issued 19 performance audit reports; the remaining 3 engagements were issued in early 2015. Our audits evaluated a wide range of services among several different City agencies and had significant citizen impact within the City and County of Denver. The following section briefly highlights a few of our audits. A complete listing of and links to our 2014 audits is available in the Appendix at the end of this report.

Audit Highlights

Emergency Response

In critical and emergency situations, Denver residents expect their urgent calls for help to be answered and responded to in a timely manner. In Denver the average response, from the time a 911 call is answered to the time an officer arrives on scene, ranged from 14.3 minutes to 23.3 minutes. Although the law enforcement community has not established standards for response times, timely police response is important to the public. Our audit of Police Response Time addressed those concerns and assessed police emergency response times. Using data analytics to determine police response time trends and to assess causes for increases in response times, the audit team found that police response times had increased over the past several years due to decreased staff levels. The audit recommended that police response time data be shared with the citizenry, and that performance measures be established.

Legalization of Marijuana

In November 2000, Colorado voters approved constitutional Amendment 20, and, in 2012, passed Amendment 64, laws which legalized the medical and personal use of marijuana. In 2010, the City and the state passed laws to regulate the industry. Our audit of the City’s Medical Marijuana Taxation assessed processes and controls pertaining to the administration, enforcement, and collection of taxes due from medical marijuana (MMJ) businesses operating within the City and County of Denver. The audit determined that the City’s Treasury Division had not:

- Gathered sufficient data to ensure tax compliance by the MMJ industry;
- Enhanced its taxpayer education efforts to ensure that MMJ businesses have the information they need to comply with tax regulations; and
- Engaged in collaborative efforts with other jurisdictions as a means of assessing its performance in the area of MMJ tax collection and enforcement.

Although MMJ only produces a small percentage of the City’s total tax revenue, the addition of retail marijuana may generate a significantly larger amount of tax revenue for the City in the future. The regulation of this industry is important since Denver is one of the first cities in the nation to tackle this opportunity.

DMV Wait Times

Another area we addressed was the increasing customer wait times at motor vehicle offices within the city. Since 2012, the Denver Motor Vehicle Division
(DMV) has taken several steps to address increasing customer wait times and improve customer satisfaction. While average customer wait times were cut in half from a high of almost one hour in 2011 to approximately thirty minutes in 2014, we determined that the DMV must also continue to explore progressive initiatives that will improve its service delivery to citizens. Our performance audit of the Denver Motor Vehicle Division assessed the security and adequacy of automated systems, the level of customer satisfaction with Division activities, and the Division’s compliance with applicable legal, policy, and procedural requirements. The audit also explored progressive initiatives the city could implement to further efficiencies regarding the enforcement of license plate and registration tab compliance.

The Cost of Expansion at DIA

Denver International Airport (DIA) is the largest airfield of any U.S. airport and was recently ranked the fifth-busiest airport nationwide. To improve services at DIA and to create convenient intermodal transportation options between the airport and downtown, the city initiated the South Terminal Redevelopment Program (STRP), currently referred to as the Hotel and Transit Center (HTC) project. The Auditor’s Office was concerned that over a period of time the budget for HTC grew from $500 to $544 million. Our audit of the Denver International Airport Hotel and Transit Center evaluated DIA’s leadership in providing a project management structure for identifying and mitigating risks that impact the budget, ensuring that costs related to HTC are properly accounted for, and ensuring that future capital planning and maintenance are planned.

The audit provided recommendations for improving budget monitoring and documentation, and expanding leadership’s focus to include non-HTC-related projects and maintenance of the existing facility.

Securing Systems and Facilities Access

With increased threats related to computer hacking and terrorism, effective governance around identity management is critical. Our performance audit of Citywide Identity Management assessed whether physical and logical access controls are in place and adhered to, and whether building and computer access is appropriately provided and revoked. The audit identified recommendations for improvement in the security governance process related to failure to remove computer and building access for former or inactive employees.

ASD Performance Measures

Our performance metrics program is a best practice model that allows ASD to not only demonstrate its impact and proficiency, but also to regularly perform self-assessment and trend analysis in order to initiate continuous improvement activities.

We measure eight different metrics to evaluate how well we are achieving our mission. The metrics provide a performance framework consisting of a diverse range of indicators to help ASD continuously assess the efficiency and effectiveness of its audit activities as well as communicate achievements and accomplishments to external parties, most
significantly the citizenry. As ASD and the auditing profession continue to evolve, these metrics will be reviewed and adjusted annually as needed.

Audit Follow-Up Program

In 2014, the Audit Services Division continued to focus on audit follow-up activities to verify and provide reasonable assurance that management’s corrective action plans were completed and steps were taken to address prior audit findings. Audit standards require that a follow-up process is established to monitor management’s response of audit results and assess the implementation of management’s action plans. The follow-up process is not an audit of former issues identified; rather it is a review and assessment of management’s evidence provided to the auditors to verify that corrective action was taken as described and the corrective action adequately addresses the risks identified in the audit report.

We also maintained our regular and formal reporting to the city’s elected officials through Audit Follow-Up Reports posted to our website. These reports conclude on the current condition of the original audit findings. As a result of the enhancements made to the follow-up process through the issuance of Audit Follow-Up Reports, there is increased visibility, accountability, and transparency to the process.

Additionally, we informed the independent Audit Committee and operational management on the status of various audit findings and recommendations throughout the year. This process provides assurance to the Audit Committee and citizens that audit recommendations are followed-up on and that corrective action is implemented in a timely manner. Although performance audits can improve the efficiency and effectiveness of government activities, the audits are of limited value if the corresponding audit recommendations are not implemented. On occasion follow-up activities are performed and it is discovered that a department has not implemented corrective action. These instances are tracked and incorporated into the annual risk assessment process; too many instances of this will increase the level of risk with the department unless reasonable explanations are provided.

Throughout the follow-up process we track the percentage of agreed-upon audit recommendations as Acceptance Rate, and the percentage of agreed-upon audit recommendations that were implemented as Implementation Rate.

<table>
<thead>
<tr>
<th>Acceptance Rate: 2011 - 2013</th>
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<tbody>
<tr>
<td><strong>Year</strong></td>
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<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<table>
<thead>
<tr>
<th>Implementation Rate: 2011 - 2013</th>
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</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
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<tr>
<td>2013</td>
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<tr>
<td><strong>TOTAL</strong></td>
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</tbody>
</table>
Since agreement with a recommendation is only the first step, audited entities must implement the recommendation before positive change can occur. ASD’s audit follow-up program performs this critical role of verifying that recommendations have indeed been implemented.

In completing our audit activities for 2014, we issued 21 follow-up reports and performed additional in-depth audit work to verify that corrective actions have been taken to address previous audit findings. Going forward, ASD will continually monitor the quality and feasibility of its audit recommendations to identify opportunities for improvement.

The citizens of Denver should be pleased that audited agencies have agreed with 94 percent of the more than 500 recommendations generated over a three-year period. Unfortunately, only 63 percent of those recommendations have actually been implemented over this same period. Some of this is due to the inevitable lag between issuance and implementation. However, this gap represents identified but unaddressed risk, and we believe that audited entities have a responsibility to follow through on their commitment to implement all agreed-upon recommendations, and we have done our best to create a process that incentivizes implementation.

**Professional Contributions**

Another key goal of the Audit Services Division is to network and collaborate with other federal, state, and local government auditing organizations and associations to enhance and evolve the auditing and accountability profession.

During 2014 we shared our innovations with other audit entities, and made several well-received presentations to professional accountability organizations. We were also published in a professional trade magazine.

The Division’s methods, work, and contributions continue to receive national attention from professional auditing and accountability organizations.
We received the prestigious ALGA Silver Knighton award for a large audit shop and we were also recognized by the Institute of Internal Auditors (IIA) as a top ten Best Practice audit function for major cities in the U.S. and Canada. Additionally, several ASD staff members continue to serve in leadership positions within key international, national, and local accountability organizations. Our participation in these organizations provides stellar professional networking opportunities and ensures that we are completely up-to-date on new audit methods and techniques. 

Finally, we are committed to retaining an educated and well-qualified staff, and members of our office continued to pursue professional development and certification in the auditing field. These certifications are recognized by the industry and demonstrate an individuals’ competency and audit professionalism.
Prevailing Wage Division

The Prevailing Wage Division expanded its activities in 2014 after filling vacancies allowed our Contract Compliance Coordinators to dedicate more time in the field working with employees and businesses. We also streamlined a number of functions, which allowed for even more efficient and effective enforcement of the Denver Prevail Wage Ordinance.

During 2014, the Division handled projects from numerous years, collectively valued at $1.1 billion. Enforcing the Prevailing Wage Ordinance requires reviewing the certified actual payrolls of companies who perform services for the city such as construction and janitorial, and their requests for payment. In 2014, we set up a total of 972 different projects in our computerized payroll system, for which 1,142 different contractors submitted payrolls. The resulting total number of payrolls submitted for approval was 44,506.

Additionally, we received 15,455 pay requests with a collective value of $703,324,327. The Prevailing Wage Division processes 66 percent of pay requests within one day. In the event of a discrepancy between a pay request and associated certified payrolls, we will reject a pay application and notify the companies involved. Our Prevailing Wage staff works with these companies to correct the issues. Payments to the companies are held by the city until the issues are resolved. In the event that a subcontractor has an issue regarding prevailing wage rules and regulations, the Prevailing Wage Division will withhold payments to force the prime contractor to work with the subcontractor to correct their mistakes. However, at no time does the Prevailing Wage Division hold pay from individual workers.

In fact, another function of the Prevailing Wage Division is to make certain the employees of contractors, suppliers, and companies performing work for the city receive federally and locally mandated salaries. In reviewing payrolls, if we notice that an employee is not being paid in accordance with the appropriate wage requirements, we will withhold payment to the company until the underpayments to its workers are rectified.

In 2014, the Prevailing Wage Division obtained directly or indirectly $218,231 in payments to workers who were underpaid. The range of payments has been from only a few dollars for some employees to thousands of dollars for others. The Prevailing Wage Division works diligently to protect the best interests of the citizens of Denver and the workers who may be treated unfairly by their employers.

Professional Contributions

Because Denver is the largest user of LCPtracker in the country, LCP asked the Prevailing Wage staff to make a presentation at both the national conference and one of their regional conferences for efficient and effective uses of LCP by administrators.

Not only was the presentation well received by participants from across the country, but LCP said they would implement some of our suggested work-arounds.

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CONFERENCES & PRESENTATIONS

- **LCP Tracker**
  - 2014 LCPtracker National User Training Conference, Laguna Beach, California, March 2014  
  *Efficient Auditing with LCPtracker*, Rob Merritt, presenter
  - 2014 LCPtracker Regional User Training Conference, Austin, Texas, May 2014  
  *Efficient Auditing with LCPtracker*, Valerie Ramirez, presenter
National Intergovernmental Audit Forum Biennial Conference

In August 2014, the Denver Auditor’s Office co-hosted the 20th Biennial Forum of Government Auditors in partnership with the National Intergovernmental Audit Forum (NAIF). The Biennial Forum is the national meeting of all ten regional forums, which meet regularly to learn, share best practices, and provide an opportunity for individuals to increase their knowledge and help strengthen the public-sector auditing profession. Three hundred professionals from across the country joined us at the Colorado Convention Center for this sold-out event.

The theme for the 2014 Biennial Forum was “The Future of Government Accountability – Federal, State, and Local”. Presentations explored the future trends, issues, and challenges that impact our institutions and the people we serve. Gene L. Dodaro, Comptroller General of the United States and head of the U.S. Government Accountability Office (GAO), kicked off the Forum with a discussion of key drivers, such as advances in science and technology that impact government auditing. Other sessions and speakers focused on topics of critical importance to our organizations and the auditing profession, including: societal change and the impact of social media, big data, audit offices of the future, strategic foresight, overcoming barriers to information access, enterprise risk, grant reform, professional standards, and what makes a quality workplace.

As Co-Chair of the Forum, Auditor Gallagher was honored to receive an award in recognition of his support of the Mountain and Plains Intergovernmental Audit Forum. He was also delighted to have the opportunity to share personal reflections on his career in public service and governmental accountability.

Undoubtedly, 2014 was a great year for the Auditor’s Office and we are grateful to the Mayor, his teams, City Council, and the City’s Audit Committee for supporting the general mission of our office throughout the year and for their collaborative efforts to ensure that the work we do has a positive impact on the citizens of the City and County of Denver.
2014 STATS

CONTRACTS & ACCOUNTABILITY

approx. 3500 contracts reviewed per year

PREVAILING WAGE

received and processed 15,455 pay requests valued at $703 million+
and 13k+ had an average processing time of 1 day

more than $218,000 collected in underpayments as a result of efficient enforcement of prevailing wage laws

AUDIT SERVICES

issued 19 audit reports and 18 follow-up reports of city agencies

96% of audit recommendations for 2014 were accepted
FUTURE PLANS

The Denver Auditor’s Office has grown and gone through substantial changes during the twelve-year tenure of Denver City Auditor Dennis Gallagher. The primary focus of the Audit Services Division has shifted from carrying out financial audits to performing a combination of performance and financial auditing. The Prevailing Wage Division has expanded its efforts to better serve the residents of Denver and employers and employees who work on city projects. The addition of new staff has allowed the Auditor’s Office to more quickly and proactively address issues that arise and require swift oversight.

During the latter half of 2015, we will witness the end of the term of office for Auditor Gallagher and the entry of a new auditor and leadership for the agency. An outstanding foundation has been established in the office and the new auditor will be welcomed by an excellent staff and smooth-functioning office in which to advance the issues, policies and procedures, and concerns that he may bring to the role. Auditor Gallagher is committed to making certain this transition is as fluid and efficient as possible.
## Description of 2014 Audits and Reports

The following table provides a listing of key recommendations of various audit projects performed by the Audit Services Division during 2014.

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Key Recommendations</th>
<th>Issue Date</th>
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</table>
| Fiscal Sustainability: Debt Management          | The Chief Financial Officer (CFO) should revise Debt Policy language to accurately reflect current roles and positions.  
The CFO should amend the Denver Museum of Nature and Science Certificate of Participation (COP) to clarify the Museum’s responsibility to repay the city in full by 2028.  
The CFO should ensure that future development projects meeting political and policy criteria described in the city’s Debt Policy are financed by voter-approved bonds when a COP is not appropriate.  
The CFO should alert registered neighborhood organizations of any capital leasing arrangements, including COPs, not requiring voter approval that go before the City Council, to provide increased transparency and an opportunity for citizen participation. |
| Denver International Airport Concessions Management | DIA should evaluate and revise its financial and performance scoring metrics and ensure that accurate data is used in scoring.  
DIA should assess the effectiveness of Rule 45 and the PVC Program on a regular basis.  
DIA should initiate a study regarding the concentration-of-ownership standard to achieve DIA’s goal of encouraging competition and maximizing opportunities for small, local businesses.  
DIA should enhance the RFP Evaluation Committee’s training and make the scoring process more transparent.                                                                                                                                                                                                                     | February 2014 |
## Audits Issued in 2014

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Key Recommendations</th>
<th>Issue Date</th>
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</table>
| **Identity Management**                         | Technology Services should foster improvements to the city's identity management governance for physical and logical access.  
When employees leave city employment or transfer to new positions, proper access should be maintained. | March 2014 |
| **Public Works Traffic Engineering Services (TES)** | TES should develop and implement comprehensive business procedures and processes focused on consistency, criteria, annual plan and budget, and documentation. | April 2014 |
| **Department of Parks and Recreation Administration (DPR)** | DPR should establish an inventory of current partnerships and develop and implement a partnership policy to guide personnel when utilizing partnerships.  
DPR should consider reclassifying the Development Director position or assign a group of individuals to provide assistance for the administration of partnerships.  
DPR should fully utilize the existing contract management database to enable timely notification to management regarding key conditions and milestones for partnership contracts. | May 2014 |
| **Denver International Airport (DIA) Network Device Security** | DIA should improve its technology operations in the areas of administering backups and security and controlling changes to network device configurations. | June 2014 |
| **Police Response Time**                        | The Department of Safety should identify changes necessary to reduce response times and publicly present the results of the analysis with sufficient time for 2015 budget planning.  
The Department of Safety should measure and share at least annually response times with the public from the time a 911 call is picked up by a 911 Call Intake Operator until an officer arrives on scene.  
2014 response time data should be released by March 31, 2015, and by the end of the first quarter each year thereafter. | June 2014 |
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<th>Audit Title</th>
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<tr>
<td><strong>Business Improvement Districts (BIDs)</strong></td>
<td>City Council should work with Department of Finance (DOF), the Department of Public Works, and the City Attorney’s Office prior to future BID formation to identify important Creation Ordinance elements.</td>
<td>July 2014</td>
</tr>
<tr>
<td></td>
<td>City Council should thoroughly review the BID Operating Plans and Budgets presented by DOF each year and consider whether the current review process is effective for capturing the benefits that BIDs provide to the city.</td>
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<td>Prior to the next annual fee cycle, City Council should request that the DOF reassess the fees charged to BIDs, uniformly apply fees, and document the reasons a fee is adjusted or waived.</td>
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<tr>
<td><strong>Denver International Airport Legal Services Section (ALS)</strong></td>
<td>DIA ALS should work with the Alfresco project team to identify ways to improve their process.</td>
<td>July 2014</td>
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<td>ALS should develop internal guidelines to address the appropriate length of time each attorney should have to complete the contracting process and how long the peer review process should take.</td>
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<td>ALS should review and assess process inefficiencies, then conduct a staffing analysis to determine the optimal amount of ALS staff.</td>
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<tr>
<td><strong>Department of General Services’ Contract Administration</strong></td>
<td>General Services should develop a contract monitoring framework that identifies monitoring roles and responsibilities for all users of citywide services’ contracts.</td>
<td>August 2014</td>
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<td>General Services should conduct an assessment to document and quantify the efficiencies gained through the use of a single vendor and identify any potential limitations that should be addressed.</td>
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<td>General Services should quantify the General Services’ current usage of minority- and women-owned businesses and determine if use of a single vendor for citywide service contracts negatively impacts the minority- or women-owned businesses.</td>
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<tr>
<td><strong>Mobile Devices</strong></td>
<td>Technology Services should improve security and monitoring usage of mobile devices to lower costs.</td>
<td>August 2014</td>
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</tbody>
</table>
| **Urban Renewal in Denver** | The Chief Financial Officer (CFO) and the Department of Finance (DOF) should create a consolidated repository of Tax Incremental Financing (TIF) cooperation agreements.  
DOF should publish a list of active Denver Urban Renewal Plans and TIF areas.  
DOF should include urban renewal reporting on the Transparent Denver webpage to periodically report comprehensive urban renewal activity to the city and other stakeholders. | August 2014|
| **Medical Marijuana Taxation (MMJ)** | The Treasury Division (Treasury) should take on a more active role in the city’s strategic planning for marijuana policy. Treasury should help ensure that the review of city tax compliance is one of the steps toward achieving the strategic goal of efficient and effective MMJ regulation.  
Treasury should expedite the completion of ongoing compliance audits and determine whether additional action is warranted.  
Treasury should develop taxpayer information and educational material specific to the MMJ industry for expanded outreach.  
Treasury should initiate outreach to the State of Colorado and other tax jurisdictions to share information and ideas about the risks and trends associated with the MMJ industry. | September 2014|
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<td>Denver Motor Vehicle Division (DMV)</td>
<td>DMV should collaborate with the Office of Human Resources to conduct a multivariate regression analysis of staffing that compares the agency’s overall performance against contributing variables to determine actual staffing needs and potential flex schedules that may benefit the agency and customers. DMV should work with the Department of Finance to update the strategic plan to cover multiple years and incorporate targeted performance metrics that include a balance of wait time reductions, customer service, and addressing overall customer satisfaction.</td>
<td>September 2014</td>
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<tr>
<td>Denver Arapahoe Disposal Site (DADS)</td>
<td>The Department of Public Works (Public Works) should ensure that any future Disposal Agreements with Waste Management define the terms <em>disposal rate</em>, <em>disposal fee</em>, and <em>gate rate</em>, and incorporate in these definitions any additional fees, taxes, charges, or surcharges. Public Works should ensure that any future Disposal Agreements with Waste Management define the terms <em>consistent</em> and <em>competitive</em>, and how DADS disposal should compare to disposal rates at other landfills in the Denver Metropolitan-area. Public Works should establish a formal process to ensure that its DADS disposal rates are the lowest and best rates and consistent and competitive with disposal rates at other Denver Metropolitan-area landfills.</td>
<td>October 2014</td>
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| Denver Affordable Housing                            | The Office of Economic Development (OED) should consider allocating a greater percentage of Community Development Block Grant funds to affordable housing activities in 2016 as well as the pursuit of a permanent funding stream for affordable housing.  
OED should place more emphasis in their strategic plan on affordable housing activities that directly benefit affordable housing initiatives.  
OED should use leading practices to increase the supply of affordable housing, such as tax abatements and shared equity mechanisms, when updating strategies in the Denver Housing Plan.  
OED’s Executive Director should assess the potential benefits of structural changes that may increase the visibility of housing with OED and document the assessment’s outcome.                                                                 | November 2014 |
| Change Management Practices                          | Technology Services should foster improvement in process documentation, performance metrics, configuration management, user accounts, and password administration.                                                                 | November 2014 |
| Denver International Airport Hotel and Transit Center (HTC) | The DIA Change Management Committee should develop a process so change orders can be approved timely and prior to work commencing.  
DIA should ensure that a project management structure is established that includes change management early in the process of future construction projects.  
An independent construction consultant should be retained to assist DIA leadership and personnel in reviewing and negotiating contract terms on any future large scale construction projects. | November 2014 |
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<tr>
<td>Minority/Women Business Enterprise Program (M/WBE)</td>
<td>The Division of Small Business Opportunity (DSBO) Director should define and formalize a clear mission and objectives to capture what the M/WBE program is working to achieve.</td>
<td>December 2014</td>
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<td></td>
<td>The DSBO Director should develop goals for the M/WBE program that align with the mission and objective of DSBO and a set of performance measures that provide information on progress towards the goals.</td>
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<td>The DSBO Director should utilize information available in LCPTTracker to identify all firms working on city-funded construction projects and enter this information into B2Gnow.</td>
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| City Procure-to-Pay Process (P2P)                | Number of Recommendations: 20  
Implemented: 18  
Disagree: 2                                               | May 2014    |
| Denver International Airport Facility Management| Number of Recommendations: 9  
Implemented: 6  
Agree/Not Implemented: 3                                     | May 2014    |
| City Cost Allocation Plan                        | Number of Recommendations: 1  
Implemented: 1                                                  | June 2014   |
| Denver International Airport Fleet Management Program| Number of Recommendations: 17  
Implemented: 13  
Agree/Not Implemented: 4                                     | June 2014   |
| Denver International Airport Parking Administration| Number of Recommendations: 13  
Implemented: 7  
Agree/Not Implemented: 6                                     | June 2014   |
| Public Works Oversight of External Architectural & Engineering Design Work| Number of Recommendations: 6  
Implemented: 4  
Agree/Not Implemented: 2                                     | June 2014   |
| Denver International Airport Finance and Administration Division| Number of Recommendations: 9  
Implemented: 8  
Agree/Not Implemented: 1                                     | July 2014   |
| Department of Aviation Revenue Contract Management| Number of Recommendations: 11  
Implemented: 7  
Agree/Not Implemented: 4                                     | July 2014   |
| Animal Care and Control                          | Number of Recommendations: 15  
Implemented: 7  
Agree/Not Implemented: 6  
Disagree: 2                                                  | September 2014|
| Community Planning and Development: Development Services Permitting and Inspection Services| Number of Recommendations: 11  
Implemented: 2  
Agree/Not Implemented: 9                                     | October 2014|
| Office of Economic Development Workforce Development| Number of Recommendations: 5  
Implemented: 5                                                  | October 2014|
| Public Works Contracting Process                 | Number of Recommendations: 14  
Implemented: 11  
Agree/Not Implemented: 2  
Disagree: 1                                                  | November 2014|
| City Vehicle Fleet Management                    | Number of Recommendations: 9  
Implemented: 8  
Disagree: 1                                                   | December 2014|
| Denver 311                                       | Number of Recommendations: 11  
Implemented: 5  
Agree/Not Implemented: 4  
Disagree: 2                                                  | December 2014|
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<td>Denver International Airport Signature Authority</td>
<td>Number of Recommendations: 14</td>
<td>December 2014</td>
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<td></td>
<td>Implemented: 13</td>
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<td>Agree/Not Implemented: 1</td>
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<td>Medical Marijuana Licensing</td>
<td>Number of Recommendations: 15</td>
<td>December 2014</td>
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<td>Implemented: 13</td>
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<td>Agree/Not Implemented: 2</td>
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<tr>
<td>Police Department Administration</td>
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<td>December 2014</td>
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<td></td>
<td>Implemented: 8</td>
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<td>Agree/Not Implemented: 3</td>
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<tr>
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<td>Disagree: 3</td>
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<tr>
<td>Public Works Capital Construction Project</td>
<td>Number of Recommendations: 4</td>
<td>December 2014</td>
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<td>Management</td>
<td>Implemented: 3</td>
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<td>Agree/Not Implemented: 1</td>
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DIA Denver Westin photo courtesy of Denver International Airport
20th Biennial event, Luis Escalante, GAO
Staff and team photos by Emily Jacobson and Denis Berckefeldt
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