In keeping with my commitment to transparent and comprehensive communication, I submit the 2016 Annual Report for the Denver Auditor’s Office. The attached report summarizes the accomplishments of the Audit Services and Prevailing Wage Divisions for 2016. We have an outstanding team that has been augmented this year by new hires with a range of credentials, and our staff has sharpened its skills through challenging audit work and professional development courses.

In the Auditor’s Office, our ultimate clients are Denver residents. Every report is issued and every wage enforcement is conducted with Denver residents in mind. It is our job to ensure government accountability and reassure taxpayers that their hard-earned tax dollars are being used effectively. In 2016, the activities of our office demonstrated our responsiveness to citizens’ concerns and helped improve efficiency for Denver government agencies.

We measure our work, in part, by the impact it has on the departments and operations we audit. From the care of the intellectually and developmentally disabled to the conduct of Denver police on officer-initiated stops, our audits changed how business is done in Denver and throughout Colorado. We influenced Denver’s budget, promoted the dedication of more park land, and clarified instructions for reporting sales tax. We also negotiated the single largest back-pay settlement for workers covered by prevailing wage.

Denver’s independent Audit Committee has provided valuable feedback on our audits. This year the Audit Committee issued its first Request for Proposal (RFP) for the external audit required by the City Charter. Nine CPA firms vied for the privilege. For the first time, I recommended that one firm be selected to audit the City’s finances (the Comprehensive Annual Financial Report), Denver International Airport, and federal awards compliance (Single Audit), and another firm be chosen for the audits of the Wastewater Management Enterprise Fund and the Deferred Compensation Plan Trust Fund. The committee agreed, noting that it was in Denver’s interest to build local capacity for the large, complicated government audits Denver requires.

In addition to a record award of unpaid wages, I engineered a major revision of Denver’s 66-year-old Prevailing Wage ordinance. After an eight-month process with all stakeholders, including a working group of employers, union officials and contractor associations, we presented a package of changes to the Prevailing Wage ordinance that was unanimously approved by Denver’s City Council. One long-time contractor executive noted that it was the first time in
memory that the Auditor’s Office had reached out to both business and labor for input.

While we did much to be proud of in 2016, we were saddened at the passing of Prevailing Wage Supervisor Robert Merritt. Rob’s 25 years in the Prevailing Wage Division left a lasting legacy of fair and consistent enforcement. Because he would have been pleased at this year’s settlement of the largest prevailing wage claim in the history of the office, this report is dedicated to him.

Timothy M. O’Brien, CPA
City Auditor
Who We Are

Office of the Auditor

The mission of the Auditor’s Office is to deliver independent, transparent, and professional oversight in order to safeguard and improve the public’s investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.

Auditor O’Brien was elected for a four-year term in May 2015. The Auditor is independent from other elected officials and City operational management.

Denver’s Charter provides for the Auditor to conduct:

• Financial and performance audits of the City and County of Denver and its departments and agencies in accordance with the Generally Accepted Governmental Auditing Standards;
• Audits of individual financial transactions, contracts, and franchises of the City and County; and
• Audits of the financial and accounting systems and procedures administered by the Manager of Finance and other departments and agencies of the City and County, including records systems, revenue identification and accounting, and payment practices.

The Charter mandates that the Auditor follow the Generally Accepted Government Auditing Standards promulgated by the U.S. Comptroller General, best financial management practices, and any applicable laws and regulations governing the financial practices of the City and County of Denver. The Auditor is further required by Charter to countersign all City contracts to ensure that no liability is incurred, no money is disbursed, and no City property is disposed of in a manner contrary to law.

The Denver Revised Municipal Code assigns to the Auditor’s Office the duty of enforcing the prevailing and living wage ordinances, which apply to many jobs performed on Denver City property or with Denver City funds.

The Auditor is chairman of the Audit Committee, whose primary task is to annually commission an independent external audit of the City and County. In addition, results of all audits are reported to the Audit Committee. To ensure its independence, two members each are appointed to the Committee by the Mayor, City Council, and the Auditor for four-year terms.

Auditor O’Brien is licensed in Colorado as a Certified Public Accountant, has an MBA from the University of Colorado, and holds the designations of Chartered Financial Analyst and Chartered Global Management Accountant. He was recently elected chairman of the board of trustees of Colorado Public Employees’ Retirement Association, which provides retirement benefits to over 500,000 employees across the state.
Audit Services Division

The Audit Services Division (ASD) conducts independent audits of City agencies, programs, finances, technology, and contracts. These audits focus on strengthening governance, improving performance, enhancing efficiency, increasing revenues, reducing costs and risks, and improving the quality of services provided to Denver residents and businesses. Our audit plan is based on an annual risk assessment, including input from the community and City officials.

A follow-up assessment is performed 9 to 24 months after the completion of each audit. The follow-up reports confirm whether the agreed-upon recommendations were indeed implemented.

In 2016, ASD issued 19 audit reports and 17 follow-up reports, which evaluated a wide range of services among several different City agencies and had significant citizen impact within the City and County of Denver.

Please refer to the listing of all 2016 audits conducted by the ASD in this report beginning on page 14. All audit reports can be found at www.denvergov.org/auditor under Audit Services “2016 Audit Reports.”

To continue to provide quality work and meaningful services to the citizens of Denver, the Auditor’s Office is committed to attracting and retaining an educated and well-qualified staff of auditors, investigators, and other professionals to carry out our mission. Our staff hold a number of advanced degrees, including Public Administration, Political Science, Business Administration, and Accounting, and professional certifications and designations, such as Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP), Certified Fraud Examiner (CFE), Certification in Risk Management Assurance (CRMA), Certified Information Systems Auditor (CISA), Chartered Financial Analyst (CFA), and Chartered Global Management Accountant (CGMA).

These certifications are recognized by the industry and demonstrate an individual’s high level of competency and audit professionalism. Members of our staff are also involved in several professional organizations as board and committee members, professional journal editors, and audit consultants.

Prevailing Wage Division

Since Denver enacted its Prevailing Wage ordinance in the 1950s, it has been the duty of the Auditor’s Office to enforce the ordinance on City projects. In 2016, steadfast in his goal to further enhance the professionalism of the Office, Auditor O’Brien embarked on an eight-month process to improve the 66-year old ordinance and remedy its cumbersome requirements that made the ordinance a burden to the City and its contractors.

Throughout the year, Auditor O’Brien met individually and in groups with dozens of stakeholders, including contractors, union leaders,
and staff in all City departments. From those discussions, a working group was formed and met throughout the summer to improve the ordinance. The revised ordinance clarifies when prevailing wage applies, increases the penalties for willful non-compliance and non-reporting, and removes legal hindrances in the debarment process. For the first time, contractors will have a dispute resolution process, so that differences can be resolved without lengthy litigation. When necessary, Denver’s Office of Human Resources will be empowered to set new wage rates with the advice of the Auditor’s Office. The goals of the revised ordinance are to simplify previously complicated procedures to reduce the burden on contractors and encourage more of them to seek work with the City.

The revised Prevailing Wage ordinance was passed unanimously by City Council in November 2016. Auditor O’Brien will continue the working group as an advisory body to his office that will facilitate resolution of classification and other disputes that arise. One contractor said that this was the first time in history that a Denver Auditor had reached out to both the business and labor communities.

In 2016, the Auditor’s Office recovered the largest underpayment in its history: $558,000 for 53 Denver International Airport shuttle bus drivers. The Division audited more than 46,000 payrolls on 780 City projects with budgets exceeding $1.2 billion. The Prevailing Wage Division rejected 1,800 invoices for contractor non-compliance with the Prevailing Wage ordinance. Overall, the Prevailing Wage Division recovered more than $800,400 in underpayments by efficiently enforcing prevailing wage laws.

Auditor O’Brien has expanded the role of the Prevailing Wage Division to include education as well as enforcement. The Division fields several calls per day from contractors seeking the correct wage rates on their jobs and from employees questioning whether they are being paid the legal rate. In addition, the Auditor’s website provides easy access to the most up-to-date prevailing wage resources.

This November, the Auditor’s Office lost a good friend and mentor, Prevailing Wage Supervisor Robert Merritt. His broad knowledge of prevailing wage and commitment to fair enforcement create a legacy that will live on.

**Contract Administration**

The City enters into thousands of contracts each year, from zero-dollar park rentals to multi-million-dollar technology purchases. The Denver Charter mandates that Auditor O’Brien review and sign every City contract to ensure that no liability is incurred, no money is disbursed, and no property is disposed of in a manner contrary to law.
Auditor O’Brien’s Director of Contracts and Accountability strives to promptly and efficiently review contracts prior to the Auditor’s signature. His expertise has proven valuable in the contracts the Auditor’s Office itself executes.

In 2016, the Auditor’s Office reviewed and signed 3,545 contracts. Preferring to work with City agencies and contractors to remedy flawed contracts, the Auditor rejected only two contracts.

In his campaign for City Auditor, Auditor O’Brien expressed a goal of working more closely with the local accounting community. Accordingly, he is building an “on-call” pool of experienced CPA and audit service firms to supplement the capacity of the Auditor’s Office to perform contract compliance, financial, and specialty audits.

Community Outreach

While campaigning, Auditor O’Brien heard from many constituents that they had no idea what the Denver Auditor did. To educate Denver’s residents, Auditor O’Brien implemented community outreach measures to make the work of the Auditor’s Office more widely known and accessible. This approach includes presenting at community assemblies, such as meetings of Registered Neighborhood Organizations and Homeowners’ Associations, Rotary Club breakfasts, and other civic organization gatherings; establishing a regular social networking presence with timely posts, such as links to audit reports and shared media coverage; producing a monthly e-newsletter that summarizes the goings-on at the Auditor’s Office; and issuing regular media releases and alerts.

Through a multi-channel approach to outreach, the Auditor’s Office maintains two-way communication with a wide range of constituents. When residents contact him, whether by phone, email, or in a meeting, Auditor O’Brien saves the information to help formulate his annual audit plan. While not every issue raised will become the subject of an audit, residents provide valuable information about what is and is not working in the City. A large volume of complaints can indicate an area of risk to the City.

Auditor O’Brien and his staff also attended numerous career fairs throughout the Denver metro area to establish a relationship with local colleges and universities and promote government auditing as a career path. Auditor O’Brien has also been a guest speaker at higher education classes to expose students to career possibilities within the City. To provide opportunities for these students, he established internship and entry-level auditor positions. The University of Denver Daniels College of Business chose the Auditor’s Office to provide a unique internship-style work experience for accounting students.

By connecting with a diverse audience, Auditor O’Brien and his team hope to raise awareness about the value of the oversight and accountability his office provides as well as develop lasting relationships with a variety of stakeholders.
Audit Committee

The Audit Committee meets monthly. It consists of six members appointed to four-year terms, plus the Auditor, who serves as chairman. The members and their appointing authorities are listed below. Members are appointed on the basis of education or experience in accounting, auditing, financial management, or related fields.

Rudolfo (Rudy) Payan, Vice-Chairman (appointed by Auditor O’Brien)
Jack Blumenthal (appointed by Auditor O’Brien)
Leslie Mitchell (appointed by the Denver City Council)
Florine Nath (appointed by the Denver City Council)
Charles Scheibe (appointed by Mayor Hancock)
Edward Scholz (appointed by Mayor Hancock)

The primary responsibility of the Audit Committee, as spelled out in the City Charter, is to commission annually an independent external audit of the City’s finances. This year, for the first time, the Audit Committee issued a Request for Proposal (RFP) for this independent external audit. In addition to the Comprehensive Annual Financial Report (CAFR), an external CPA firm audits two enterprise fund agencies - Denver International Airport (DIA) and Wastewater Management Enterprise Fund - as well as the Deferred Compensation Plan Trust Fund. Nine firms responded to the RFP, demonstrating that it was a wise decision to test the market for this large audit. Breaking with the past, the Audit Committee hired one firm to audit the CAFR and DIA, and another to audit Wastewater Management and Deferred Compensation. The Committee agreed with Auditor O’Brien that this distribution would help build municipal audit experience among local accounting firms.

The Audit Committee also receives the results of audits performed or commissioned by the Auditor’s Office. All the audit reports and Committee minutes are published, and the Committee meetings are televised on Denver’s Channel 8.
Professional

Professional Accomplishments

One of our key goals in 2016 was to network and collaborate with other federal, state, and local government auditing organizations and local universities. We achieved this goal through a number of professional conferences, staff presentations, organizational involvement, credentialing, and networking throughout the City.

In August, we participated in the 21st Biennial Mountain and Plains Intergovernmental Audit Forum (MPIAF), held in Denver. The theme for the 2016 forum was Emerging Challenges and Tools in Auditing. The Auditor’s Office has co-hosted this event in the past, and in 2016 our office and staff were key participants. Auditor O’Brien kicked-off the forum introducing the keynote speaker, former Governor Bill Ritter, who spoke about America’s energy revolution. Director of Communications and Government Relations Kathleen MacKenzie convened a panel discussion along with other media experts on changing media dynamics. Auditor O’Brien along with Audit Supervisor Dawn Wiseman and Lead Auditor Anna Hansen made a presentation on our award-winning audit of the City’s contract with Rocky Mountain Human Services, which uncovered severe mismanagement of taxpayer funds designated for intellectual and developmentally disabled individuals. The conference was well attended and allowed participants to share best practices, as well as providing an opportunity for individuals to increase their knowledge and help strengthen the public-sector auditing profession.

Throughout 2016, members of our staff also participated in other conferences and presentations. Former Director of Audit Services Kip Memmott conducted a presentation about the challenges faced by federal, state, and local auditors at the National Intergovernmental Audit Forum’s 21st Biennial Forum of Government Auditors in Kansas City, Missouri. Communications Specialist Emily Jacobson presented at two different Association of Local Government Auditors (ALGA) gatherings, sharing her expertise in effective audit report writing and messaging.

Our audit staff has long been involved in professional audit organizations, lending their professional expertise in a variety of ways. Deputy Auditor Valerie Walling was appointed by the Jefferson County Commissioners to the Jefferson County Audit Committee. Kip Memmott served as Chairperson of the ALGA Membership Committee and was also a member of the Institute of Internal Auditors Government Auditing Advisory Board. Throughout the year, several members of our staff shared their audit expertise with other ALGA members by writing articles for ALGA’s Local Government Auditing Quarterly, for which Emily Jacobson serves as the Editor. Senior Auditor Sam Gallaher published an article on audit analytics; Audit Supervisor Sonia Montano wrote a piece on the effectiveness and efficiency of the Denver International Airport Fleet Management Program; and Audit Supervisor Shannon Kuhn and Lead Auditor Anna Hansen co-authored an article about their work auditing social media use in the City.
To build relationships with local colleges and universities, and to create opportunities for recent graduates, we partnered with Professor Lorenzo Patelli from the University of Denver Daniels College of Business on an opportunity benefitting both the students in his Corporate Advisory course and the Auditor’s Office. Four students worked with the Auditor’s Office and two other City departments to create an internal risk assessment questionnaire, which can be used by other departments to self-diagnose potential risks. This initiative allowed the students to gain real-world experience to complement their classroom instruction and was led by Audit Supervisor Cody Schulte, who provided guidance and feedback along the way.

Our staff continues to increase their knowledge and skills in the profession. In 2016, Lead Auditor Jared Miller became a Certified Fraud Examiner and is well on his way to earning his Certified Information Systems Auditor designation. Audit Supervisor Katja Freeman obtained certification from the Rutgers Business School Audit Analytics Program. And all audit staff completed required Continuing Professional Education training sessions to stay current in their abilities to conduct audit work in accordance with our professional standards.

Auditor’s Office staff routinely go above and beyond their job requirements to contribute in ways that benefit the City and the citizens of Denver. Throughout the holiday season, downtown visitors enjoyed Christmas carols played by Human Resources Director Tammy Phillips; Tammy is one of a select group of musicians allowed into the dome of the City and County Building to play the bells. Ava Giron, Executive Assistant to the Auditor, headed up the Denver Employees Combined Campaign philanthropic effort in the Office, rallying the troops to meet the goal of 50 percent employee participation. Audit Supervisor Emily Owens, Senior Auditor Karin Doughty, Executive Assistant Edyie Thompson, and Prevailing Wage Investigator Valerie Ramirez each received the Auditor’s Most Valuable Employee award for going above and beyond expectations in their job performance. Senior Auditor Rob Farol organized a series of lunch-and-learns for Auditor’s Office staff to learn about different City functions.

These and other activities demonstrate the professionalism, leadership, and engagement of the Auditor’s Office staff.

**Professional Awards**

The Auditor’s Office was recognized for excellence by several organizations in 2016. The Chartered Financial Analyst (CFA) Society of Colorado honored Auditor O’Brien with the 2016 Jonathan Holtzinger Award of Excellence. The award is presented to the CFA charterholder who best demonstrates the organization’s values and is making a difference as an investment professional in the community, the government, and the investing public. The CFA Society’s Advocacy Committee unanimously selected Auditor O’Brien for this prestigious award.
The Audit Services Division was awarded an Exemplary Knighton Award at the 2016 ALGA Conference in Austin, Texas for our audit of Rocky Mountain Human Services. This audit inspired changes in state law mandating greater transparency and accountability in community-centered boards that serve intellectually and developmentally disabled Coloradans. The Knighton Award was developed to recognize exceptional performance audit reports across the country, and to help audit shops continue to improve their audit programs. This is the fourth consecutive Knighton Award the Auditor’s Office has received.

Members of our Prevailing Wage Division participated in the LCPtracker User Conference in Newport Beach, California this year. Edging out cities like Chicago and Los Angeles, our office, with more than 1,000 projects, was awarded the 2016 LCPtracker Award as the agency with the most projects using this compliance software. LCPtracker is a paperless online system used by contractors to submit certified payrolls to the Auditor’s Office for audit and approval. Investigator Valerie Ramirez and Supervisor Rob Merritt were also asked to lend their expertise and present insights at the conference. Awards like these affirm our commitment to being the best at what we do here in the Auditor’s Office, both for Denver taxpayers and City workers.
During 2016 the staff of the Auditor’s Office continued its work performing necessary contract administration efforts, conducting ongoing prevailing wage investigations, and executing the 2016 Audit Plan. All of these activities helped enhance the City’s efficiency and effectiveness and contributed to our goal of providing value-added services for people who care about the City and County of Denver.

CONTRACTS & ACCOUNTABILITY

- Approved 3,545 contracts

PREVAILING WAGE

- Audited 46,000+ payrolls of 780 City projects with budgets exceeding $1.2 billion
- Rejected 1,800 invoices for contractor non-compliance with the Prevailing Wage Ordinance and collected $800,400+ in underpayments by efficiently enforcing prevailing wage laws.

AUDIT SERVICES

- 95% of audit recommendations for 2016 were accepted
- Issued 19 audit reports of city agencies and 17 follow-up reports

COMMUNITY OUTREACH

- Implemented community outreach measures and attended 83 community meetings to make our work efforts more widely known and accessible
- Distributed a monthly informational newsletter to more than 41,000+ people
- Utilized social media to communicate and connect with constituents
Citywide

Cash Handling Practices  Determine whether the City has sufficient controls in place to ensure that cash receipts are handled appropriately, accurately, securely, and timely; sufficient oversight of the cash handling function; and processes and procedures in place to evaluate an agency’s ongoing need for petty cash funds.

Results: Our audit revealed that the Department of Finance has improved controls around cash receipting in recent years, including consolidating a large percentage of cash receipts at two locations with strong controls. However, we identified opportunities for further improvement in the following areas: oversight of the City’s cash handling practices; petty cash records, policies, and procedures; oversight activities related to cash receipting; and governance of petty cash. The Department of Finance agreed to our 13 recommendations, which provided specific suggestions for enhancing existing cash receipting and petty cash fund controls.

Citywide Land and Infrastructure Capital Assets  Determine whether the City’s policies and practices related to recording and managing land and infrastructure capital assets allow for accurate and complete financial reporting. Review the City’s approach to designating land managed by the Department of Parks and Recreation (DPR) as official park land.

Results: Our audit revealed that the Controller’s Office had improved its processes related to capital assets financial reporting, including strengthening controls surrounding documentation and ensuring accurate land balances. Despite these improvements, we identified several opportunities to further enhance the accuracy of their reporting of land and infrastructure. First, we recommended a rule change to reflect the office’s practice of recording assets in the financial system of record, and that it should reconsider the accounting methodology for traffic signal disposals. The Controller’s Office agreed to these recommendations. The audit also revealed a weakness in processes related to managing DPR’s land capital assets. In addition, DPR had not officially adopted a 2009 draft policy for formally designating City-owned land as park land. The Department agreed to pursue the recommendations to remedy these risks. By December 2016, DPR adopted a formal policy for park designation, which was appreciated by park lovers throughout Denver.

IT Asset Management  Review the IT asset management process for desktop computers, laptop computers, and servers. Assess the controls in place to track, inventory, store, retrieve, transfer, and dispose of IT equipment.

Results: The audit identified weaknesses in the City’s process for managing IT assets. Areas of concern related to the completeness and accuracy of the inventory system of record, the physical security of the City’s computer assets, and communication, training, and policies related to the process. We recommended action to create an inventory of all IT assets and increase security of IT equipment designated for disposal. We also suggested updating the Technology Asset Purchasing and Replacement Policy. Further, we asked the Controller’s Office to work with the Chief Information Officer to provide relevant training to agency asset custodians. The implementing agencies, the Controller, and Technology Services agreed to all of the recommendations made by the audit team.
Reports

**Personally Identifiable Information**

Examine the effectiveness of the controls the City has established to safeguard personally identifiable information (PII).

**Results:**

The audit revealed that the City does not have a comprehensive Citywide strategy for safeguarding personal information such as social security numbers or birthdates, which is gathered by several City agencies. We found evidence of unsecured network folders and hardcopy records containing thousands of pieces of PII. We believe that this breakdown in internal controls occurred due to outdated policies and inconsistent practices. Through stronger policies, guidance, communication, and training, the City will be better positioned to safeguard PII, thereby preventing opportunities for identity theft and reducing the City’s exposure to reputational damage or costly litigation. The report had several recommendations all of which were agreed to.

**Agency for Human Rights and Community Partnerships**

**Disability Parking Enforcement Program**

Determine whether the City ensures that disability parking is properly maintained and effectively enforced and whether the Denver Revised Municipal Code needs to be updated to fully support disability parking.

**Results:**

Although the City appears to have appropriate procedures in place to ensure that accessible parking is established when parking lots and structures are first built, we identified multiple parking lots that were not in compliance with Americans with Disability Act (ADA) standards. We determined that this was the result of the City lacking an effective process for ensuring that disability spaces are retained and maintained over time. The responsible parties agreed with all of our recommendations. We asked the City to establish a strategy to ensure ongoing ADA compliance and identify one central agency to be responsible for overseeing all disability parking matters. In addition, we recommended that the Agency for Human Rights and Community Partnerships and the Denver Office of Disability Rights (DODR) work with the City Attorney’s Office to codify an effective approach, including creating an inventory of all accessible parking spaces throughout the City. Finally, we recommended that DODR strengthen its volunteer program with additional full-time employees and hold its volunteers accountable for carrying out their enforcement duties. In the 2016 budget, three new disability parking controllers were added to DODR’s budget.

**Boards and Commissions**

**Board of Adjustment for Zoning Appeals**

Examine the processes and procedures of the Board of Adjustment for Zoning Appeals (BOA) for hearing zoning appeals cases to determine the extent to which they align with applicable laws, regulations, professional standards, and leading management practices. Additionally, examine data trends for BOA operations between 2005 and 2015.

**Results:**

The audit found that the BOA is effectively providing a process for residents and developers building in Denver to appeal City zoning decisions and is operating in a professional and unbiased manner. However, we found that the BOA needs to strengthen its succession and contingency plans to ensure the continued efficiency and effectiveness of its operations. Through updated policies and procedures for administrative operations, information technology, performance management, and maintaining a commitment to integrity and ethical values, the BOA will be able to ensure that it is achieving its mission to provide people with fair, timely, and efficient access to the zoning appeals process.
Civil Service Commission

In 2013, the Civil Service Commission (CSC) revised Rule 12, which establishes the rules and procedures for handling appeals of disciplinary actions issued to members of the Classified Service by the Executive Director of the Department of Safety. We evaluated disciplinary appeals and the pre-administrative hearing and post-administrative hearing approach to determine if the process is more efficient. We also evaluated whether operational continuity is at risk due to key staff’s eligibility to retire.

Results: Our audit revealed that the changes to Rule 12 made the CSC’s disciplinary appeal process more efficient in two ways. First, we determined that there was a reduction in the percentage of disciplinary decisions that were appealed during the time period under review. Second, we noted a reduction in the length of time it took for Hearing Officers to review each case. However, the audit also revealed that the CSC needs a formal succession plan. Through stronger succession planning efforts, the CSC will be able to ensure that the agency is prepared for the eventual departure of key employees.

Denver International Airport

Airline Agreements Determine whether DIA’s contract administration activities related to airline agreements are effective, enforce compliance with contract terms, and ensure revenue is complete.

Results: Our audit revealed that DIA needs to improve controls for managing airline agreements. Specifically, we found that DIA lacks effective practices for ensuring timely payments from airlines, prompt collection of delinquent airline payments and associated interest penalties, managing airline space changes, managing agreements and revenue collection, and succession planning for DIA Finance personnel. These weaknesses negatively impact DIA’s ability to properly manage the airline agreements. Through stronger controls for managing airline agreements, DIA can ensure that agreements are effectively managed and the proper revenue is collected. Our report provided 14 recommendations for strengthening controls and practices, 12 of which DIA personnel agreed to implement.
Environmental Health

**Denver Health Operating Agreement**

Assess the financial and operational risks associated with the Department of Environmental Health’s (DEH’s) portion of the City’s Operating Agreement with the Denver Health and Hospital Authority (Denver Health).

**Results:** Our audit identified two main areas of concern regarding the City’s Operating Agreement with Denver Health. First, we found that DEH was not effectively monitoring the services provided by Denver Health and related payments. For example, DEH was not gathering the information necessary to validate whether Denver Health was providing all required services before paying them for those services. Second, we found gaps in the Budget and Management Office’s (BMO’s) process for approving and monitoring Denver Health’s use of surplus funds associated with the Agreement, and BMO does not validate that Denver Health used the funds consistent with the purpose(s) for which they were approved. DEH and BMO agreed to the nine process and policy recommendations we made in the report.

Finance

**Accounting Services**

Determine whether Accounting Services is structured in the best way to meet the needs of its clients. Additionally, determine whether Accounting Services has increased efficiency within the City and whether clients are satisfied with the services provided.

**Results:** The audit found that while client agencies were generally satisfied with services provided by Accounting Services, the unit could strengthen some aspects of its communications and management strategy. Through a customer-satisfaction survey we conducted, respondents mentioned some dissatisfaction with staff turnover within the unit. We also found that the established process of becoming an Accounting Services client was not consistently applied, nor was the ongoing maintenance of the client relationship through each agency’s service level agreement. Accordingly, we recommended that Accounting Services establish a formalized approach to succession planning, more consistent on-boarding and ongoing support of the client relationship, and a formal performance measurement strategy that includes customer service metrics.

**Municipal Sales Tax Collection Practices**

Determine whether effective controls, processes, and practices exist to ensure that sales and use tax is collected and distributed properly; to collect and respond to stakeholder feedback; and to increase online registration, filing, and payment. Additionally, assess what action the City has taken to enforce the collection and remittance of sales tax on internet sales and whether additional actions can be taken.

**Results:** Our audit provided assurance that the Treasury Division’s Tax Compliance Section has established a process that facilitates the proper collection of sales and use tax monies. However, we identified several areas for operational improvement. We made recommendations for enhancing tax adjustment policy and procedures and sales tax return guidance, analyzing the impact of sales and use tax exemptions on City revenue, and streamlining the delinquent payment process. The audit also found that the City is not receiving sales tax revenues from all remote on-line sales to City residents. We recommended that the Tax Compliance Section position itself to act upon pending legal and regulatory developments related to the collection of remote online sales tax.
Mayor’s Office

Office of Marijuana Policy  Assess the extent to which the Office of Marijuana Policy (OMP) accomplishes its mission. Additionally, examine the effectiveness of OMP’s policy initiatives and the City’s process for determining how to allocate marijuana tax revenue.

Results: Our audit provided assurance that OMP is a valued addition to the City’s organizational structure and has accomplished a great deal in the two years since it was established. Specifically, we noted collaborative relationships between OMP personnel and City agencies as well as strong strategic planning efforts, placing it ahead of other cities that have legalized marijuana. However, we did make six recommendations to increase transparency and collaboration regarding marijuana tax revenue and policy, in part to address community concerns regarding the transparency of how marijuana tax revenue is used. OMP and the Budget and Management Office agreed to pursue five recommendations and partially agreed with the sixth recommendation.

Office of Sustainability  Determine whether the Office of Sustainability is positioned to accomplish its mission and whether the Office has control mechanisms in place to adequately monitor and assess the City’s progression towards the 2020 Sustainability Goals.

Results: The audit found that the Office of Sustainability does not have a strategic plan for implementing the 2020 Sustainability Goals and is lacking an effective mechanism for reporting on the City’s progress toward meeting those goals. We made three recommendations, including the development of a strategic plan for the Office, revisions to the executive order that established the office, and working with the Sustainability Implementation Committee to ensure consistent reporting of sustainability performance and outcomes. The Office of Sustainability agreed to all of the recommendations made by the audit team.

Parks and Recreation

Contract Administration Practices  Determine the effectiveness of the Department of Parks and Recreation’s (DPR’s) contract administration practices, including assessing how DPR ensures that contractors are in compliance with contract terms and whether contract administration practices align with best practices and are in the best interest of the City.

Results: DPR is charged with administering more than 460 contracts with various organizations, which provide services that the Department cannot due to lack of personnel, expertise, or other resources. In assessing DPR’s contract administration practices, we found that the Department does not have formalized and up-to-date contract administration policies and procedures, leading to unclear roles and responsibilities. We also found that DPR needs stronger controls to ensure reliability of the information entered into the contract administration system and related to on-call contracts. We also noted the need for succession planning, adequate segregation of duties, and decision documentation at the management level. DPR agreed to seven of the nine recommendations made to strengthen contract administration practices.
Department of Safety

Denver Fire Department Resource Allocation

Assess the Denver Fire Department’s (DFD’s) resource allocation practices, including analysis of policies and procedures to determine the extent to which they align with applicable laws, regulations, professional standards, and leading management practices. Additionally, examine the effectiveness of DFD’s processes for identifying and managing resource allocation risks.

Results: Resource allocation is a broad term used to describe the choices an organization makes to use resources in an effective manner to achieve its mission. DFD’s resource allocation process revealed the Department to be data-driven in nature and continuously looking for ways to improve and incorporate the most advanced technologies to provide emergency services. Despite these efforts, the audit found that DFD needs to strengthen its long-term decision-making processes to ensure that resource allocation keeps pace with Denver’s changing dynamics. We identified three growth-related issues regarding resource allocation. First, we found that DFD is unable to meet its fire safety inspection goals as Denver has grown. Second, DFD’s hiring practices are not keeping pace with firefighter attrition and increases in budgeted strength. Third, DFD has persistent coverage issues in the northeastern corridor of Denver. We made five recommendations to assist DFD with addressing growth-related issues and long-term decision-making, and DFD officials agreed with all of the recommendations.

Police Operations - District Patrol

Examine and review Denver Police Department (DPD) policies and practices related to officer-initiated stops to determine whether DPD is effective, consistent, and fair in applying these police tactics. Additionally, review DPD’s community policing efforts as well as strategies and policies to implement a department-wide body worn camera program.

Results: The audit highlighted positive outcomes from DPD’s community-oriented policing philosophy, including formalized community relations work and a youth outreach program. However, we determined that DPD did not have a comprehensive approach or mechanism by which to measure the effectiveness of these efforts. We also found that DPD officers did not always capture demographic data when carrying out Class 2 (officer-initiated) actions. Without this data, DPD cannot determine if or to what extent Class 2 actions are conducted fairly and effectively, and in accordance with its own policy. The report also included an informational section at the end detailing DPD’s incorporation of body worn cameras into its policing strategy. DPD initially disagreed with two of our three audit recommendations. However, after further consideration, DPD adopted our recommendation to begin collecting racial and other demographic data at pedestrian and traffic stops.
Technology Services

Information Systems Maturity Assessment
Determine if controls were in place to effectively prevent unauthorized access to data and systems within a selected City agency.

Results: The Auditor contracted with a third party, Hein & Associates LLP (Hein), to test the City’s controls for preventing unauthorized access to data and systems. To do so, Hein evaluated the Information Systems Maturity Model of one City agency. Hein assessed the information systems of the agency and identified strengths and weaknesses using four key functional process areas of Cybersecurity: risk identification, event protection and prevention, event detection, and event response. The audit found some areas of strength and some areas that need improvement, which were communicated to the Auditor and the City’s Technology Services department for further evaluation.

IT Service Desk
Assess the effectiveness of the City’s IT Service Desk.

Results: We found that City employees are generally satisfied with the quality of service provided by the City’s IT Service Desk. A large percentage of surveyed users indicated that technicians are courteous, professional, and knowledgeable and that their technical issues are being resolved. However, our audit identified opportunities for enhancing operations in four areas: improvements to monitoring the after-hours support team; better communication with customers about issue resolution status; regular review and update of the internal knowledge base of potential issue resolutions; and increased customer awareness of the Service Desk’s web-based tool. Technology Services agreed to implement all six audit recommendations.

Open Media Foundation Contract
Determine the extent to which Denver Media Services (DMS) has implemented an efficient and effective process to administer the Open Media Foundation (OMF) contract and determine the extent to which DMS ensures that Public, Educational and Governmental (PEG) money is properly prioritized, spent on appropriate capital assets, and properly tracked and accounted for.

Results: We found that DMS lacked an effective framework for administering and monitoring OMF’s contractually related obligations, expenditures, and performance. Specifically, we noted insufficient documentation to validate that OMF was providing agreed-to services and untimely review of capital purchases by OMF. DMS was also not using established City procedures for the procurement of OMF assets. With regard to PEG funds, we found that audits were not being conducted timely, the special revenue fund for the PEG fees was not being reconciled properly, and decisions about the use of PEG monies were not all recorded properly. Through the development of a contract administration framework, DMS will be able to ensure that OMF is meeting its contractual obligations to the City. Our report’s nine recommendations were agreed to by the agencies responsible for each respective recommendation.
The Audit Services Division monitors and follows up on all audit recommendations to ensure that our audit findings are being addressed. We communicate our follow-up activities through formal follow-up reports, specifying how each recommendation was implemented or why an agency elected not to implement any outstanding recommendations. In instances where we determine that appropriate corrective action was not taken, we may revisit associated risk areas in future audits.

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Undoubtedly 2016 was a great year for the Auditor’s Office and we extend our gratitude and appreciation to the Mayor’s Office, the City Council, the Audit Committee, and members of the City’s operational management for supporting our general mission throughout the year. As we begin the 2017 year, we will continue to ensure that the work we do has a positive impact on the people who care about the City and County of Denver.
Office of the Auditor
Timothy M. O’Brien, CPA, Auditor

Management Services
Valerie Walling, CPA, CMC, Deputy Auditor
Julie Connor, Director of Community Outreach
Jeffrey Garcia, Esq., Director of Contracts and Accountability
Kathleen MacKenzie, Director of Communications and Government Relations
Heidi O’Neill, CPA, CGMA, Director of Financial Audits
Tammy Phillips, Agency HR Director
Ava Giron, Executive Assistant III
Mollie Horne, Executive Assistant I

Audit Services Division
LaKeshia Allen Horner, Audit Supervisor
Vilma Balnyte, CPA, Lead Auditor
Karim Doughty, CISA, IT Senior Auditor
Robert Farol, Senior Auditor
Darrell Finke, Senior Auditor
Katja Freeman, Audit Supervisor
Sam Gallaher, Senior Auditor
Anna Hansen, Lead Auditor
Yvonne Harris-Lott, CPA, Audit Supervisor
Brad Harwell, Lead Auditor
Marc Hoffman, Senior Auditor
Roberta Holbrook, CPA, Senior Auditor
Nancy Howe, CRMA, Lead Auditor
Emily Jacobson, Communications Specialist
Drew Jeffries, Senior Auditor
Nick Jimroglou, CISA, IT Lead Auditor
Tyler Kahn, IT Senior Auditor
Ron Keller, CFE, CIA, Senior Auditor
Shannon Kuhn, CISA, IT Audit Supervisor
Rudy Lopez, Lead Auditor
Nicole McClusky, CPA, Senior Auditor
Jared Miller, CFE, Lead Auditor
Sonia Montano, CGAP, CRMA, Audit Supervisor
Emily Owens, Audit Supervisor
Patrick Schafer, CPA, CIA, CFE, Senior Auditor
Cody Schulte, CPA, CIA, Audit Supervisor
Edyie Thompson, Executive Assistant II
Dawn Wiseman, CRMA, Audit Supervisor
Jessica Witcher, Senior Auditor

Prevailing Wage Division
Carol Carter, Contract Compliance Technician
Rafael Gongon, Prevailing Wage Investigator
Kandice McKeon, Prevailing Wage Investigator
Luis Osorio, Prevailing Wage Investigator
Valerie Ramirez, Prevailing Wage Investigator
Elvis Rubio, Prevailing Wage Investigator
Questions and comments can be directed to:
City and County of Denver
Office of the Auditor
201 West Colfax Avenue, #705
Denver, CO 80202
Phone: 720-913-5000 • Email: auditor@denvergov.org
www.denvergov.org/auditor

Photos courtesy of:
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