The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources and providing other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver’s government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City’s finances and operations, including the reliability of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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Report number: **A2015-015**
March 2, 2017

Ms. Beth Machann, Controller
Department of Finance
City and County of Denver

Re: Audit Follow-Up Report

Dear Ms. Machann:

In keeping with generally accepted government auditing standards and the Audit Services Division’s policy, as authorized by D.R.M.C. § 20-276, our Division has a responsibility to monitor and follow-up on audit recommendations to ensure audit findings are being addressed through appropriate corrective action and to aid us in planning future audits.

This report is to inform you that we completed our follow-up effort for the Department of Finance Accounting Services audit issued March 17, 2016. Our review determined that the Accounting Services unit adequately implemented three of the five recommendations made in the report. For the remaining two recommendations, the development of a performance management strategy and the inclusion of performance measures in policy is in progress. Therefore, the Division may revisit these areas in future audits to ensure appropriate corrective action is taken.

For your reference, this report includes a highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the highlights page is a detailed implementation status update for each recommendation.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to Accounting Services personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5000 or Dawn Wiseman, Internal Audit Manager, at 720-913-5069.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Department of Finance
Accounting Services
February 2017

Status
The Department of Finance has implemented three of the five recommendations made in the March 2016 audit report.

Background
Accounting Services is a shared services initiative within the Controller’s Office that provides financial management services to a growing number of City agencies, including Procure-2-Pay, accounting, and budget services. The structure of Accounting Services is a variation of the shared services model, wherein core business processes are consolidated within one group in order to achieve greater organizational efficiency.

Purpose
The purpose of the audit was to determine whether Accounting Services is structured in the best way to meet the needs of its clients. Additionally, the audit sought to determine whether Accounting Services has increased efficiency within the City and whether clients were satisfied with the services provided by the unit.

Highlights from Original Audit
The audit found that while City and County of Denver (City) client agencies are satisfied with services provided by Accounting Services, the unit could strengthen some aspects of its communications and management strategy. In doing so, Accounting Services will be better prepared to serve more City agencies as it continues to expand in the coming years.

Several components of Accounting Services’ communications and management strategy that could be strengthened, include 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.

In order to determine client satisfaction with Accounting Services, the audit team conducted a customer satisfaction survey. While clients of Accounting Services are satisfied with the level of customer service provided, survey respondents mentioned some dissatisfaction with the amount of turnover within the unit. Proper succession planning within Accounting Services will allow the unit to prepare for and minimize turnover in the future.

Additionally, the process of becoming an Accounting Services client is not consistently applied, nor is the ongoing maintenance of the client relationship through each agency’s service level agreement. In fact, four agencies operate without a service level agreement in place. Accounting Services will be better able to support its clients once these processes are consistently executed over the life of the client relationship.

Finally, Accounting Services measures some aspects of its performance. However, comprehensive measurement and reporting of performance indicators, including customer satisfaction metrics, will enable Accounting Services to demonstrate how it is increasing Citywide efficiency while gaining a better understanding of its’ client needs.

Findings at Follow-up
Of the five recommendations made, three have been fully implemented. Accounting Services developed a succession plan that included components on workforce planning, completed formalized Service Level Agreements (SLAs) with client agencies, and implemented a customer satisfaction survey to elicit feedback on performance. The two remaining recommendations are in-progress with the department committed to implementing them by the end of 2017.

For a complete copy of this report, visit www.denvergov.org/auditor
Or contact the Auditor’s Office at 720.913.5000
## Recommendations: Status of Implementation

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**FINDING: While Clients Are Satisfied with Services, Opportunities Exist for Accounting Services To Strengthen Its Communications and Management Strategy**

**1.1 Succession Plan**—Accounting Services should develop a formal succession plan with strategies related to workforce planning, recruitment, and retention.

Accounting Services developed a succession plan that includes components on workforce planning, documentation of processes and procedures, and analysis of customer service performance. Each component includes guidelines for personnel assignments to client agencies and contingency staffing in the event of personnel turnover or client agency need for additional services. Additionally, steps to improve recruitment address the accuracy of job postings in reflecting position requirements and the success of the interview process in identifying qualified candidates that would be a good fit for the position. Finally, steps to increase retention include formal recognition for performance, funding for training and certifications, flexible work schedules, and team building retreats.

**Implemented**
## Recommendations: Status of Implementation

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<td>1.2 On-boarding Process—Accounting Services should consistently follow all steps of its on-boarding process for all new client agencies, and complete all SLAs for its current client agencies.</td>
<td>Since the original audit report was issued in March 2016, Accounting Services has not added any new client agencies to require initiation of the on-boarding process. However, in their response to the original audit, Accounting Services agreed to conduct a needs assessment for new agencies and then complete the applicable on-boarding steps. In January 2017, Accounting Services finalized service level agreements with 16 of the 17 agencies they identified as having a working relationship with. For the remaining agency, the North Denver Cornerstone Collaborative (NDCC), management indicated that they fulfilled an ad-hoc advisory role to answer periodic financial questions as they arose. Therefore, they asserted that the NDCC did not require an agreement as they were not receiving a customized suite of services comparable to the other agencies.</td>
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<td>1.3 Service Level Agreements— Accounting Services should formalize a structure for the annual review and maintenance of service level agreements, which should include updating all service expectations, communication expectations, performance measurements, and issue resolution mechanisms.</td>
<td>Accounting Services created a Service Level Agreement (SLA) Reviews policy outlining the annual service level agreement review structure. This policy included sections that addressed service expectations and communication expectations. Additionally, the policy required that any issues identified through the review process be addressed in a timely manner with necessary updates to agreements being completed within two months of the review date. However, the plan’s section on performance measurements had not been completed at the time of follow up, as it was dependent on the development and implementation of the performance strategy discussed in Recommendation 1.5 below. To augment the policy, the department also developed an SLA Review form. This form includes questions that are designed to gather client agency feedback regarding quality of service expectations, timeliness of communication in accordance with agreements, and the resolution of service issues.</td>
<td>Partially Implemented</td>
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<td>1.4 Customer Satisfaction Survey—Accounting Services should develop an additional customer satisfaction survey or similar measurement tool that is administered consistently and analyze the data to understand trends in client feedback over time. Conclusions from the data should be used to inform the unit’s broader communications and management strategy.</td>
<td>Accounting Services implemented an annual customer satisfaction survey in September 2016. The initial survey was sent to 130 personnel in the 17 client agencies receiving their services. The survey included questions that were designed to gather client agency feedback on the performance and knowledge of Accounting Services team leaders and team members and identify areas where client agencies would like support. Regarding the use of the survey to inform Accounting Services strategies, the succession plan discussed in Recommendation 1.1 above identified the survey as a tool that could be used for customer service performance analysis.</td>
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<td><strong>1.5 Performance Measurement</strong>&lt;br&gt;Accounting Services should develop a comprehensive performance measurement strategy, which include already established and new performance measures and related goals, customer service feedback targets, and a strategy for communicating performance to clients.</td>
<td>As discussed above, Accounting Services has implemented processes to gather information on their customer service performance from client agencies through Service Level Agreement reviews and customer satisfaction surveys. Additionally, they introduced goals related to performance measures in their succession plan. However, the department extended its implementation date for the development of a comprehensive performance measurement strategy from September 30, 2016, to December 31, 2017. As part of this extension, they are implementing Salesforce, a customer relationship management software tool, to gather a sample of performance data for analysis. Currently, one of the six Accounting Services teams is piloting the software to gather data about the types of tasks completed for client agencies and associated turnaround times. According to Accounting Services management, this information will then be used to develop and implement specific performance measures and a strategy for communicating performance to clients.</td>
<td>Partially Implemented</td>
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Conclusion

Although the department implemented three of the five recommendations made in the Accounting Services audit report, two recommendations have yet to be fully implemented. We determined that the risks associated with the audit team’s initial findings for these recommendations have not been fully mitigated as the department will not have completed its development of a comprehensive performance measurement strategy or the inclusion of performance measurements in policy until December 31, 2017. Therefore, the Audit Services Division may revisit this risk area in future audits to ensure that appropriate corrective action is taken.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from the Department of Public Works for their cooperation during our follow-up effort and their dedicated public service.