I am pleased to present the Denver Auditor’s 2020 Audit Plan for the City and County of Denver. The independent audit function serves as a tool for good government, transparency, and accountability in the city. As Denver continues to grow and change, my office’s professional assessment of city operations acts as a safeguard for taxpayer dollars and as a reminder for every city agency to expect proper scrutiny. As a certified public accountant, I am bound by a code of ethics and professional standards. In determining the Audit Plan, I bring the obligations of my professional license as well as the voters’ trust. We work to identify where change could help improve the city and to ensure tax dollars are used efficiently on behalf of everyone in our community.

My office has crafted an Audit Plan that incorporates risk-based performance, financial, information technology, and contract compliance objectives into a variety of audits and informational reports for 2020. The plan delivers value and impact for Denver and will be conducted with the highest professional standards.

In drafting this plan, we considered input from a wide range of sources and the people of Denver. My staff and I met with Denver elected officials and management about their unique operational risks and challenges.

Based on an overall risk assessment, I am pleased to share the important work we have for the year ahead. Money is the lifeblood of government and we will continue to conduct both financial and performance audits with an emphasis on cybersecurity, contract oversight, transparency, accountability, and social services on behalf of the people of Denver.

In 2020, we will continue to use data analytics to inform our audits and concentrate our work where it will have the greatest impact. Automation and technology help us identify risks more accurately and reliably, saving time during the audit process. This innovative approach will strengthen our audit analysis, evidence, and recommendations, and keep my office at the forefront of the government auditing community.

I look forward to carrying out these audits to deliver independent, transparent, and professional oversight, thereby conserving the public’s investment in the City and County of Denver. I am committed to providing ongoing information on how tax dollars are spent and how government operates on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.

I thank the residents of Denver for their support of a comprehensive Audit Plan. I am confident that once the 2020 Audit Plan is executed, residents will benefit from the city improvements spurred by our audit findings and recommendations. Please feel free to contact me at auditor@denvergov.org or 720-913-5000 with questions.

Sincerely,

Denver Auditor Timothy M. O’Brien, CPA
# 2020 Planned Audits

## CITYWIDE

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Contracting Practices, Part 2</td>
<td>The audit series will continue to review the economy, efficiency, and effectiveness of the city’s complex contracting processes.</td>
</tr>
<tr>
<td>City Real Estate Management</td>
<td>This audit will review the city’s process for planning, coordinating, and managing city real estate needs.</td>
</tr>
<tr>
<td>Contracts and Agreements</td>
<td>The Auditor’s Office will audit selected city contracts and agreements as required under Denver City Charter, §5.2.1, to evaluate and ensure performance, value, and proper city oversight.</td>
</tr>
<tr>
<td>Financial Audits</td>
<td>The Auditor’s Office will provide multiple independent assessments of selected city agencies’ accounting processes including auditing applicable compliance and internal control requirements, specific financial balances, and transactions. The audits will include reviews of internal controls over financial reporting. Auditors will assess whether the transactions were properly accounted for and reported in the city’s Comprehensive Annual Financial Report and whether the internal control systems are efficient and effective and in compliance with city accounting policies.</td>
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<tr>
<td>Construction Audits</td>
<td>These audits will focus on different aspects of various construction projects.</td>
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<tr>
<td>Grant Audits</td>
<td>These audits will review compliance with federal grant requirements for departments that receive the funding, such as the Office of Economic Development, the Department of Human Services, and the Department of Parks and Recreation. They will review rates charged and determine if rates were appropriate based on what is laid out in the cost allocation plans or actual grant criteria. Auditors will determine if reimbursement opportunities are being missed.</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>These assessments will examine the city’s vulnerability to cybersecurity attacks and information theft. These assessments will build on the results of prior cybersecurity assessments by examining additional areas of potential vulnerability, including an updated security risk analysis of the city’s system infrastructure.</td>
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<tr>
<td>Transparency</td>
<td>This audit will review the public notice requirements for the city when it impacts or disrupts the citizens.</td>
</tr>
<tr>
<td>Citizen Approved Tax Programs</td>
<td>The Auditor’s Office will review one or more of the taxes voters approved in 2019 to determine whether the money is accurately collected, accounted for, and used appropriately.</td>
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<tr>
<td>CORA Request</td>
<td>This audit will review the process used by city agencies to receive, track, and respond to Colorado Open Records Act data requests.</td>
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2020 Planned Audits, continued

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<tr>
<th>CLERK AND RECORDER’S OFFICE</th>
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<tr>
<td>Record Management</td>
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<tr>
<td>This audit will review the process and controls used to store, track, and access records maintained by the Clerk and Recorder’s Office.</td>
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<tr>
<th>CULTURAL FACILITIES</th>
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<tr>
<td>Denver Art Museum</td>
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<tr>
<td>This audit will be part of an audit series exploring efficiency, effectiveness, and financial operations of a Scientific and Cultural Facilities District Tier 1 recipient under the operating agreement with the city. This audit will focus on the Denver Art Museum’s operations and compliance with the cooperative agreement and city oversight over the museum.</td>
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<th>DENVER INTERNATIONAL AIRPORT</th>
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<tr>
<td>Airport Capital Assets</td>
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<tr>
<td>The audit will review the accuracy and internal controls over the classification, recording, and inventory of the airport’s purchased or constructed buildings and equipment as reported in the city’s Comprehensive Annual Financial Report.</td>
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<thead>
<tr>
<th>Accounting and Finance Management</th>
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<tr>
<td>Various planned audits involving the airport will evaluate the internal control environment associated with the financial functions at the airport.</td>
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<tr>
<th>DENVER SHERIFF’S OFFICE</th>
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<tr>
<td>Sheriff’s Building Renovation</td>
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<tr>
<td>Auditors will conduct a contract review of the remodel of building 24 at the Denver County Jail based on an internal tip.</td>
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<tr>
<th>DENVER PUBLIC LIBRARY</th>
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<tr>
<td>Social Services</td>
</tr>
<tr>
<td>This audit will examine the extent to which the Denver Public Library is equipped to provide certain social services in its facility and assess the impact of these additional services on traditional services the library provides.</td>
</tr>
</tbody>
</table>
DEPARTMENT OF FINANCE

Marijuana Taxation
This audit will assess the efficiency and effectiveness of the practices the Treasury Division uses in assessing and collecting taxes and auditing marijuana businesses in the City and County of Denver.

Travel and Expenses
This audit will review the travel and expense reimbursement process.

GENERAL SERVICES

Safety and Physical Security of City Facilities
The audit will examine the effectiveness of physical security provided in city facilities to determine if the needs of the city and the citizens are being addressed.

City Auctions and Seizures
This audit will review the controls and process around auctions and seizures. This would include a review of the live sale of assets.

HUMAN SERVICES

Child Welfare Placement
This audit will review the oversight of foster care and residential care facilities for the city.

PUBLIC HEALTH & ENVIRONMENT

Substance Misuse and Overdose Prevention
This audit will review the effectiveness of efforts of the Community and Behavioral Health Division in addressing opioid and other substance misuse. The audit may include an assessment of coordination efforts with needle exchange programs in the area and the department’s regulation efforts of needle exchange programs.

PUBLIC WORKS

Neighborhood Sidewalk Repair Program
The audit will review the new sidewalk repair program for equity, efficiency, and effectiveness.

Solid Waste Recycling
The audit will assess the efficiency and effectiveness of the recycling and composting program.
## TECHNOLOGY SERVICES

<table>
<thead>
<tr>
<th>Network Access</th>
<th>The audit will review the change management and access controls in place to manage the citywide network system.</th>
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<tr>
<td>Disaster Recovery</td>
<td>The audit will review the Technology Services systems disaster recovery plan to evaluate its ability to restore critical systems in a timely manner.</td>
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<tr>
<td>IT System Patching Process</td>
<td>The Auditor's Office will review the controls and process around applying system and security patches to both servers and network hardware.</td>
</tr>
<tr>
<td>Application Reviews</td>
<td>This audit will review the Technology Services general controls, specific application controls, and the maintenance processes for various city applications.</td>
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## CITYWIDE MONITORING

| Follow-up Audits                               | All audits by the Auditor's Office provide recommendations for improvement, to which the audited agency must respond whether they agree or disagree. For recommendations that were agreed to by the responsible entity, we complete a follow-up audit after the agreed-upon recommendation implementation date. Each follow-up audit will assess the status and quality of implementation for each recommendation. |
| Monitoring of Financial and Operational Data   | Throughout the year, the Auditor’s Office will assess possible risk areas by obtaining information through a risk assessment process to analyze specific data relevant to ongoing audits as well as analyzing general financial and operations information. Data analytics and audit tools will be used to identify anomalies in the data for further review. |
Plan Description

The vision of the Denver Auditor’s Office is to deliver value and impact for Denver by performing audits that follow the highest professional standards. Our mission is to deliver independent, transparent, and professional oversight — safeguarding and improving the public’s investment in the City and County of Denver. Our work is performed on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.

The independent audit function is key to transparency and accountability in Denver’s government. Denver’s elected Auditor serves as a check and balance in the strong-mayor system. The Auditor and the Auditor’s Office provide an important and valued function for Denver, a responsibility that requires a high level of expertise and professionalism. The 2020 Audit Plan reflects Auditor O’Brien’s steadfast commitment to continuous improvement by enhancing the value, products, staffing, communications, and overall positive impact of the Denver Auditor’s Office on behalf of Denver’s residents, businesses, and visitors.

Auditing under the Denver Charter – The Denver Charter states the Auditor shall conduct:

- Financial and performance audits of the City and County of Denver in accordance with generally accepted government auditing standards;
- Audits of individual financial transactions, contracts, and franchises; and
- Audits of financial and accounting systems and procedures, including records systems, revenue identification, and accounting and payment practices, for compliance with generally accepted accounting principles, best financial management practices, and any applicable laws and regulations governing the financial practices of the City and County of Denver.

The 2020 Audit Plan ensures broad audit coverage throughout the city while also addressing specific performance, financial, contractual, systems, and regulatory risks. According to the charter, the ultimate decision to perform any audit shall be at the sole discretion of the Auditor. Our approach to scheduling audits is flexible and subject to change throughout the year based on newly identified risks.
Integrated Auditing – Integrated audits incorporate elements of performance, financial, and information technology auditing. This produces a more effective outcome through a holistic audit approach with a focus on improving governance, compliance, performance, and operations.

Integrated auditing incorporates diverse approaches:

• **Performance Auditing** – We identify opportunities to improve the efficiency and effectiveness of city activities. Our performance audits also assess the viability or strength of the internal control environment of the city's agencies and programs. We conduct policy analysis and evaluation and may assess the city's ability to mitigate risk. We may also select performance audits that align with the city's major strategic initiatives.

• **Financial Auditing** – The 2020 Audit Plan continues our focus on the overall financial management and fiscal activities of the city. These audits will assess the financial internal control environment, compliance with city policies, financial governance, accounting and reporting practices, and high-risk financial transactions.

• **Information Technology (IT) Auditing** – Our IT audits will continue to address identified IT risks by focusing on the effectiveness of cybersecurity defense, data protection, and management of critical systems and applications.

• **Contract Compliance Auditing** – The 2020 Audit Plan reflects a continued emphasis on auditing city contracts for compliance with contract terms and fulfillment of the scope of work.
Data Analytics and Continuous Auditing Program – As part of Auditor O’Brien’s original vision for the Auditor’s Office, the Data Analytics and Continuous Auditing Program expands the office’s risk assessment and auditing capability and continues leading-edge audit practices to provide greater value and impact. Using technology and automation, auditors sort through large numbers of transactions and entire data sets to identify the highest risks, instead of relying entirely on sampling.

- **Data Analytics** – The Auditor’s Office uses quantitative and qualitative analytics of audit-related data to support audits of city processes and internal controls. For example, auditors may use data analytics to test whether processes and safeguards are appropriately implemented to minimize risk and detect mistakes. In addition, data analytics can be used to ensure data is accurate, consistent, and complete; to identify and analyze anomalies and patterns; to build statistical models; and to synthesize analytical results.

- **Continuous Auditing** – Continuous auditing is a data analytics technique that allows auditors to directly connect with city data systems, use an entire data population rather than samples, and automate ongoing analyses of that data. These ongoing analyses of data systems are used to identify high-risk areas and test controls in the city’s financial and operational systems in a timely fashion. The information gained from continuous auditing helps inform audits and the annual risk assessment. It can help audit teams to improve efficiencies in planning and fieldwork by identifying trends and exceptions earlier than through traditional methods.

Anti-Fraud Focus – The city’s management is responsible for establishing internal controls to detect and prevent fraud for each city entity. Although fraud detection is not a primary responsibility of the Auditor’s Office, all our audits consider the possibility that fraud, waste, or abuse may be occurring.

Audit Follow-up Program – Audit follow-up activities are conducted for every audit to assess whether city personnel implemented the agreed-upon audit recommendations for improvement and impact.

The Auditor’s Office regularly issues follow-up audit reports to the Audit Committee and the City and County of Denver’s operational management on the status of audit findings and of our recommendations for improved business practices.

Our office measures the audit recommendation acceptance rate as an indicator of the degree to which the city is using information provided by our audit reports to mitigate identified risks and to enhance efficiency, effectiveness, and economy of operations.

Focus on Flexibility, Transparency, and Responsiveness – Although the Auditor’s Office operates independently from other city entities, Auditor O’Brien and Auditor’s Office leadership meet regularly throughout the year with the mayor, City Council members, other elected officials, city personnel, neighborhood groups, and civic leaders to solicit input regarding risks. The objective of this strategy is to improve services and stewardship of city resources.
Audit Selection Process

Determining What to Audit

Developing the annual Audit Plan is an ongoing process — conducted by assembling ideas from a variety of internal and external sources, examining a broad range of city activities, and then assessing risk factors in tandem with additional considerations. This approach results in a diverse list of agencies, programs, activities, and contracts that auditors examine to determine whether these are operating efficiently, effectively, and in accordance with the law and program or contract requirements. Some agencies could be audited more frequently than others depending on the assessed risks.

In developing a list of potential audits and other types of analyses, ideas come from a variety of sources:

• Assessments of operations and controls in previous internal and external audit reports, including independent audits of the city's Comprehensive Annual Financial Report, single audits, and audit management letters;
• Input from the community, elected officials, Audit Committee members, external auditors, and agency management and staff;
• Consideration of current local events, financial conditions, major capital projects, and public policy issues; and
• Consideration of risks identified in other government audits that could emerge in Denver.

A robust audit plan assesses a broad range of city activities including:

• Organizational units within a city agency, such as a division or a department;
• Individual city programs and offices;
• Transaction cycles or processes that affect more than one city function or agency, such as contract procurement, purchasing, cash handling, fines, taxes, and assessments or key technology processes;
• Individual financial statement accounts or transactional activities, such as grant programs, construction in progress, and special revenue funds;
• City functions that operate like for-profit entities, such as Denver International Airport and other enterprise funds; and
• Contracts and agreements between the city and third parties.
Audit Selection Process, continued

Our office identifies and prioritizes potential audits and other assessments using a risk-based approach by examining a variety of factors that may expose the city to fraud, misappropriation of funds, liability, or reputational harm. Accordingly, risk factors are assessed by reviewing:

- Significant changes that have occurred in the city;
- Time since the last audit of an area;
- Size of agency, program, activity, or contract;
- Size of budget;
- Compliance and regulations;
- Pending or recent legislation;
- Complexity of transactions;
- Fiscal sustainability;
- Critical IT systems, including hardware and software;
- Management accountability;
- Quality of internal control systems;
- Age of programs, operations, or contracts;
- Public health and safety;
- Critical infrastructure;
- Short- and long-term strategic risks;
- Related litigation;
- Relevant case law; and
- Emerging risk areas.

We periodically evaluate and modify risk factors, as necessary.

After we finalize the Audit Plan, new information may come to light; events, initiatives, priorities, and risks within the city may change. The flexible nature of the Audit Plan as a living document provides the discretion to change course when it is in the best interest of the city.

The Auditor’s Office extends its gratitude and appreciation to the Mayor’s Office, City Council, the Audit Committee, members of the city’s operational management, and members of the public for providing input on the 2020 Audit Plan and for supporting the general mission of our office throughout the year.
The Denver Auditor’s Office provides independent oversight of how tax dollars are spent to fund the city’s many services, initiatives, and programs. Article V of the Denver Charter establishes this independence and provides for the Auditor’s general authority and duties. The charter also establishes the Audit Committee, through which we report our audit findings.

Our History – Originally, the Auditor served as the general accountant for the city, maintaining the city’s financial records and paying city expenses, including payroll. However, in November 2006, Denver voters approved an amendment to the city charter, changing the duties of the Auditor that had been in place since 1904. Based on this charter revision, accounting and payroll functions moved in June 2007 to the Controller’s Office under the chief financial officer. This revision, plus other ordinances, authorized the Auditor to conduct audits of any entity using city dollars. Today, Denver’s elected Auditor oversees one of the most structurally independent government audit functions in the country.

Several key components serve as the cornerstone for Denver’s auditing framework. These elements provide the Auditor with the independence that results in the office’s ability to conduct meaningful audits.

• Elected Auditor – The City and County of Denver has an elected Auditor who is independent from all other elected officials and operational management.

• Audit Committee – The Denver Charter establishes an independent Audit Committee, chaired by the Auditor, with six other members appointed by the mayor, City Council, and the Auditor.

• Comprehensive Access – The Denver Charter and city ordinance authorize the Auditor to have access to all officers, employees, records, and property maintained by the City and County of Denver, and to all external entities, records, and personnel related to their business interactions with the city.

• Audit Response Requirements – City ordinance requires that audited agencies formally respond to all audit findings and recommendations, establishing the Auditor’s ability to work in conjunction with these agencies while maintaining independence.

• Adherence to Professional Audit Standards – The Auditor’s Office conducts all audits in accordance with generally accepted government auditing standards published by the U. S. Comptroller General.