

# 2016

City and County of Denver

Office of the Auditor

# Audit Plan



## TABLE OF CONTENTS

The Denver Audit Model	1
Overview of Annual Audit Plan	2
Audit Horizon Methodology	3
Description of 2016 Audit Plan	5
2016 Planned Audits	9
2017 – 2018 Audit Horizon	13



## FROM THE AUDITOR

OCTOBER 2015

I am pleased to present the 2016 Audit Plan for the City and County of Denver



**Timothy M. O'Brien**  
Auditor

Auditor's Office. As the newly elected Auditor, I have crafted an Audit Plan for 2016 that enhances the Audit Services Division's consistently sound planning efforts with expanded audit capabilities within the Office using an Enterprise Risk Management approach. The Plan includes audits with robust performance, financial, information technology, and fraud detection objectives and an increased emphasis on auditing City contracts.

Our work in 2016 will be enhanced by a renewed focus on collaboration with City elected officials and management. We will seek to understand their unique operational risks and, through automating our audit follow-up program, provide them with better updates on the status of audit recommendations and related trend analysis. Most significantly, we will implement a formal data analytics program to improve the quality of data gathered in the City and use it to strengthen our audit analysis and recommendations. I look forward to carrying out these efforts and future audit engagements as a primary vehicle for increasing efficiency and transparency in the City and County of Denver. I am committed to providing you with more information on how your tax dollars are spent and how your government operates.

Sincerely,

Timothy M. O'Brien, CPA  
Auditor

Timothy M. O'Brien, CPA, Auditor  
Valerie G. Walling, CPA, Deputy Auditor  
Kip R. Memmott, MA, CGAP, CRMA, Director of Audit Services

## FROM THE DIRECTOR

In accordance with City Charter Section 5.2.1, Subsection (B), we submit the 2016 Annual Audit Plan contained herein. The Charter requires our Office to submit to the Mayor and City Council, for information only, an audit work plan for the ensuing fiscal year. The purpose of the work plan is to identify particular departments, agencies, programs, finances, contracts, franchises, or other matters the Auditor has scheduled for review in the subsequent fiscal year.



**Kip R. Memmott**  
Director, Audit Services

Our annual work plan facilitates an efficient allocation of limited audit resources on a risk basis, provides a flexible mechanism for managing competing audit needs, eliminates overlap of similar audits with other audit organizations, and provides a sound foundation for obtaining sufficient budgetary funds required to execute our mission.

Our Office is committed to maintaining a cooperative partnership with the Mayor's Office and City Council. As such, we welcome any requests for possible audits or audit services not listed in the 2016 Plan with the caveat that, in accordance with the City Charter, the ultimate decision to perform any audit is at the sole discretion of the Auditor. We conduct our work consistent with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States.

The 2016 audit plan represents Auditor O'Brien's vision for the future of the Denver Auditor's Office. This vision of Enterprise Risk Management principles utilizes expanded audit capabilities and objectives for robust performance, financial, information technology, and fraud detection, as well as an increased emphasis on auditing City contracts. The Auditor's vision also entails the implementation of an integrated auditing model utilizing a progressive flex team approach, an enhanced focus on collaboration with City elected officials and management, the implementation of a formal data analytics program, and the automation of the Office's audit follow-up program. I share this vision and sincerely thank Auditor O'Brien, his appointees, and our staff for their commitment to public service and for their earnest efforts to ensure that the Denver Auditor's Office fulfills its responsibilities and adds value to the citizens of our great City.

I want to acknowledge and thank Audit Services Division personnel for their contributions in developing the 2016 Annual Audit Plan. Most importantly, I would like to thank the residents of Denver for their trust and support of the Auditor's Office. This plan is crafted specifically with their interests in mind and I am confident that when the 2016 Audit Plan is fully executed, the citizens will be better served by their City and County government. If you have any questions, please contact me at 720-913-5000.

Sincerely,

A handwritten signature in black ink that reads "K. Memmott". The signature is written in a cursive, slightly stylized font.

Kip R. Memmott, MA, CGAP, CRMA  
Director of Audit Services



## THE DENVER AUDIT MODEL FRAMEWORK

Several key components serve as the cornerstone for the Denver Audit Model. These elements provide the Auditor with optimal independence resulting in the subsequent high impact potential of the City's internal audit model.

### THE DENVER AUDIT MODEL

Denver City Charter, Article V, Part 2, Section 1, *General Powers and Duties of Auditor*, establishes the duties and responsibilities of the Auditor. In the 2006 November election, Denver citizens voted to amend the City Charter to improve and streamline the City's financial structure while enhancing the important role of the independent Auditor.

The amendment to the City Charter significantly changed the role of the Auditor effective January 1, 2008.

Historically, since the establishment of the Office in 1904, the Auditor served as the general accountant for the City and, as such, maintained the City's financial records and paid City expenses including payroll. However, in June 2007, based on the Charter revision, the accounting and payroll functions transitioned to the Controller's Office under the Chief Financial Officer, who officially assumed Charter responsibility and authority for those functions on January 1, 2008.

In addition to making these changes to the City's financial governance structure, the Charter revisions significantly enhanced the independent standing and authority of the Auditor. Specifically, the Charter authorizes the Auditor to conduct audits of all City entities in accordance with Generally

Accepted Government Auditing Standards (GAGAS) promulgated by the United States Comptroller General. These standards establish principles and requirements related to the independence of and work performed by the audit function.

The City Charter requirement for the Auditor to comply with these standards, combined with other key components making up the model's framework, has resulted in the establishment of one of the most structurally independent government audit functions in the country.

The Denver Audit Model continues to gain national recognition as a model framework for conducting internal audits. In 2015, we participated in an intergovernmental collaborative initiative with the U.S. Government Accountability Office (GAO), which resulted in a GAO report issued to the U.S. Congress.

In addition, we received the *Distinguished Award* in the extra-large audit shop category from the Association of Local Government Auditors for one of our 2015 audit reports. The 2016 audit plan will enable the Denver Auditor's Office to continue to make local and national impact.

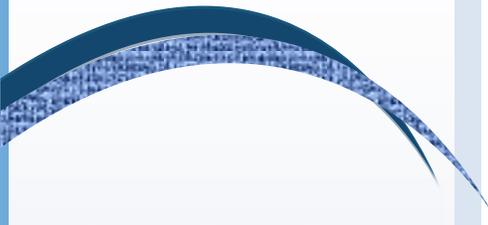
**Elected Auditor** – The City and County of Denver has an elected Auditor who is independent from other elected officials and operational management.

**Comprehensive Access** – City Charter and 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.

**Formal Audit Response Requirements** – City ordinance requires that audited City and County agencies and departments formally respond to all audit findings and recommendations.

**Adherence to Professional Audit Standards** – The Auditor's Office conducts all audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the United States Comptroller General.

**Formal Independent Audit Committee** – The City Charter establishes an independent Audit Committee, chaired by the Auditor and consisting of six other members. The Mayor, City Council, and Auditor each appoint two members.



## AUDIT PLAN RISK ASSESSMENT CRITERIA

Utilizing a risk-based audit plan to identify and prioritize various operational and other issues posing the greatest potential risk and liability to the City, the Audit Services Division applies the following risk factors based on their relevance to the nature and objectives of our audit approach and the political reporting environment in which we operate:

- Size of Audit Unit
- Compliance and Regulations
- Pending or Recent Legislation
- Complexity of Transactions
- Fiscal Sustainability
- Management Accountability
- Quality of Internal Control System
- Age of Program or Operation
- Audit History
- Public Health and Safety
- Critical Infrastructure
- Short- and Long-Term Strategic Risks
- Related Litigation
- Relevant Case Law
- Emerging Risk Areas

## OVERVIEW OF ANNUAL AUDIT PLAN

The Audit Services Division (Division) of the Denver Auditor's Office adheres to an overall audit strategy that a high-quality and transparent annual audit plan is critical for meeting the goals, objectives, and mission of the Office. The Division utilizes professional standards and guidelines developed by the Institute of Internal Auditors for the development of the Annual Audit Plan. These guidelines recognize that an annual audit plan and work schedule benefit the organization by:

- Establishing which agencies, programs, contracts, or other areas will be prioritized for audits on an annual basis;
- Permitting an efficient allocation of limited audit resources;
- Providing a flexible basis for managing audit personnel;
- Projecting an estimated timetable for initiating and completing audits for the year;
- Eliminating overlap of similar audits by the Division and other audit organizations; and
- Providing an identifiable basis for the role of the Division and justification for obtaining budgetary funds.

### Preparing the Annual Audit Plan

Audits included in the Annual Audit Plan are selected and prioritized using a risk-based approach. Risk assessment is a process used to identify and prioritize audits based upon specific risk factors related to the quality of internal controls and the estimated liability and level of exposure to the City and County of Denver, related to various City departments, programs, activities, finances, and contracts. The Division utilizes several techniques to identify and prioritize audits in the Annual Plan. These techniques include:

- Utilization of industry standard risk assessment criteria;
- Analysis of operations and internal controls derived from previous internal audits, including trend analyses to identify recurring audit findings and control deficiencies, as well as formal audit follow-up and outstanding recommendation tracking activities;
- Assessment of operations and controls derived from previous external audits including information in the City's Comprehensive Annual Financial Reports (CAFRs), Single Audit Reports, and external audit management letters;
- Input from elected officials, Audit Committee members, operational management, peer audit groups, and members of the public;
- Benchmarking against the audit priorities of other governmental entities; and
- Consideration of current local events, financial conditions, and public policy issues.

In addition to the performance and financial audits identified using the criteria and process described above, the annual audit plan also includes specialized information technology (IT) audits, which are derived from the Division's Citywide IT risk assessment. This risk assessment establishes an inventory of all critical IT systems and comprises four primary IT audit categories: IT business processes, business applications (either existing or under development), IT infrastructure (e.g., data networks), and IT facilities (e.g., data centers).



## AUDIT HORIZON METHODOLOGY

The audit plan is based on developing a realistic audit horizon of planned high-risk audits covering a three-year period. The Audit Services Division (Division) bases its annual audit plan on the development of such an audit horizon rather than developing a subjective, overly complex *audit universe*. Historically, many audit organizations have attempted to develop a comprehensive audit universe from which to identify and prioritize audits. However, this process is cumbersome, time consuming, and generally reveals that there are literally thousands of possible audits that would require tens of thousands of audit hours and other resources. Additionally, the inclusion of such a universe could potentially mislead City officials and citizens to believe that all of the audits included on the listing will be performed and, perhaps more significantly, that any departments, programs, activities, or contracts not included in the universe are not subject to audit.

As a result, instead of developing an audit universe, the Division utilizes a realistic audit horizon strategy and approach to identify, prioritize, and manage audits deemed to be critical to City operations. Specifically, using the risk-based methodology described throughout the Audit Plan, the Division identifies and prioritizes a select number of audits for inclusion in the Annual Audit Plan as well as listing potential audits for the ensuing two years.

The audits included in the horizon are based on available audit hours each year to ensure that realistic expectations are established and stated goals are met. The approach also builds capacity into the Audit Plan for specially requested audits not originally captured in the plan, and for urgent audit issues that arise throughout the year. This approach provides the Division with a great deal of flexibility to address emerging issues in a timely manner and for providing high quality and responsive customer service to elected officials, operational management, and the public.

This strategy and accompanying risk assessment methodology have allowed Denver to execute a less cumbersome annual audit planning process and generate a more realistic, flexible, and transparent set of goals and work activities for the upcoming year. The audit horizon approach aligns well with the evolution of the audit profession where, in today's increasingly complex operational environments, audit functions must stretch beyond traditional risk-assessment processes, generally focused on short-term risks, to identify and address emerging and long-term strategic risks.

## UTILIZATION OF A RISK-BASED AUDIT HORIZON STRATEGY

Instead of developing an overly complex *audit universe*, the Audit Services Division utilizes a realistic audit horizon strategy and approach to identify, prioritize, and execute audits that are critical to City and County operations.

### Limitations of Audit Universe:

- Cumbersome and time consuming process
- Overly complex, yet still subjective
- Lack of flexibility and responsiveness to changing conditions and external requests
- Prohibitive and restrictive process that can potentially mislead City officials and citizens regarding audits that will or will not be conducted

### Advantages of Audit Horizon:

- Less cumbersome; saves time and resources
- Results in a realistic, transparent approach to identify and prioritize a select number of audits
- Provides flexibility and transparency to address emerging issues
- Structured to provide an avenue for City leaders to request timely audits

## AUDIT PLAN PRINCIPLES

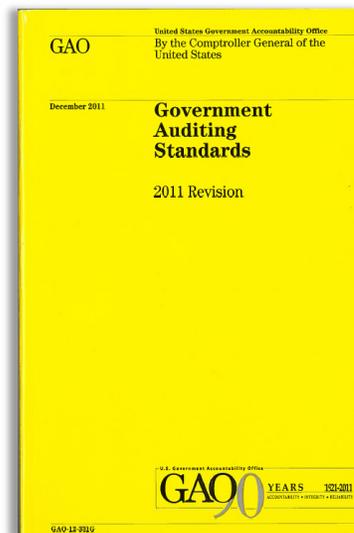
In order to provide practical guidance and an authoritative framework for the development of the Annual Audit Plan, the Audit Services Division recognizes and observes the following basic audit plan principles:

- Deference is given to the unique interests and responsibilities of the Auditor as an elected official of the City and the risks he identifies as a need to ensure the City's interests.
- Audit resources are limited, thus prohibiting one hundred percent audit coverage each year and requiring a risk-based, strategic approach.
- The Plan is a flexible and dynamic tool that can be amended throughout the year to reflect changing City risks and priorities.
- Risk assessment factors used for selecting annual audits are designed in conjunction with the City's strategic initiatives and objectives.
- The Audit Plan gives consideration to work performed by other auditors.
- The Audit Plan recognizes that there are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, risk factors are periodically evaluated and modified, as necessary.

The following are examples of the audit types included in the Denver Auditor's Office's Annual Audit Plan. These include audits that examine:

- Organizational units within a City agency such as a division or a department;
- Individual City programs and activities;
- Transaction cycles or processes that "horizontally" cross multiple City functions or departments, such as contract procurement and purchasing, grants, human resources, information technology, etc.;
- Individual financial statement accounts and transactional areas such as capital assets, leave liability, accounts payable, and payroll;
- Enterprise fund entities such as Denver International Airport (DIA) and the Golf Enterprise Fund; and
- Contracts and agreements into which the City has entered with a third party.

When we evaluate potential audits from a variety of perspectives, we can ensure widespread audit coverage in terms of both the types of audits performed, as defined in Generally Accepted Government Auditing Standards, and in terms of the City's vast array of departments, programs, activities, and contracts.



[GAO-12-331G](#) United States Government Accountability Office, *Government Auditing Standards*, December 2011.



## DESCRIPTION OF 2016 AUDIT PLAN

In accordance with City Charter Section 5.2.1, Subsection (B), the following is a brief description of the Audit Plan tenets along with the Auditor's Office 2016 planned audit listing which, per City Charter requirements, identifies the "... particular departments, agencies, programs, contracts, franchises and other matters that the Auditor has scheduled for auditing during the fiscal year." Although the listing represents the planned audit schedule for 2016, the Plan is a flexible document that is subject to change and, in accordance with City Charter, "... the ultimate decision to perform any audit shall be at the sole discretion of the Auditor."

**Auditor O'Brien's Continuous Improvement Strategy** – The 2016 Audit Plan reflects Auditor O'Brien's commitment to enhancing the value and impact of the Denver Auditor's Office. Under Auditor O'Brien's leadership, the Office will continue to engage in continuous improvement activities. These on-going self-improvement and self-assessment activities over recent years have resulted in the Office receiving three consecutive Knighton awards from the Association of Local Government Auditors for outstanding performance audits as well as being cited as a top-eleven best-practice local government audit function in North America by the Institute of Internal Auditors. Under Auditor O'Brien's vision, the Office will continue to enhance the quality of its products and communications, thereby increasing the value and impact of the Denver Auditor's Office.

**Expanded Audit Capabilities** – The 2016 Audit Plan reflects a strong emphasis on the expansion of audit capabilities and services within the Auditor's Office.

- **Integrated Auditing** – The Audit Plan is aligned with the national focus in the public sector on strengthening and improving organizational governance, internal control environments, transparency, quality of services, financial management and reporting, and fraud prevention activities. We plan to blend attributes of financial audit, performance audit, IT audit, and contract review activities to expand our aggregate impact. Relying on our prior work and deploying audit staff resources in a broad matrix environment will allow us to operate in a more efficient manner. Our goal is to expand our audit coverage while championing our staff and providing them growth opportunities.

## UNIQUE ATTRIBUTES OF THE 2016 AUDIT PLAN

- Continuous Improvement Strategy
- Expanded Audit Capabilities
- Integrated Auditing Approach
- Continued Emphasis on Performance Auditing
- Improving the Financial Condition of the City
- Information Technology Audits
- New Focus on City Contracts
- Flexibility, Responsiveness, and Enhanced Collaboration
- Continuous Auditing and Data Analytics Program
- Anti-Fraud Focus
- Robust Audit Follow-up



## 2016 Audit Plan City & County of Denver Auditor's Office



- **Performance Auditing** – The 2016 Audit Plan reflects our performance auditing capability, particularly in the areas of program effectiveness, social equity, and assessing the economy and efficiency of various City departments and programs. In addition to identifying issues involving City activities, the objective of our performance audits is to assess the City's ability to mitigate risk. The performance audits in the Plan are well aligned with major City strategic performance initiatives focused on economic vitality, public safety, youth, sustainability, transparency, and review of performance metrics.
- **Financial Auditing** – The 2016 Audit Plan has a strong focus on the financial condition and financial accounting and management activities of the City. The Plan includes audits that will assess the general financial control environment, including the efficiency and effectiveness of critical City fiscal activities such as key accounting and financial governance and reporting practices, high risk financial transactional areas including cash handling activities, revenue enhancement opportunities, and tax collection processes.
- **Information Technology (IT) Auditing** – This year's Plan includes several high risk IT audits, including audits focused on cyber security and personally identifiable information controls. The Plan reflects a continued focus on maintaining effective communications with the City's Technology Services department to mitigate IT security risks and concerns within the City. As part of our integrated auditing approach, IT audit objectives will be included in our performance and financial audit engagements.
- **Auditing City Contracts** – The 2016 Plan reflects an increased focus on City contracts. Working in a cross-functional manner with our contract review staff, the Plan includes ongoing audits of City contracts. The Office will continue to refine our contract risk assessment process throughout the year, and we plan to expand audit activity in this area based on the results of the assessment.

**Renewed Focus on Flexibility, Responsiveness, and Collaboration** – As described throughout the Plan, the concepts of flexibility, responsiveness, and transparency are core tenets of the Auditor's Office's Annual Audit Plan. The utilization of the audit horizon methodology and risk assessment criteria focused on proactively obtaining audit suggestions from elected officials and operational management demonstrate how these core tenets are actualized in the Audit Plan development process. In this regard, Auditor O'Brien and the Director of Audit Services meet regularly throughout the year with elected officials and agency leadership to solicit input related to operational risks and proposed audit engagements as well as to share information related to issues and risks identified by historical work performed by the Auditor's Office. A critical component of this outreach is sharing audit follow-up status reports and related trend analysis with City officials.

Although the Auditor's Office has always implemented communication strategies with City officials, under Auditor O'Brien's vision, while upholding our independence, the Office has a renewed emphasis on this strategic objective and, as part of this approach, we will proffer new methods and ideas for enhancing communications and collaboration with City officials. A desire to foster an Enterprise Risk Management (ERM) program with City Leadership is an example of a potential strategic area for enhanced

## 2016 Audit Plan City & County of Denver Auditor's Office



cooperation. ERM takes a broad view of risk management and is defined by the Risk and Insurance Management Society as “a strategic business discipline that supports the achievement of an organization’s objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.” ERM examines risk management prospectively in a strategic and thoughtful way. We plan to foster a dialogue with City officials about the benefits of a well-run ERM program.

This approach is widely used in the private sector but not in the public sector. Our goal is to help the City develop an ERM program that can be utilized by City officials to monitor and mitigate risk on a day-to-day basis while assisting our Office with the development and execution of our Annual Audit Plan. We believe that the City and County of Denver has the real possibility of becoming a public sector leader in this regard.

**Formal Data Analytics and Continuous Auditing Program** – The 2016 Audit Plan includes the implementation of a formal data analytics and continuous auditing program. Data has always been collected and utilized to some extent by various City departments and agencies. However, in the era of increasing data, including “big data,” it is critical for City entities to ensure that data is collected and utilized to inform decisions about rules and regulations, internal policies and procedures, program development, and asset allocation. Audit functions can also use data analytics to test internal financial controls to ensure that processes are followed to minimize risk and to detect mistakes and possible suspicious transactions. The Auditor’s Office’s program will consist of the following two components:

- **Data Analytics** – Data analytics refers to qualitative and quantitative techniques and processes used to identify trends and “root causes” related to operational risks and performance. Data is extracted and categorized to perform assessments of risk and performance. Implementing a formal data analytics program will allow our office greater flexibility in obtaining data from departments and most importantly will provide us with a greater ability to analyze comprehensive data rather than reviewing data on a limited basis. With a greater ability to collect and analyze data, we can perform both retrospective and prospective analyses around trends, patterns, and relationships. Analytical information and assessments can be utilized to inform City officials of performance trends and operational risks as well as to support audits being performed by our Office.
- **Continuous Auditing** – Continuous auditing is an audit approach based on collecting and assessing various data sources, including data from critical information technology systems governing key operational processes, transactions, and controls, on a repeatable and frequent basis. The Auditor’s Office will be deploying a continuous auditing and data analytics program in order to assess the efficiency and controls of key City transactions and activities, identify exceptions and errors more effectively, and reduce the time spent by audit teams gathering and cleaning data, enabling them to focus on analysis and audit conclusions.

## 2016 Audit Plan City & County of Denver Auditor's Office



Aligned with Auditor O'Brien's vision, when fully implemented, our formal data analytics and continuous auditing program will enable us to transform and expand our auditing capability in many ways and will continue the Office's history of adopting leading edge audit practices to provide greater value and impact. The program will also enhance our fraud detection capabilities.

**Anti-Fraud Focus** – Our work includes approaches to identify fraud risk areas and to prevent other detrimental activity. Although fraud detection is not a primary responsibility of the Auditor's Office, as the City's operational management is responsible for establishing internal controls to detect and prevent fraud, through our audits and other services we help assure that City assets are properly safeguarded. In addition to assessing fraud risk, audits in the 2016 Plan will have objectives assessing the effectiveness of internal controls established by management to detect and prevent fraud. By highlighting potential gaps within internal control systems, the opportunity for fraud can be reduced. The Office will continue its evaluation of potential risk areas and mitigate the precursors for fraud (opportunity, pressure event, and rationalization) within the identified internal control system on an audit-by-audit basis rather than through a formal program. We plan to incorporate the newly released Government Accountability Office's Anti-Fraud Framework, GAO-15-593SP, into our anti-fraud assessment practices.

**Audit Follow-up Program** – The 2016 Audit Plan continues to emphasize follow-up activities, trend analysis, and automated reporting activities. We remain interested in our audit recommendation implementation rate. This rate is an indicator of whether an organization is utilizing information provided by internal audit reports to mitigate identified risks and to enhance economy and efficiency of operations.

The Division will periodically report to Audit Committee members and operational management on the status of various audit findings and recommendations. The Division plans to conduct a briefing at least annually highlighting follow-up activity from the previous year. The follow-up briefing will include a trend analysis within and across City departments and programs in terms of management responsiveness and *tone at the top* related to audit findings and recommendations. The audit follow-up program will also assist the Division with its on-going performance goal of implementing continuous improvement activities in the quality and feasibility of audit recommendations.



The following pages contain a listing of planned audits for the upcoming year, along with a two-year listing of horizon audits.



## 2016 Planned Audits

Audit	Entity	Audit Objective
<b>Airline Concessionaire Agreements</b>	<b>Denver International Airport</b>	The audit will assess DIA airline concessionaire administration practices including assessing internal controls surrounding revenue reporting. The audit will utilize a risk assessment process to identify specific concession agreements for detailed examination on a sample basis. The Denver Auditor's Office will be regularly reviewing these agreements going forward.
<b>Board of Adjustment for Zoning Appeals</b>	<b>Zoning Board of Adjustment</b>	The audit will assess the effectiveness of Board activities and governance. The Board consists of five citizens who are appointed by the Mayor. The Board's duty is to hear and decide cases regarding the Denver Zoning Code. Audit objectives will include reviewing the Board's Rules of Procedures and hearing process and performing a trend analysis of Board rulings.
<b>Capital Assets</b>	<b>Finance</b>	The audit will review City classification, recording, and inventory of City capital assets including tracing land assets identified in the City's Comprehensive Annual Financial Report (CAFR) to source documents and specific assets. This will be the first of a series of audits examining City assets.
<b>Cash Handling Practices</b>	<b>Citywide</b>	The audit will assess the internal control environment for cash handling, including a review of written policies and procedures related to cash handling across the City. Audit objectives may include individual reviews of cash handling operations and unannounced cash counts, including petty cash, for a sample of City departments and offices.
<b>Child Welfare Services</b>	<b>Human Services</b>	The audit will assess Denver Human Services' case management and service delivery practices, including following up on the State of Colorado's review of the Division. Audit objectives may include a review of case management practices, staffing levels, and training activities.
<b>Civil Service Commission</b>	<b>Independent Agency</b>	The audit will assess the effectiveness and efficiency of activities performed by the Civil Service Commission. Audit objectives may include an assessment of the Commission's compliance with legal requirements related to employment candidate testing as well as those related to employee promotion and discipline.
<b>Compensation, Benefits and Wellness</b>	<b>Human Resources</b>	The audit will assess the Office of Human Resources' processes for administering the City's classification and pay plans, including a review of job audit and position reclassification activities. Audit objectives may include an evaluation of recent reclassification activities on a sample basis.



Audit	Entity	Audit Objective
<b>Construction and Capital Improvements</b>	<b>Denver International Airport</b>	The audit will assess how Airport Infrastructure Management (AIM) at DIA is incorporating gate utilization as a major consideration in the planning and coordination of capital improvement and repair projects to minimize operational impacts and to mitigate capacity issues. Audit objectives may include a review of the large, multi-year project concerning the rehabilitation of the Concourse B and C pavements.
<b>Contract Administration</b>	<b>Citywide</b>	The ongoing audits will assess Denver's contract administration practices. Audit objectives will include a review, on a sample basis, of current contracts to ensure that they are being properly monitored from both fiscal and performance perspectives.
<b>Controller's Office Accounting Services</b>	<b>Finance</b>	The audit will assess the efficacy of accounting services provided by the City's Controller to select agencies. Audit objectives may include a customer satisfaction assessment and review of best practices for accounting at the municipal level.
<b>Cyber Security</b>	<b>Technology Services</b>	The audit will assess the effectiveness of cybercrime prevention, detection and incident management processes, policies, procedures and governance activities performed by Technology Services. Audit objectives may include a review of Technology Services' incident management process, configuration management activities, security practices and safeguards for networks and servers, security management and awareness programs, and third-party contract administration practices.
<b>Data Analytics Program</b>	<b>Citywide</b>	During 2016, the Auditor's Office will implement a formal data analytics program for conducting regular and ad hoc control reviews and tests of key fiscal processes and areas of risk. The program will include an advanced trend analysis element that will be used to enhance the Office's Audit Plan risk assessment process.
<b>Data Driven Policing</b>	<b>Safety</b>	The audit will evaluate how the Denver Police Department is utilizing technology and data analysis techniques to deter crime within the City. Using data to determine hot spots where both criminal activity and traffic incidents occur, police are deploying officers to these targeted areas. The initiative is called the Data-Driven Approaches to Crime and Traffic Safety (DDACTS).
<b>Denver Disabled Parking Program</b>	<b>Office of Human Rights and Community Partnerships</b>	In 2014, House Bill 14-1029 was enacted providing more standardization for disabled parking in Colorado. In Denver, the Office of Disability Rights is responsible for monitoring Denver's disability parking requirements. Audit objectives will assess whether the City is meeting its obligation to provide and maintain these important facilities for proper citizen use.



## 2016 Planned Audits

Audit	Entity	Audit Objective
<b>Enterprise Fund Management</b>	<b>Citywide</b>	The audit will assess the administration of the City's Enterprise Funds, excluding the Aviation Enterprise Fund. Audit objectives may include an examination of planning strategies and processes for capital improvements and an assessment of the short- and long-term sustainability of these funds.
<b>General Fund Controls</b>	<b>Finance</b>	The audit will assess internal controls over the City's predominant fund for recording and reporting general government activities. Audit objectives may include a compliance assessment of fund structure with Governmental Accounting Standards Board standards for fund balance reporting and governmental fund type definitions.
<b>Service Desk</b>	<b>Technology Services</b>	The audit will assess the controls governing Help Desk operations. Audit objectives may include a review of the incident reporting practices, staffing, issue escalation, monitoring, policies, procedures, and governance activities.
<b>Indirect Cost Accounting Practices</b>	<b>Citywide</b>	The audit will assess City strategies and practices for managing indirect costs. Audit objectives may include analyzing historical trends of indirect costs for the City for up to ten years, comparing budgeted projections with actual indirect costs, identifying root causes for the growth or deviations of indirect costs over the review period, and determining whether the City monitors indirect cost growth or deviations.
<b>Municipal Sales Tax Collection Practices</b>	<b>Finance</b>	The audit will assess City processes and controls for collecting Sales and Use taxes. These taxes account for approximately 47% of General Fund monies. Audit objectives may include a review of controls involving sales tax processing, business registrations, and customer service.
<b>Office of Marijuana Policy</b>	<b>Mayor's Office</b>	The audit will assess the City's strategy and activities related to regulating the sale and use of medical and recreational marijuana within the City and County of Denver. Audit objectives may include a review of prior audit work from a trend analysis perspective.
<b>Office of Sustainability</b>	<b>Environmental Health</b>	The audit will assess whether the Denver Office of Sustainability effectively guides and supports government operations and the community to attain the goal of securing an economically, socially, and environmentally sustainable city for generations to come, as mandated by Executive Order 123 and outlined in the Mayor's 2020 Sustainability Goals.



Audit	Entity	Audit Objective
Open Media Foundation Contract	Technology Services	The audit will evaluate Technology Services' contract monitoring practices and assess contract compliance related to the City's contract with the Open Media Foundation.
Park Management	Parks and Recreation	The audit will assess the Parks and Recreation Department's Parks and Recreation Management Program. Audit objectives may include a review of asset management practices, an assessment of maintenance activities, an evaluation of concession agreements, and a program effectiveness review of a proposed industrial facility.
Permitting System	Community Planning and Development	The audit will evaluate the efficiency and effectiveness of processing applications for permits within Community Planning and Development. Audit objectives may include an assessment of the integration of the permitting system with complementary component systems, such as the City's accounting system and general ledger system, and an evaluation of the permitting system's functionality.
Personally Identifiable Information (PII) Controls	Technology Services	Personally Identifiable Information (PII) is any data that can be used to distinguish a specific individual or can be linked to a specific individual. Social Security Numbers (SSNs), personal email addresses, fingerprints, IP addresses, and driver's license numbers are just some of the types of data that could be considered PII. The audit will examine the controls the City has in place to safeguard PII.
Rental Car Concessionaire Agreements	Denver International Airport	The audit will assess DIA rental concessionaire administration practices, including assessing internal controls surrounding revenue reporting. The audit will utilize a risk assessment process to identify specific concession agreements for detailed examination on a sample basis. The Auditor's Office will be regularly reviewing these agreements going forward.
Resource Allocation Practices	Denver Fire Department	The audit will assess the Denver Fire Department's resource allocation practices. Audit objectives may include a review of fire department response times; call prioritization; the placement of fire stations in the City; compliance with fire inspection requirements; and whether variables such as the introduction of legalized marijuana in Denver have significantly impacted fire operations.

2016 Audit Plan  
City & County of Denver  
Auditor's Office



2017 – 2018 Audit Horizon

Potential Audit	Entity	Audit Objective
<b>Air Operations</b>	<b>Denver Police Department</b>	The audit will assess the effectiveness of the Denver Police Department's Air Operations program. Audit objectives may include an evaluation of costs, including cost-sharing agreements, staffing, equipment, and safety procedures.
<b>Arts Funding Controls</b>	<b>Arts and Venues</b>	The audit will assess the adequacy and usage of the funding sources for arts and venues, which may include eligibility, submitting applications within established deadlines, contracting, and reimbursement documentation.
<b>Aviation Police and Fire Services</b>	<b>Denver International Airport</b>	The audit will assess the accuracy and reporting of current level-of-service indicators for police and fire services at DIA. Audit objectives may include reviewing best practices for performance metrics related to airport public safety and workload and performance measures.
<b>City Fraud Hotline</b>	<b>Mayor's Office</b>	The City's Fraud Hotline is an anonymous reporting mechanism for current employees and appointed/elected officials to report suspected fraud or other fiscal misconduct. We plan to review the program to observe how it is functioning and to assess the internal control environment surrounding the program.
<b>Commerce Hub</b>	<b>Denver International Airport</b>	The audit will assess the efficiency and effectiveness of DIA's Commerce Hub in meeting its mission. Audit objectives may include an assessment of performance measures and supporting data to determine the impact and effectiveness of the program.
<b>Community Corrections</b>	<b>Safety</b>	The audit will assess the efficiency and effectiveness of the Department of Safety's Community Corrections Program. Audit objectives may include a review of the City's contracts with the State of Colorado and related third parties to administer the Program and an assessment of monitoring processes performed by the Community Corrections Board.
<b>Denver Sheriff Department Jail Operations Third-Party Review</b>	<b>Denver Sheriff Department</b>	The audit will assess progress made by the Denver Sheriff Department to address recommendations promulgated and mitigate risks identified by independent parties that have reviewed the Department, including the Office of the Auditor, Hillard Heintze, OIR Group, and the Office of the Independent Monitor.



Potential Audit	Entity	Audit Objective
<b>Denver Urban Waterways Restoration Study</b>	<b>Public Works</b>	The Denver Urban Waterways Restoration Study (DUWRS) is a project to identify restorative improvements to three major urban waterways. The audit will examine aspects of the DUWRS, including collaborative partnerships with other stakeholders, intended to achieve project goals surrounding water quality and riparian restoration.
<b>Economically Sustainable Communities</b>	<b>Economic Development</b>	The audit will assess the efficiency and effectiveness of the Office of Economic Development's Economically Sustainable Communities Program. Audit objectives may include an assessment of internal controls for the Program's fiscal activity as well as an analysis of performance measures demonstrating the impact of Program activities and expenditures.
<b>Elections</b>	<b>Clerk and Recorder</b>	This audit will assess the City's election system related to the completeness and accuracy of data, overall access administration, system security configuration settings, and system availability and continuity plans. Election data that is captured may require a more detailed review to ensure that input, output, storage, and access are tracked, complete, and accurate.
<b>Employee Engagement</b>	<b>Office of Human Resources</b>	The audit will examine City employee engagement to determine whether employee engagement can be enhanced and measured. Audit objectives may include an assessment of the biennial employee engagement survey administered by the Office of Human Resources to assess the quality of survey data and how the results are used to improve employee engagement activities.
<b>Employee Recruiting</b>	<b>Office of Human Resources</b>	The audit will examine whether the City's recruiting system is effective for recruiting and retaining high performing employees. Audit objectives may include conducting benchmarking and assessing key recruiting metrics, such as time to hire, cost of hire, retention, open vacancies versus positions filled, offer-to-acceptance ratio, new hire failure rate, and turnover of new hires.
<b>Energy Management Program</b>	<b>General Services</b>	The audit will assess the effectiveness and efficiency of the Department of General Services' Energy Management Program. Audit objectives may include an assessment of Program activities to track and reduce energy costs, usage, and greenhouse gas emissions throughout the City.
<b>Enterprise Monitoring</b>	<b>Denver International Airport – Technology Services</b>	The audit will assess the maturity of monitoring provided by DIA's Technology Services division and compare it to relevant standards and best practices. Audit objectives may include evaluating current software as well as the compliance program in place.



Potential Audit	Entity	Audit Objective
Finance Department Operations – Denver International Airport	Denver International Airport	The audit will review the business process for quarterly financial reporting conducted by DIA. Audit objectives will review key financial reporting to ensure that such controls are documented, deployed, and monitored to ensure the accuracy, reliability, accessibility, and ease of use of airport quarterly financial information.
Finance and Administration Division – Public Works	Public Works	The audit will assess operations of the Finance and Administration Division within the Department of Public Works. Audit objectives will include identifying improvements and efficiencies that can be made to better coordinate financial communication and reporting between Public Works and the City Controller's Office.
Financial Planning	Denver International Airport	The audit will assess the implementation of a new financial management enterprise resource planning (ERP) system by DIA. Audit objectives may include a review of system controls and an evaluation of system performance.
GenTax	Technology Services	The audit will assess the effectiveness of information technology general controls over GenTax, the City's integrated tax collection system.
Human Resources Shared Services Model	Office of Human Resources	The audit will review the effectiveness of the Office of Human Resources' shared services model for human resources. Audit objectives may include a customer service assessment and an evaluation of the efficacy of the model in terms of level of support to various City agencies.
IT System Development Life Cycle Controls	Technology Services	The audit will assess the system development lifecycle (SDLC) methodology of certain TS projects across the City. Audit objectives will evaluate SDLC elements such as requirements gathering, infrastructure change management, application change management, and testing.
Information Technology Intake Controls	Technology Services	The audit will review internal controls designed to monitor the initial launch of information technology related projects. Audit objectives will assess how Technology Services determines key metrics, client requirements, and what value the project will provide to the City.
Information Technology Program Management	Technology Services	The audit will review how Technology Services administers available funding to support the City's technological infrastructure, including the use of third-party providers. Audit objectives may include an assessment of the associated internal control structure within the lifecycle of a technology investment from the initial decision to fund a proposed investment, to oversight of its implementation and operations, and decommissioning.



Potential Audit	Entity	Audit Objective
Mayor's Office for Education and Children	Mayor's Office	The audit will assess the effectiveness of programs administered by the Mayor's Office for Education and Children. Audit objectives may include a review of the Office's outreach activities, partnering activities with Denver Public Schools, and administrative practices related to the Denver Great Kids Head Start Program. The audit will also include internal controls for the Office's grant administration activities and collection and use of the pre-school sales tax.
Media Response and Outreach	Public Works	The audit will review the operations of the Public Works media response unit. Audit objectives will include an examination of internal controls designed to ensure that the Public Works spokesperson is perceived as credible, that external messaging reflects the realities of the situation, and that message content is meaningful to the media.
Mental Health Management and Oversight	Denver Sheriff Department	The audit will assess the effectiveness of the City's oversight as it relates to the governance, management, and housing of mentally ill individuals in Denver. Audit objectives may include a review of the strategic goals promulgated by the Division of Behavioral Health Strategies and an assessment of the Denver Sheriff Department's ability to collect and provide appropriate data for analysis of the impact of mentally ill and substance addicted individuals.
Mobile Device Revenue Collection Internal Controls	Finance	The audit will review internal controls surrounding the oversight of City-issued devices and security of smart phones and tablets connecting to City email systems. Audit objectives may include an assessment of asset management practices and revenue collection controls associated with electronic payments processed by a City-issued mobile device.
Natural Resources Protection and Management	Parks and Recreation	The audit will assess the efficiency and effectiveness of the Department of Parks and Recreation's Natural Resources Protection and Management program. Audit objectives may include an assessment of forestry management processes, including a review of the City's Mile High Million Tree program.
Oil Lease Administration	Denver International Airport	The audit will assess the accuracy of revenues collected by the City from the lease of oil wells or sale of oil production at DIA. Audit objectives may include analysis of lease terms, production and sale contracts, joint operating agreements, applicable state and federal regulations, production and sale statements, comparison of received rents and bonuses to contractual obligations, verification of production volumes and sale values, as well as any applicable allowances.



Potential Audit	Entity	Audit Objective
Office of HIV Resources	Environmental Health	The audit will determine whether the Office of HIV Resources is ensuring that funding is being efficiently and effectively utilized by third-party service partners providing people affected by HIV/AIDS with appropriate care and resources on behalf of the City.
Online Payment Systems	Finance	The audit will review the City's approach to online payments. In 2014, the City made efforts to facilitate online payment for City services in approximately twenty service categories. Audit objectives may examine online payment processes and controls for a sample of these categories.
Operations and Planning	Denver International Airport	The audit will examine how DIA conducts planning for and responds to gate capacity issues. Audit objectives may include a review of available data and capacity benchmarks to ascertain trends and develop mitigation techniques to assist the airport in preparing for passenger growth.
OSI – Crime Statistics Reporting	Denver Police Department	The audit will assess the effectiveness of information technology general controls over the Denver Police Department's crime statistics reporting system, OSI. The engagement may focus on how Uniform Crime Reporting (UCR), the primary data standard used by the FBI, is maintained and safeguarded.
Parking Management	Public Works	The audit will assess the efficiency and effectiveness of the Department of Public Works' parking management program. Audit objectives may include an assessment of the collection program related to contract management, internal controls for cashier activities, and bad debt write-off policies.
Parks Planning, Design and Construction	Parks and Recreation	The audit will assess the efficiency and effectiveness of the Department of Parks and Recreation's Parks Planning, Design and Construction program. Audit objectives may include an assessment of the Department's Capital Improvement Plan as well as a review of internal controls for construction activities.
Planning for a Walkable City	Public Works	The audit will review aspects of the New Urbanism movement and how it can benefit the City through implementing appropriate infrastructure, zoning, and financing mechanisms at the local level.
Police Body Camera Program	Safety	The audit will evaluate the controls around the information systems that record video footage from police body cameras. Audit objectives may include a cost benefit analysis regarding the use of this technology and the training involved.



Potential Audit	Entity	Audit Objective
Private Activity Bonds	Denver Housing Authority	The audit will assess internal controls for City-issued private activity bonds related to housing within Denver. Audit objectives may include an assessment of administrative procedures designed to comply with Colorado statutes and the Internal Revenue Code in order to preserve the City's ability to issue private activity bonds in future years.
Project Management	Technology Services	The audit will assess Technology Services' project management procedures and processes to determine actual IT project budget and schedule variances. Audit objectives may include an evaluation of the controls used to monitor IT project implementation schedules.
Property and Evidence Management	Safety	The audit will assess internal controls governing property and evidence maintained by the Department of Safety. Audit objectives will assess whether property and weapons confiscated by Department of Safety personnel are destroyed in accordance with City and state policies.
Records Management	Denver International Airport	The audit will assess records management practices at DIA. Audit objectives may include a review of information for a two-year period to assess compliance with records management policies, procedures, and best practices.
Safety Management System	Denver International Airport	The audit will assess internal controls and related activities designed to ensure that DIA is operating and developing a safe and efficient airfield. Audit objectives may include a review of funding and related project proposals for compliance with applicable Federal Aviation Administration standards.
Self-Insurance Program	Finance	The audit will assess the adequacy of internal controls over the City's Medical Self-Insurance Program. The objectives of the audit may include claims processing, monitoring, oversight, and eligibility determination.
Sheriff Commissary	Safety	The audit will assess the food services provided to inmates by the Department of Safety through an evaluation of the menus and planning, inventory orders and controls, preparation, and distribution.
Social Service Contracts	Human Services	The audit will assess Denver Human Services' procurement and oversight processes for select social service contracts. Audit objectives will leverage audit work performed by external agencies to perform root cause analysis for any systemic or long-standing internal control issues.



Potential Audit	Entity	Audit Objective
<b>Solid Waste Master Plan</b>	<b>Public Works</b>	The audit will assess the efficacy of the Department of Public Works' Solid Waste Master Plan. The plan provides the City with a vision and options for implementation for Denver's future collection, transfer, and disposal of solid waste, recyclables, and organics.
<b>Succession Planning</b>	<b>Denver International Airport</b>	The audit will assess succession planning at DIA. Audit objectives will include determining whether DIA officials are effectively managing succession planning to identify and develop potential leaders to assume open positions.
<b>Unclaimed Property</b>	<b>General Services</b>	The audit will assess internal controls for unclaimed property within the City and County of Denver. Audit objectives may include an assessment of processes used to record and dispose of unclaimed property.
<b>Undersheriff Operations – Vehicle Impound Facility</b>	<b>Denver Sheriff Department</b>	The audit will assess the internal control environment for the City's vehicle impound facility operated by the Denver Sheriff Department. Audit objectives may include an assessment of record-keeping practices, acquisition and disposal processes, and revenue collection activities.
<b>Web Security</b>	<b>Technology Services</b>	The audit will assess internal controls related to the City's security practices for public-facing web pages, such as Denvergov.org, Denver 311's online help center, and payment portals. Audit objectives may include the identification and review of the City's external-facing websites and a review of the security measures used for City internet activity.

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Photos courtesy of VISIT DENVER and Denver International Airport

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