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 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. He also chairs the City’s Audit Committee and oversees the City’s Comprehensive Annual Financial Report (CAFR)

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities of the integrity of the City’s finances and operations, including the integrity 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.

**Audit Committee**

<table>
<thead>
<tr>
<th>Robert Bishop</th>
<th>Dennis Gallagher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maurice Goodgaine</td>
<td>Robert Haddock</td>
</tr>
<tr>
<td>Jeffrey Hart</td>
<td>Bonney Lopez</td>
</tr>
<tr>
<td>Timothy O’Brien</td>
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</tbody>
</table>

**Audit Staff**

- Audrey Donovan, Deputy Director, CIA
- Nancy Howe, Internal Audit Supervisor
- Jacob Claeys, Lead Auditor, CICA
- Anita Thompson, Lead Auditor, CICA
- Wayne Leon Sanford, Senior Auditor, CICA
- Freddie Martin, Staff Auditor, CICA

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[www.denvergov.org/auditor](http://www.denvergov.org/auditor)
Honorable John Hickenlooper, Mayor
City and County of Denver

Dear Mayor Hickenlooper:

Attached is the Auditor’s Office Audit Services Division’s report of their audit of the City and County of Denver’s Fixed Assets Management for the period January 1, 2009 through December 31, 2009. The purpose of the audit was to examine the City’s processes for managing the inventory of fixed assets and to assess the internal control environment over the tracking of fixed assets. This included evaluating governance and guidance documents and testing fixed assets on a sample basis.

Audit work identified several weaknesses that contribute to an inaccurate and incomplete fixed asset inventory. These weaknesses hinder the City’s ability to adequately monitor and effectively safeguard assets owned by the City. Inadequate controls over fixed assets can result in unrecorded or misstated assets, which in turn result in over or understatements in the City’s financial statements. Additionally, the inability to effectively manage fixed assets inventories increases the risk of asset misappropriation and theft.

If you have any questions, please call Kip Memmott, Director of Audit Services, at 720-913-5029.

Sincerely,

Dennis J. Gallagher
Auditor

cc: Honorable Members of City Council
    Members of Audit Committee
    Ms. Roxane White, Chief of Staff
    Mr. Claude Pumilia, Chief Financial Officer
    Mr. David T. Roberts, Chief Services Officer
    Mr. David Fine, City Attorney
    Mr. L. Michael Henry, Staff Director, Board of Ethics
    Ms. Lauri Dannemiller, City Council Executive Staff Director
    Ms. Beth Machann, Controller

To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.

We will monitor and report on recommendations and progress towards their implementation.
AUDITOR’S REPORT

We have completed an audit of the City and County of Denver’s processes for managing its Fixed Asset inventory. The purpose of the audit was to examine the City’s processes for managing its inventory of fixed assets, to assess the internal control environment over the tracking of fixed assets, and to identify possible opportunities for improvement.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor. Our audit, performed in accordance with generally accepted government audit standards, is intended only to conclude on the stated objectives of this audit. Our review differs from an examination for the purpose of expressing an opinion on financial statements and records, and accordingly we do not express such an opinion. Generally accepted government audit standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit work identified several weaknesses that contribute to an inaccurate and incomplete fixed asset inventory. These weaknesses hinder the City’s ability to adequately monitor and effectively safeguard assets owned by the City.

We extend our appreciation to the agencies and personnel who assisted and cooperated with us during the audit.

Audit Services Division

Kip Memmott, MA, CGAP, CICA
Director of Audit Services
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EXECUTIVE SUMMARY

The City’s Fixed Asset Inventory is Inaccurate and Incomplete

Fixed assets are real or personal property that is tangible in nature and has an expected useful life longer than one year. The City’s Fiscal Accountability Rule 4.2 – Fixed Assets (FAR 4.2) and its associated Fixed Assets Procedure establish written criteria requiring City agencies to inventory, account for, and safeguard each fixed asset under their control. City agencies and the Controller’s Office share responsibility for maintaining an accurate inventory of the City’s fixed assets, but FAR 4.2 gives the Controller’s Office the City’s only centralized authority over fixed assets.

Audit work indicated that the fixed asset records in the City’s PeopleSoft Asset Management (PSAM) system are inaccurate and incomplete. Specifically, we found instances where the fixed assets recorded in PSAM were unable to be physically located at the agency, and vice versa, where assets located at the agency were not recorded in PSAM. Additionally, audit work noted instances where asset location information in PSAM was incorrect, asset serial numbers as recorded in PSAM did not agree with those of the asset, and assets were either not tagged with a City identification number, or the tag numbering conventions used were inconsistent with Fixed Asset Procedure requirements.

Audit work identified several causes that inhibit the City’s ability to maintain an accurate fixed asset inventory record. Specifically, audit work found that agencies are not consistently adhering to established control processes, weaknesses exist with the Controller’s Office’s oversight and reconciliation practices, inefficiencies exist with some fixed asset recording processes, and Inventory Custodians lack sufficient training and guidance.

An inaccurate fixed asset inventory can have several negative impacts, including over or understating the City’s overall assets in the City’s financial statements, and an increased risk of asset misappropriation and theft.

Adequate controls are crucial to maintaining the accuracy of the City’s fixed assets record in PSAM. The Controller’s Office and City agencies share this responsibility. We offer five recommendations to assist the Controller’s Office in strengthening their processes for managing the City’s fixed assets inventory.
INTRODUCTION
& BACKGROUND

An organization’s system of internal control should be designed in a way to provide assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

The City’s FAR 4.2 and accompanying Fixed Assets Procedure serve as an internal control over fixed assets. FAR 4.2 provides direction for ensuring that fixed assets acquired by the City are properly accounted for and safeguarded.

The required “Report of Annual Physical Inventory of Fixed Assets” (Form 55) accompanying agencies’ annual physical inventory results contains a certification statement, signed by both the Inventory Custodian and agency head, certifying that a physical inventory has been conducted, and provides another control intended to help the City maintain an accurate list of fixed assets.¹

In addition, basic accounting and internal control principles require financial records and supporting detail to be accurate. The City undergoes an external audit each year that includes fixed assets as part of the City’s financial statements. Because fixed assets are a component of the City’s financial records, these principles imply that fixed asset records must be accurate.

Fixed Assets Defined

The City’s FAR 4.2 defines a fixed asset as a specific piece of real or personal property which is tangible in nature (possessing physical substance) and has an expected useful life longer than one year. The items may be acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations or gifts.

Per FAR 4.2, the City divides fixed assets into three categories:

1. **Capitalized Assets** – Assets, including personal property, land, buildings, improvements other than buildings, and infrastructure with a historical cost of $5,000 or greater, shall be capitalized and recorded in the PeopleSoft financial general ledger.

2. **Controlled Assets** – All personal property assets with a historical cost between $2,500 and $4,999.99 shall be controlled (expensed). Computer equipment

¹ Form 55: “I certify that each item of personal property (fixed asset) purchased and in service as of June 30th, 2009 and resides under the jurisdiction of this agency has been physically seen by me or by an employee under my direction as of the date of submittal of this reconciliation. The fixed assets have been compared with the master file printout and the Office of the Controller has been advised of all discrepancies.”
(except software) and communications equipment (except cell phones and pagers) will be controlled if the historical cost is between $500 and $4,999.99.

3. **Tracked Assets** – Personal property with a minimum cost of $500 that does not meet the definition of either capitalized or controlled property may be tracked at an agency’s request. If an agency makes such a request, the Controller’s Office is responsible for recording this type of fixed asset.

The City’s FAR 4.2 requires that capitalized, controlled, and tracked assets be recorded in PeopleSoft, the City’s financial management system. The City uses an application within PeopleSoft, the PeopleSoft Asset Management (PSAM) system, to record and track fixed assets.

As of December 31, 2009, PSAM contained records for nearly 40,000 in-service capitalized and controlled fixed assets with an historical cost of over $1.9 billion. This represented assets held by all departments and agencies of the City, with the exception of those held by the Department of Aviation and the Department of Public Works’ Wastewater Management Division. More specifically, PSAM contained 9,846 capitalized assets with a total cost of approximately $1.86 billion and 29,273 controlled assets with a total cost of approximately $53.3 million.

### Guidance for Management of Fixed Assets

The City and County of Denver has adopted, through the Denver Revised Municipal Code (D.R.M.C.), a set of uniform Fiscal Accountability Rules. These Rules set parameters for the fiscal activities of the City and County of Denver. The purpose of these Rules is to assist officers and employees in conducting financial activities and in making fiscal decisions.

The City’s FAR 4.2 and its related Fixed Assets Procedure establishes written criteria requiring City agencies and departments to account for, inventory and safeguard each asset under their control throughout the asset’s useful life. This includes properly accounting for assets at the time of disposal. For example, the Fixed Assets Procedure provides a specific numbering convention for assigning each asset a unique identifying number, the “tag number.” Specifically, the tag number should consist of five alpha characters representing the agency’s business unit followed by a seven digit number representing the agency asset number, as designated and assigned by the agency.

### Responsibility for Managing Fixed Assets

Historically, the Auditor was the general accountant for the City and, as such, maintained the City’s financial records. In 2006, 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, and effective January 1, 2008, general

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2 D.R.M.C. Sec. 20-119 – Adoption of Uniform Fiscal Accountability Rules; and Denver Charter, Sec. 2.2.10.
accounting functions transitioned to the Controller’s Office, which is under the direction and control of the City’s Chief Financial Officer.

The City’s FAR 4.2 gives the City and County of Denver Controller’s Office exclusive, centralized authority over fixed assets by granting the Office responsibility for any procedures and forms associated with the Rule. Additionally, the Fixed Assets Procedure grants the Controller’s Office the authority to audit agency fixed asset inventories and related records at any time.

However, FAR 4.2 also states that “Each agency or department is responsible for ensuring that fixed assets acquired by the City are properly accounted for when acquired, inventoried and safeguarded throughout its useful life, and properly accounted for at the time of disposal.”3 This means that both City agencies and the Controller’s Office share in the responsibility of maintaining an accurate inventory of the City’s fixed assets.

Processes

The Fixed Assets Procedure lays out procedures City agencies must follow to help the Controller’s Office maintain an accurate fixed asset inventory. Agency heads are required to appoint an Inventory Custodian who is responsible for ensuring that documentation regarding asset transactions, such as additions, transfers, and surplus is submitted to the Controller’s Office for input into PSAM. The asset accounting process is comprised of three phases: 1) accounting for newly acquired assets; 2) accounting for asset transfers among agencies or asset disposal; and 3) annually reconciling the City’s general record of fixed assets with agency’s physical inventories. These three accounting segments are detailed below.

- **Acquisition** – The acquiring agency prepares an Asset Input Form and submits the completed form with the vendor’s invoice and voucher to Accounts Payable (A/P) for processing. A/P records the invoice for payment in PeopleSoft. Then, A/P personnel walk the invoice to the PSAM Accountant in the Controller’s Office, who manually enters the information from the Asset Input Form into PSAM. The PSAM Accountant reconciles the information from the Asset Input Forms with the City’s accounts payable records on a daily basis. This procedure ensures that all new capitalized and controlled assets are recorded into PSAM, and essentially maintains a real-time accounting for all fixed assets.

This process is redundant and inefficient in that currently the PeopleSoft A/P module is not directly interfaced with PSAM. Therefore, the PSAM Accountant must re-enter many of the asset attributes in addition to the agency-assigned tag number.

We note, however, that the Controller’s Office is working towards implementing an interface between the PeopleSoft A/P module

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3 Fiscal Accountability Rule 4.2 - Purpose
and PSAM in 2011. This interface will eliminate the need to enter asset-related data into the A/P module and again into PSAM, thereby increasing the efficiency of the process.

- **Transfers and Disposals** – The transfers and disposals of assets no longer useful to the agency are coordinated with the City’s Department of General Services. In such cases the agency completes a “Transfer of Surplus Property Form” (Form 13 GS) that is routed to General Services for approval of the transaction. Following transaction authorization, General Services returns copies of Form 13 GS to the agency and forwards a copy to the Controller’s Office for either transfer or retirement of the asset in PSAM. In events where the Controller’s Office is made aware that an asset has been transferred or discarded, and the requisite documentation of the transaction was not completed, the Controller’s Office requires the agency’s manager to certify the transaction through written memorandum before entering the transaction in PSAM.

- **Reconciliation** – Besides accounting for fixed assets throughout the year when new purchases are made or old assets are transferred or retired, the Fixed Assets Procedure requires agencies to conduct an annual physical inventory of their fixed assets as of June 30th. To initiate this requirement, the Controller’s Office sends each agency’s Inventory Custodian a copy of that agency’s PSAM fixed assets listings, and requests completion of a “Report of Annual Physical Inventory of Fixed Assets” (Form 55). Form 55 requires the Inventory Custodian and the agency manager to certify that each fixed asset purchased and in service as of June 30th “resides under the jurisdiction” of the agency and “has been physically seen” by the Inventory Custodian. Upon completion of inventory procedures, the agency submits the Form 55 to the Controller’s Office, along with documentation supporting any necessary changes to PSAM. Personnel in the Controller’s Office enter any updated information into PSAM.

**SCOPE**

This audit examined the City’s processes for managing the inventory of fixed assets and related governing policies for adequacy and completeness. The audit period was January 1, 2009 through December 31, 2009.

The scope encompassed a judgmental selection of the following five agencies for audit testing – Environmental Health, Parks and Recreation, Public Works, the Denver Police Department, and the Elections Division of the Office of the Clerk & Recorder. Auditors selected agencies with a large number of fixed assets and/or a high dollar value of fixed
assets. Auditors included two agencies because they reported no changes on their Form 55, suggesting they had not completed a physical inventory as required.4

The audit scope included only the City’s processes for tracking the capitalized and controlled categories of fixed assets. As such, it did not include:

- Tracked assets with a minimum cost of $500 that do not meet the definition of either capitalized or controlled property (i.e., the third category of fixed assets previously discussed). These were deemed immaterial due to the relatively low cost of this type of asset;
- An evaluation of the policies and processes for purchasing, recording, depreciating, and disposing of fixed assets. The City’s external auditors conduct an annual audit of the City’s financial statements. The external audit includes a review of fixed asset valuation and depreciation. Additionally, auditors believed the policies and processes for disposing of fixed assets, which includes transfer, surplus and disposal processes, are extensive enough to warrant a separate audit review at a later date; and
- Fixed assets under the jurisdiction of the Department of Aviation or the Wastewater Management Division as these agencies’ fixed assets are not tracked in PSAM.

**OBJECTIVE**

The audit’s objectives were:

- To determine whether fixed assets are adequately accounted for, identified, and safeguarded;
- To verify fixed assets exist and all assets are properly recorded in PSAM by testing the completeness of inventory records for a sample of City agencies; and
- To evaluate FAR 4.2 – Fixed Assets and the related Fixed Assets Procedure to determine whether they are adequate controls and provide agencies with clear guidance.

**METHODOLOGY**

The evidence gathering and analysis techniques used to meet our audit objectives included, but were not limited to:

- Reviewing the City’s FAR 4.2, the associated Fixed Assets Procedure and related forms;

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4 Audit work determined that if an agency adheres to processes for adding and removing fixed assets from the City’s inventory, then it could have no additions or deletions to report on the Form 55.
• Performing benchmarking of other municipalities’ fixed asset control processes;\(^5\)
• Conducting interviews with accounting and fixed asset personnel in the Controller’s Office;
• Interviewing Inventory Custodians to assess internal controls over fixed assets; and
• Conducting tests to determine the completeness of the fixed assets inventory and the accuracy of the Inventory Custodian list.

\(^5\) Three municipalities with populations similar to Denver’s were judgmentally selected – Boston, MA; Las Vegas, NV; and Nashville, TN.
FINDING

The City’s Fixed Asset Inventory is Inaccurate and Incomplete

Audit work identified a number of issues with records in the City’s PeopleSoft Asset Management (PSAM) system, agencies’ accounting for fixed assets, and compliance with the provisions of the City’s Fiscal Accountability Rule 4.2 – Fixed Assets (FAR 4.2) and its associated Fixed Assets Procedure. These weaknesses are discussed in more detail below.

However, audit work also indicated the City’s policies and processes are similar to those of other municipalities reviewed. For example, the City’s historical cost limit of $5,000 or greater to distinguish a capitalized asset from a controlled asset is also used by two of three municipalities contacted.

To determine the accuracy and completeness of PSAM, audit work included several fundamental examinations. The results of these examinations indicated that PSAM is inaccurate and incomplete. Two of the tests performed are summarized below and in Tables 1 and 2.

Test 1 – PSAM to Asset

Testing consisted of tracing a sample of 50 capitalized and 50 controlled assets from asset records in PSAM to the physical asset located at the custodial agency. Auditors judgmentally selected 10 capitalized and 10 controlled assets for each of the five agencies in the scope. The agencies’ Inventory Custodians accompanied auditors during this test. Table 1 summarizes the results of Test 1.

<table>
<thead>
<tr>
<th>Testing Exceptions</th>
<th>Percent of Assets with Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capitalized Assets (Cost &gt; $5,000)</td>
</tr>
<tr>
<td>Fixed asset in PSAM not located</td>
<td>26.0%</td>
</tr>
<tr>
<td>Incorrect asset location in PSAM</td>
<td>51.4%</td>
</tr>
<tr>
<td>Incorrect asset serial number in PSAM</td>
<td>13.9%</td>
</tr>
<tr>
<td>No City ID tag on asset</td>
<td>62.2%</td>
</tr>
<tr>
<td>Incorrect asset tag number in PSAM</td>
<td>21.4%</td>
</tr>
<tr>
<td>Tag number not in compliance with FAR 4.2</td>
<td>14.3%</td>
</tr>
</tbody>
</table>
As Table 1 shows, the PSAM to Asset tests identified the following issues:

- **Assets Not Located at the Agencies** – Auditors were unable to physically locate 26% of the capitalized assets and 36% of the controlled assets selected for testing. In two instances, agency personnel indicated that the missing items were either discarded or destroyed, but corroborating documentation was unavailable.

- **Incorrect Asset Location Information** – Audit work found that for 51.4% of the capitalized assets and 50.0% of controlled assets located at the agency, the location of the asset as recorded in PSAM did not agree with the location where auditors physically identified the asset.

- **Asset Serial Number Disagreements** – An asset’s serial number is generally one of the more unique identifiers to the asset, and, as such, may serve to specifically identify the asset in the event of loss or theft. Audit work noted that the serial number recorded in PSAM did not agree with the serial number on the asset in 13.9% of the cases for capitalized assets and 9.4% for controlled assets.

- **Improper Asset Tagging** – Of those assets located, auditors found that 62.2% of the capitalized assets and 56.3% of the controlled assets were not tagged with a City Identification Tag. Additionally, auditors determined that of those items that were tagged, the tag number on the asset did not agree with the tag number documented in PSAM for 21.4% of the applicable capitalized assets and 35.7% of the applicable controlled assets. Further, auditors found that the tag numbering convention specified in the Fixed Assets Procedure was not followed in assigning tag numbers to 14.3% of the applicable capitalized assets and 71.4% of the applicable controlled assets.
Test 2 – Asset to PSAM

Testing also consisted of selecting 10 assets located at each agency in the sample and tracing these assets back to the PSAM record. Items were randomly chosen at the location(s) where auditors conducted Test 1. For this test, capitalized and controlled assets were not separated. Further, because these assets were visually selected, auditors were more likely to select smaller items and therefore were more likely to select controlled assets. The results of this testing is summarized in Table 2 and discussed below.

### Table 2
Summary of Test 2 (Asset to PSAM Test)

<table>
<thead>
<tr>
<th>Testing Exceptions</th>
<th>Percent of Assets with Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed asset at agency not located in PSAM</td>
<td>34.0%</td>
</tr>
<tr>
<td>Incorrect asset location in PSAM</td>
<td>36.4%</td>
</tr>
<tr>
<td>Incorrect asset serial number in PSAM</td>
<td>3.0%</td>
</tr>
<tr>
<td>No City ID tag on asset</td>
<td>52.0%</td>
</tr>
<tr>
<td>Incorrect asset tag number in PSAM</td>
<td>11.8%</td>
</tr>
<tr>
<td>Tag number not in compliance with FAR 4.2</td>
<td>79.2%</td>
</tr>
</tbody>
</table>

As Table 2 shows, the Asset to PSAM tests identified the following issues:

- **Assets Not Located in PSAM** – Auditors were unable to locate records for 34% of the assets selected.

- **Incorrect Asset Location Information** – As in the case of Test 1, audit work found that the location of the asset did not agree with the location recorded in PSAM for 36.4% of the assets that auditors were able to find corresponding PSAM records.

- **Asset Serial Number Incorrect** – Audit work found that the serial number identified on the asset did not agree with what had been recorded in PSAM in 3.0% of the assets selected for testing.

- **Improper Asset Tagging** – Auditors noted that 52.0% of the assets selected were not tagged with a City tag. Of those that were tagged and found in PSAM, 11.8% of the tag numbers did not agree with the tag number recorded in PSAM.

Additionally, auditors noted that the asset tag numbering conventions did not conform to the Fixed Assets Procedure specifications in 79.2% of the assets with tags. For example, auditors found that most computer assets were tagged with a non-conforming asset number. Those numbers generally began with “R,” followed
by four digits representing the month and year of purchase, then seven digits corresponding to the computer’s serial number. Personnel in the City’s Technology Services Division stated that this numbering convention for computer assets has been followed for at least the last six years when purchasing replacement computers for agencies. They were unaware of the asset numbering convention specified in the Fixed Assets Procedure.

Several Factors Contribute to Inaccuracies in the Fixed Asset Inventory

Audit work identified several factors that inhibit the City’s ability to maintain an accurate fixed asset inventory record. Some are related to agency responsibilities and some are under the authority of the Controller’s Office.

As previously discussed, the agencies’ primary controls to ensure the accuracy of their fixed asset inventory are the ongoing, real time changes Inventory Custodians are required to document and submit to the Controller’s Office for input into PSAM, as well as the execution of an annual physical inventory. Audit work found that agencies are not consistently adhering to either of these control processes. More specifically, audit testing indicated:

- Either the serial number was not accurately recorded on the initial Asset Input Form or there was a clerical error in entering the information into PSAM;
- Agencies are not properly submitting asset transfer documentation in accordance with the Fixed Assets Procedure;
- Agencies are not properly filing the required documentation when assets are discarded, destroyed, or otherwise removed from service; and
- Agencies submitted the Form 55, but did not conduct a physical inventory as required.

Audit work also identified weaknesses with the Controller’s Office’s oversight practices. Specifically, although the Fixed Assets Procedure grants it the authority to do so, the Controller’s Office does not independently audit or spot check the information submitted by agencies on the Form 55 to ensure accuracy. Management in the Controller’s Office cited limited staff resources as the main reason for not conducting spot audits.

In addition, Controller's Office staff reported that although they have reconciliation procedures to ensure data associated with newly purchased assets are entered into PSAM, when agencies report changes to asset data (e.g., the disposal of assets or changes to asset data resulting from the annual inventory), there are no reconciliation or oversight procedures to ensure the data associated with these transactions entered into PSAM is correct.

During the annual inventory process, the Controller’s Office also reconciles the Form 55’s they receive from agencies to a list of Inventory Custodians to whom they send the inventory documentation. However, audit work found that the Inventory Custodian list used by the Controller’s Office is not accurate. For example, audit testing found some
people on the list who no longer work for the City. Personnel in the Controller’s Office follow up with agencies if they fail to submit a Form 55 but the efficiency and effectiveness of this process is questionable since the initial list utilized is inaccurate.

Audit work also identified inefficiencies with fixed asset processes. Specifically, as described in the Introduction and Background section of this report, asset information is manually entered into PeopleSoft twice. Additionally, audit work found that some agencies (e.g., Public Works) are maintaining their own lists of fixed assets, further duplicating the City’s efforts. Benchmarking work revealed that city departments in two municipalities utilizing PeopleSoft complete Excel spreadsheets that can then be uploaded into PSAM. This approach eliminates the need for personnel to manually enter additions and deletions into PSAM as assets are purchased or disposed. The Controller’s Office is scheduled to implement an interface in 2011 between PeopleSoft Financial and PSAM which will eliminate the need for duplicate data entry.

Finally, audit work determined that agency staff assigned as Inventory Custodians lack sufficient training and guidance for fixed asset management. For most Inventory Custodians, fixed asset duties are not their primary job responsibilities, and they need guidance when they are first assigned as a custodian as well as occasional refresher training and a clear method for submitting and receiving responses to fixed asset management questions.

**Identified Weaknesses Increase Risks to the City**

Adequate procedures and oversight are crucial to maintaining the accuracy of the City’s fixed assets record in PSAM. The Controller’s Office and City agencies share this responsibility.

When the City’s fixed asset inventory is not correct, several negative impacts can result. Most importantly, fixed asset information feeds into the City’s financial records. Unrecorded or incorrect fixed asset information results in over or understating the City’s overall assets, which ultimately can result in incorrect and misleading financial statements.

Additionally, the inability to effectively track and monitor fixed assets results in increased risks of asset misappropriation and theft. Because the City’s assets are purchased with taxpayer dollars, it is incumbent upon the City to provide taxpayers with the assurance that these assets are effectively managed and safeguarded.

**RECOMMENDATIONS**

We offer the following recommendations to assist the Controller’s Office in strengthening their processes for managing the City’s fixed assets inventory. These recommendations, when implemented, should help to improve upon existing City fixed asset inventory processes and related internal controls. The Controller’s Office should work with agencies to implement the following recommendations.
1. The Controller’s Office should strengthen its oversight practices of the annual physical inventory by exercising its right under the Fixed Assets Procedure to audit agency fixed asset inventories and related records on a periodic, sample basis. This should be implemented in 2010. This would provide some level of assurance that agencies are submitting information regarding changes to their asset inventories as well as performing annual reconciliations as required by the Fixed Assets Procedure. The Controller’s Office could consider utilizing the assistance of trained, temporary staff, such as student interns, to accomplish these spot audits.

2. To improve its oversight of the data entered into PSAM, the Controller’s Office should develop additional reconciliation procedures by the time of the 2010 annual physical inventory. These should include policies and procedures to verify the accuracy of assets that are added and removed from the fixed asset inventory in PSAM, and a reconciliation of data entered to source documents on a sample basis.

3. The Controller’s Office should also revise and update FAR 4.2 and the Fixed Assets Procedure to properly reflect the current process environment for computer purchases. Specifically, the Fixed Assets Procedure does not include the current tag numbering convention for replacement computers purchased through Denver’s Technology Services. Additionally, these tags are already bar-coded for future inventory reconciliation improvements. The recommendation should be implemented in 2010.

4. Where possible, the Controller’s Office should consider methods to automate fixed asset processes. Automation could simplify agencies’ annual inventory and help increase the accuracy of the fixed assets records in PSAM by reducing errors associated with manual data entry as well as duplication of efforts. For example, automation could include utilizing available PeopleSoft functions such as the ability to upload spreadsheets or initiating bar-coded asset tags that could be scanned to a reconciliation database. The recommendation should be implemented in 2010. In addition, we encourage the Controller’s Office to continue to work towards the planned 2011 implementation of an interface between the PeopleSoft Accounts Payable module and PSAM, to reduce asset data input redundancies.

5. The Controller’s Office should provide training or guidance information to new Inventory Custodians, and updated information or annual training to all Custodians, as needed, to ensure that Custodians understand and follow FAR 4.2 and the related Procedure. Annual training could be conducted prior to the annual physical inventory to help agencies enhance the accuracy and reliability of the information they submit on the Form 55.
Appendix A – Fiscal Accountability Rule 4.2 – Fixed Assets

**Rule 4.2 – Fixed Assets**

**Purpose**
Each agency or department is responsible for ensuring that fixed assets acquired by the City are properly accounted for when acquired, inventoried and safeguarded throughout its useful life, and properly accounted for at the time of disposal.

**Definition**
- **Fixed Asset** – A specific piece of real or personal property which is tangible in nature (possessing physical substance) and has an expected useful life longer than one year. The items are acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations or gifts.
- **Personal Property** – Moveable fixed assets such as equipment, furniture, vehicles, machinery, or fixtures that are not attached to land, buildings or improvements.
- **Real Property** – Land, land improvements, easements, building, building improvements, and improvements other than buildings. Fixtures attached to land, building, and improvements other than buildings in such a way that removal would alter the intended use of the facility.
- **Infrastructure** – Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are stationary in nature. Examples include roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are of value only to the City.
- **Construction in Progress** – Any construction, alteration, restoration, or improvement of any land or building. Construction in progress is usually maintained in a capital project fund. (Does not include repair and maintenance expenses.)
- **Repair and Maintenance** – Any addition or change to an existing asset that does not change the value or useful life of the asset. This shall be expensed at the time of occurrence and not capitalized.
- **Collections** – Personal property that retains or increases its value with age. Collections are preserved and maintained so that they have an unlimited useful life and are not subject to depreciation.
- **Historical Cost** – The original cost of an asset at time of purchase. This is to include any additional purchases made for the asset, which add value.
RULE 4.2 – FIXED ASSETS, CONTINUED

Rule
1. Any fixed asset purchased by the city shall be either capitalized or expensed in the fiscal year in which it was acquired.
2. Assets, including personal property, land, buildings, improvements other than buildings, and infrastructure with a historical cost of $5,000 or greater, shall be capitalized and recorded in the general ledger.
3. Capitalized assets shall be recorded at historical cost, or if not available, at estimated historical cost. If neither is obtainable, the asset will be recorded at estimated fair market value. Donated assets shall always be recorded at estimated fair market value.
4. When purchasing any fixed asset, additional costs required to place the asset in its intended state of operation must be added to the cost of the asset. This may include:
   a. Land – title search cost, attorney fees, liens assumed, taxes assumed, grading costs, building demolition, land improvements with an indefinite life, etc.
   b. Buildings – attorney fees, architect fees, inspection and building permits, etc.
   c. Equipment – Freight charges, installation costs, setup costs, trade-in discounts, training, etc.
5. All personal property assets with a historical cost between $2,500 and $4,000.00 shall be controlled (expenses). Computer equipment (except software) and communications equipment (except cell phones and pagers) will be controlled if historical cost is between $500 and $4,999.99.
6. Personal property, with a minimum cost of $500, that does not meet the definition of either capitalized or controlled property may be tracked at an agency’s request.
7. Capitalized, controlled, and tracked assets will be recorded in the City’s financial system, with the exception of land, infrastructure, and improvements other than buildings.
8. An annual physical inventory of all fixed assets shall be performed. The inventory process shall be documented and the results submitted to the Controller’s Office.

Procedures and Forms
The Controller’s Office is responsible for any procedures and forms associated with this rule.
CONTROLLER'S OFFICE
FIXED ASSETS PROCEDURE

OVERVIEW:

Each agency or department is responsible for ensuring that fixed assets acquired by the City are properly accounted for when acquired, inventoried and safeguarded throughout its useful life, and properly accounted for at the time of disposal.

It is the City’s accounting policy that real and capitalized personal property be recorded in the General Fixed Asset Account Group (GFAAG) for governmental fund agencies and the individual funds for proprietary funds. Capitalized, controlled and tracked assets will be recorded in the PeopleSoft Asset Management (PSAM) system. An agency may also wish to track other items on its own that are not tracked in PSAM.

The authority and responsibility for surplus personal property rest with the Manager of General Services pursuant to Charter Section A12.3-3, and Executive Order No. 24, “Surplus Property and Unclaimed Property Control and Disposition”. With regard to lost and confiscated property and its disposition, authority rests with the Manager of General Services and Manager of Safety or Manager of Finance, pursuant to RMC Sections 42-76 to 42-96.

The Controller’s Office reserves the right to audit agency fixed asset inventories and related records at any time.

General Procedures

Inventory Custodian

1. Agency heads are responsible for appointing a custodian and notifying the Controller’s office via the Fixed Asset Inventory & Surplus Signature Authorization Form. The same form shall be used to notify of any future custodial changes.

2. If an agency operates at various locations, then the agency head may delegate responsibility to personnel at the satellite locations.

3. The inventory custodian is responsible for ensuring that documentation regarding asset transactions such as additions, transfers, and surplus is submitted to the Controller’s office for input into PSAM.
Asset Identifying Information and Forms

1. All personal property assets must be assigned a unique identifying number or “Tag Number” and this number must be affixed to the asset. The Tag Number follows the format of 12-digits in length beginning with the agency Accounts Payable Business Unit, for example AUDIT00000012. Tag Numbers should be assigned sequentially or logically to ensure that no number is duplicated. Missing or worn tags shall be replaced and can be obtained from Central Services (Form C-88).

2. All assets must be assigned a Location Code, which identifies where the item is physically located. The locations should correspond with existing location codes in the PeopleSoft location table.

3. If a new location code needs to be created or an existing code needs to be updated the custodian shall submit a Location Add/Change/Inactivate Inventory Form to the Controller’s Office. This applies only to location codes set up strictly for asset purposes. All other location code requests and updates must be sent to Purchasing.

4. Information for asset additions must be provided to the Controller’s Office using the Asset Input Form.

5. Changes to asset information other than interagency transfer or disposal must be submitted using the Asset Change Form.

6. Interagency transfers or disposals of assets shall be reported using the Transfer of Surplus Property (Form 13 GS). Intragency transfers for large agencies, such as Public Works, Parks & Recreation and Department of Safety, will also require a Transfer of Surplus Property (Form 13 GS).

Budgeting

1. Capital fixed assets (historical cost of $5,000 or more) shall be budgeted and paid for against the 600000’s account series.

2. Controlled and tracked assets (historical cost below $5,000 but at least $500) shall be budgeted and paid for against the 7800000’s account series.

3. All other items an agency wishes to track that are not tracked in PS AM shall be budgeted and paid for against an appropriate 600000/700000’s account series other than the 7800000’s account series.

4. Ordinances approving purchases over $50,000.00 must be obtained from City Council.
Requisition

1. When preparing the requisition for a fixed asset, the agency must determine whether the asset is capital, controlled or tracked, and allocate the charges to the appropriate account codes.

2. When the account code is assigned to the purchase order, it can only be changed at the payment request stage after a Contract Encumbrance Request or a Change Order Template has been processed.

Purchasing

Prior to changing the fixed asset requisition to a purchase order, the Purchasing Division must also review and ensure that the charges are appropriately coded according to the fixed asset guidelines.

Payment

1. A completed Asset Input Form shall be attached to all payment requests for each asset that is to be recorded in PS AM (with the exception of payments for CIP). This shall be coordinated between the inventory custodian and the accounting personnel responsible for preparing and submitting voucher payments.

2. For PO vouchers, the chartfield string indicated on the payment request must match that of the Purchase Order.

Recording the Asset

1. All Real and Personal Property assets shall be entered into PS AM by the Controller’s Office.

2. The asset record for personal property will include information from both the Payment Request voucher and the Asset Input Form.

3. Assets are assigned to agencies by the ORG indicated on the Asset Input Form. The inventory custodian must determine at the time of purchase who (which agency/department) the asset will belong to and indicate such on the form in the Custodian Org field. If the Custodian Org is the same as the voucher Org then the field may be left blank. If it is different it is imperative that the proper ORG be indicated. Failure to do so will place the asset on the wrong agency’s inventory.
4. When purchasing items piecemeal (various components of one unit purchased separately), the item shall be recorded on the PeopleSoft Asset Management system in total as one unit. An example of a piecemeal asset is a stand-alone computer where component parts such as the monitor, mouse, CPU, printer, etc. may be separately purchased, all of the separate parts are considered one unit and shall be recorded as such; in this example a computer.

5. In the case of multiple vouchers used to purchase one item, the Asset Input Form shall be attached to the initial Payment Request for the amount of the voucher. Any succeeding payment shall also include an asset input form for the added value amount of that voucher.

6. When purchasing assets that have interchangeable components, such as modular furniture, all of the components shall be recorded as one unit. Such a system of components can be for a single location or broken down by areas within a location. When a component of a system is replaced, the replacement item shall be expensed. If the agency adds additional units to an existing system, then the cost of the new components shall be added to the cost of the existing unit. The Asset Input Form should include in the comment section how many individual units are to be accounted for.

7. The PS AM system will maintain depreciation schedules for all depreciable (capital) assets. Straight-line depreciation is the generally accepted method used for City assets. A useful life is automatically assigned to an asset by the account code. An Account Code Table providing descriptions and useful lives is included at the end of this document.

Asset Transfers

1. To transfer assets directly from one agency to another a Transfer of Surplus Property (Form 13 GS) is to be completed, with details regarding the assets being transferred, and sent to General Services Purchasing. If Purchasing approves the transfer, the form will be signed and copies will be routed back to the agencies involved and to the Controller's Office as well.

2. The Controller's Office will record the transfer in the Asset Management system after receiving a signed copy of the Transfer of Surplus Property (Form 13 GS) from Purchasing.

3. Agency management shall maintain written procedures for the transfer of assets within the agency, for example one location to another, or one employee to another.
Surplus Assets

1. Items no longer useful to the agency should be sent to General Services Purchasing surplus department as outlined in Executive Order No. 24.

2. The inventory custodian should contact General Services surplus personnel to arrange transport of the surplus items. General Services may elect not to have any extremely large or old, obsolete equipment transported to the warehouse. In such cases they may make suggestions or alternative decisions regarding disposal.

3. A completed Transfer of Surplus Property (Form 13 GS) for items being surplused must be sent to General Services Purchasing/Surplus department. General Services signs the form and sends copies back to the agency and to the Controller’s Office.

4. The Controller’s Office will retire the asset in the PS Asset Management system after receiving a signed copy of the Transfer of Surplus Property (Form 13 GS) from the Surplus department.

5. If another city agency receives an asset sent to surplus, General Services will complete a new Transfer of Surplus Property (Form 13 GS) indicating the transfer from surplus to the receiving agency. A copy of this form is given to the agency and to the Controller’s Office.

6. Personal Property assets traded-in for the purchase of new assets must be processed through the Purchasing Division. A completed Transfer of Surplus Property (Form 13 GS) must be provided to Purchasing as well. (Executive Order No. 33A outlines trade-in procedures.) Be aware that the Purchasing Division retains and re-assigns ALL City motor vehicle titles.

Donated Assets

For assets donated to the City, an Asset Input Form shall be completed by the custodian of the receiving agency and a copy sent to the Controller’s Office for input into the PS AM system. An estimated fair value for the asset must be included.

Annual Inventory

1. An annual physical inventory of capital fixed assets shall be conducted mid-year to confirm the accuracy of asset inventory records in PS AM.

2. The Controller’s Office will generate and distribute the annual inventory report to each agency for whom fixed asset inventory records are maintained in PS AM.
3. The physical inventory must be completed and results reported to the Controller’s Office by the deadline date via the Report of Annual Physical Inventory of Fixed Assets (Form 55) which is in turn reported to the Mayor.

4. For any assets found which do not appear on the PS report, completed asset input forms must be provided along with reference documentation showing the asset being acquired by or donated to the City/agency.

5. For assets previously sent to surplus, transferred or traded in which still appear on the inventory report, submit photocopies of the completed Transfer of Surplus Property (Form 13 GS) signed off by purchasing for those items.

6. For any items listed as stolen, a copy of the police report must be provided.

7. If no documentation can be found showing how and when an asset was acquired or discarded, a detailed memo with a complete explanation and listing of those assets must be submitted with the signature of the Expending Authority.

8. An annual physical inventory of controlled assets shall be conducted and may be done at any time of the year.

9. Agencies may request interim printouts for reconciliation, if necessary.

**Capital Leases**

Capital leases are defined as leases where all of the risk and benefits of ownership are assumed by the lessee. A capital lease is also regarded as an installment purchase of property rather than rental of property.

1. A lease is to be capitalized if any one of the following criteria is met:
   
a. The lease transfers ownership of the property to the lessee by the end of the lease term.

b. The lease contains a bargain purchase option.

c. The lease term is equal to 75% or more of the estimated economic life of the lease property.
d. The present value at the beginning of the lease term of the “minimum lease payments” equals or exceeds 90% of the fair value of the lease property. To compute the 90% threshold, the fair value must be reduced by any investment credit retained. Minimum lease payments are defined as lease payments obligated to be paid by the lessee, including the bargain purchase option and guaranteed residual value. However, executory costs such as insurance, maintenance, and taxes are excluded.

2. Capital leases shall be recorded as expenditures using account codes 645000 to 645900. Include with the first Payment Request of a capital lease, a copy of the lease agreement and a completed Asset Input Form.

3. Capital lease assets shall be valued at an amount equal to the present value of the minimum lease payments; however, the amount recorded cannot exceed the fair value of the lease property.

4. The agency should establish procedures whereby a thorough review of all lease agreements is made to determine whether leases should be recorded as a capital leases.

**Capital Projects**

1. All capital projects will be accounted for using a capital project fund.

2. At year-end, the agency must determine the total of expenditures related to projects, which are not complete and record them as Construction In Progress (CIP) on the GFAAG.

3. The amount of the CIP and the supporting detail must be submitted to the Controller’s Office.

4. At completion of the project, CIP cost must be reclassified, via journal voucher, as real property on GFAAG.

5. Capital projects designed for the general repair and maintenance of existing city property are not capitalized, but recorded only as an expense.

6. When a capital project is complete, interest paid during construction on any debt financed for the project shall be included in the total recorded capital project cost of the asset.
Appendix C – Sample Form 55 – Report of Annual Physical Inventory of Fixed Assets for the City and County of Denver
(First page only)

REPORT OF ANNUAL PHYSICAL INVENTORY OF FIXED ASSETS FOR THE CITY AND COUNTY OF DENVER

<table>
<thead>
<tr>
<th>Agency: PWPKG Parking Management</th>
<th>Date: June 21, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund/Site: _____________________</td>
<td>Deadline: Washington, September 29, 2009</td>
</tr>
</tbody>
</table>

I certify that each item of personal property (fixed asset) purchased and in service as of June 5th, 2006 and resides under the jurisdiction of this agency has been physically seen by me or by an employee under my direction as of the date of submittal of this reconciliation. The fixed assets have been compared with the master No. printout and the Office of the Controller has been advised of all discrepancies.

<table>
<thead>
<tr>
<th>Dollar Valuation of Items with $5,000 or more unit cost</th>
<th>Item Count: 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cost per Asset List: $____________</td>
<td>Item Count:</td>
</tr>
<tr>
<td>Adjustments Per Physical Inventory:</td>
<td></td>
</tr>
<tr>
<td>Additions: $____________</td>
<td>Item Count:</td>
</tr>
<tr>
<td>Deletions: $____________</td>
<td>Item Count:</td>
</tr>
<tr>
<td>Adjusted Total: $____________</td>
<td>Item Count:</td>
</tr>
</tbody>
</table>

Signatures:

Inventory Clerk: ___________________  Agency Head: ___________________

Office of the Auditor
May 6, 2010

Mr. Kip R. Memmott, MA, CGAP, CICA
Director of Audit Services
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. Memmott:

The Office of the Auditor has conducted a performance audit of Fixed Assets Management for the audit period beginning January 1, 2009 through December 31, 2009.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on April 16, 2010. This response complies with Section 20-276 (b) of the Denver Revised Municipal Code (DRMC).

The audit work found some concerning items that I am taking very seriously. We’ve reviewed the items that were found at the agency, but the auditor was unable to locate in the PeopleSoft Asset Management system and found that none of the items would have been capitalized, so there would be no impact on our financial statements. We were able to find some of them in PSAM; however, the serial numbers or locations were not correct. Therefore, the point the auditor’s make is very valid. I have assigned a project team to begin working on improvements to the process that includes the auditor’s recommendations as well as others.

AUDIT FINDING(S): The City’s Fixed Asset Inventory is Inaccurate and Incomplete

RECOMMENDATION 1: The Controller’s Office should strengthen its oversight practices of the annual physical inventory by exercising its right under the Fixed Assets Procedure to audit agency fixed asset inventories and related records on a periodic, sample basis. This should be implemented in 2010. This would provide some level of assurance that agencies are submitting information regarding changes to their asset inventories as well as perform annual reconciliations as required by the Fixed Assets Procedure. The Controller’s Office could consider utilizing the assistance of trained, temporary staff, such as student interns, to accomplish these spot audits.
RESPONSE/ACTION PLAN: The Controller’s Office will begin annually auditing fixed asset inventories on a sample basis. We will perform these audits on the 2010 inventory reconciliations that are submitted by agencies by September 30th, 2010 deadline. This will allow us time to update our Fiscal Rule and procedure and provide custodian training so that the 2010 inventory process is more accurate and therefore our audits will be more effective.

<table>
<thead>
<tr>
<th>State your agreement or reason for disagreement with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>November 30, 2010</td>
<td>Kelli Beckett 720-913-5156</td>
</tr>
</tbody>
</table>

RECOMMENDATION 2: To improve its oversight of the data entered into PSAM, the Controller’s Office should develop additional reconciliation procedures by the time of the 2010 annual physical inventory. These should include policies and procedures to verify the accuracy of assets that are added and removed from the fixed asset inventory in PSAM, and a reconciliation of data entered to source documents on a sample basis.

RESPONSE/ACTION PLAN: The Controller’s Office will begin monthly reconciliations of all asset additions and deletions. We will establish written procedures of these reconciliations and the reconciliations will be reviewed by the Accounting Supervisor. As a part of the monthly reporting we will provide each agency a Fixed Asset Change Report to review and identify any discrepancies.

<table>
<thead>
<tr>
<th>State your agreement or reason for disagreement with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>July 31, 2010</td>
<td>Chris Miller 720-913-5223</td>
</tr>
</tbody>
</table>

RECOMMENDATION 3: The Controller’s Office should also revise and update FAR 4.2 and the Fixed Assets Procedure to properly reflect the current process environment for computer purchases. Specifically, the Fixed Assets Procedure does not include the current tag numbering convention for replacement computers purchased through Denver’s Technology Services.
Additionally, these tags are already bar-coded for future inventory reconciliation improvements. The recommendation should be implemented in 2010.

➤ RESPONSE/ACTION PLAN: The Fiscal Rule and procedure will be modified to reflect the current tag numbering convention for computers that is used by Technology Services. This change will be part of the overall review that the Controller’s Office will do of the Fixed Asset Fiscal Rule and related procedure.

<table>
<thead>
<tr>
<th>State your agreement or reason for disagreement with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>June 28, 2010</td>
<td>Kelli Bennett 720-913-5156</td>
</tr>
</tbody>
</table>

RECOMMENDATION 4: Where possible, the Controller’s Office should consider methods to automate fixed asset processes. Automation could simplify agencies’ annual inventory and help increase the accuracy of the fixed assets records in PSAM by reducing errors associated with manual data entry as well as duplication of efforts. For example, automation could include utilizing available PeopleSoft functions such as the ability to upload spreadsheets or initiating bar-coded asset tags that could be scanned to a reconciliation database. The recommendation should be implemented in 2010. In addition, we encourage the Controller’s Office to continue to work towards the planned 2011 implementation of an interface between the PeopleSoft Accounts Payable module and PSAM, to reduce asset data input redundancies.

➤ RESPONSE/ACTION PLAN: The Controller has made a request for the 2011 budget for a technical analysis of our fixed asset business process and current system. The goal of interfacing between the PS Accounts Payable module and PSAM will be considered within that analysis. I understand that the general target for completion is 60-90 days; however, if the request is accepted the project could not start earlier than 2011. I am placing a target date for the analysis to be completed as June 30, 2011. I will keep the Auditor’s Office updated on the outcomes. If the budget is not available, I will look at alternative automation solutions.

<table>
<thead>
<tr>
<th>State your agreement or reason for disagreement with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Agree | June 30, 2011 | Beth Machana  
720-913-5515

RECOMMENDATION 5: The Controller’s Office should provide training or guidance information to new Inventory Custodians, and updated information or annual training to all Custodians, as needed, to ensure that Custodians understand and follow FAR 4.2 and the related Procedure. Annual training could be conducted prior to the annual physical inventory to help agencies enhance the accuracy and reliability of the information they submit on the Form 55.

RESPONSE/ACTION PLAN: The Controller’s Office will present an annual inventory training class prior to disbursing the annual fixed asset inventory (around June 30th of each year) to the custodians in each agency. The training will be mandatory. All areas of the process will be addressed.

<table>
<thead>
<tr>
<th>State your agreement or reason for disagreement with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of primary individual responsible for implementation</th>
</tr>
</thead>
</table>
| Agree | June 30, 2010 | Chris Miller  
720-913-5223 |

Please contact me at 720-913-5515 with any questions.

Sincerely,

Beth Machana, CGFM  
City Controller

cc: Claude Purnia, Chief Financial Officer  
Roxane White, Chief of Staff  
Kelli Beattie, Director of Financial Reporting & Analysis  
Karen Todd, Director of Accounting  
Chris Miller, Accounting Supervisor

311  
City Services  
Denver gets it done!