FOLLOW-UP REPORT
Peak Academy
June 2016

Office of the Auditor
Audit Services Division
City and County of Denver

Timothy M. O'Brien, CPA
Denver Auditor

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Report number: **A2015-007**

June 2, 2016

Honorable Michael Hancock, Mayor
Mayor's Office
City and County of Denver

Re: Audit Follow-Up Report

Dear Mayor Hancock:

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

This report is to inform you that we have completed our follow-up effort for the Peak Academy audit issued October 15, 2015. Our review determined that Peak Academy has adequately implemented most of the recommendations made in the audit report. Despite Peak Academy's efforts, auditors determined that the risk associated with the audit team's initial findings has not been fully mitigated. As a result, the Division may revisit these risk areas in future audits to ensure appropriate corrective action is taken.

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

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you; David Edinger, the Chief Performance Officer; and the Peak Academy personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5000 or Robyn Lamb, Internal Audit Supervisor, at 720-913-5046.

Denver Auditor's Office

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Peak Academy
June 2016

Status

Peak Academy has implemented eight of the eleven recommendations made in the October 2015 audit report.

Background

Denver launched the Peak Performance initiative in July 2011. The initiative's goal is to transform government from antiquated, bureaucratic, and wasteful to customer-driven, creative, sustainable, and data-oriented. Peak Performance seeks to achieve this goal by improving efficiency and service delivery in the City.

The Peak Academy initiative was created in 2012 to provide City employees with techniques and training to help identify process improvements. Peak Academy trains City employees in Lean principles, which focus on the identification and elimination of waste within a process and encourages staff-driven improvements.

Purpose

The purpose of the audit was to:

- Determine how effective Peak Academy is in helping the Peak Performance program provide an effective avenue for innovative change and continuous improvement throughout the City; and
- Determine whether identified and actualized savings are accurately collected, tracked, and reported.

Highlights from Original Audit

Peak Academy has trained thousands of City employees on process efficiency concepts and techniques, serving as a conduit for employees to promote their ideas for innovative change and continuous improvement within the City. Employees who participated in Peak Academy had generally reported having a positive experience and had identified both budget and time savings. However, Peak Academy was a relatively new City program and, as such, its processes and practices had yet to fully mature. Accordingly, we identified several program elements that could be improved to better enable Peak Academy to enhance and fully demonstrate its overall impact and level of effectiveness.

Specifically, we identified four areas where Peak Academy could enhance its practices. First, we found that some Peak Academy training data and innovation information was inaccurate and incomplete and that reported savings were not fully transparent and accurate, including performance information regarding savings included in the City and County of Denver Mayor's Budget.

Second, we determined that Peak Academy should develop and report more performance information to demonstrate the effectiveness of its training activities and to provide increased transparency of agency participation.

Third, because Peak Academy provided training to external organizations and to City enterprise fund entities, the controls over processes for billing and collecting the revenue generated from such training needed to be enhanced to ensure the proper amounts are collected.

Finally, we determined that Peak Academy could adopt additional practices to help facilitate further innovation throughout the City.

Findings at Follow-up

In order to address risks identified in the original audit report, Peak Academy established Salesforce database access standards, a database entry quality assurance function, and Innovation savings guidance that includes costs to implement ideas. Peak Academy also developed a training billing and collection control system, began sending suggested Performance Enhancement Plan language to both trainees and supervisors, and separated soft and hard dollar savings in the 2016 City and County of Denver Mayor's Budget. Finally, Peak Academy assessed the feasibility of providing supervisors, new City employees, and additional Black Belts with Peak training. Although Peak Academy implemented eight of the audit's eleven recommendations, Peak Academy has not fully addressed three risks identified in the original audit report.

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
Finding: Peak Academy Provides an Avenue for Innovative Change and Continuous Improvement within the City, but Additional Actions Are Needed To Recognize Peak Academy's Full Potential and Impact Proposition			
1.1	Policies and Procedures—Determine the responsibilities of individual users within Peak Academy and the level of access required to fulfill their responsibilities. The CPO and Peak Academy Manager should also formally develop, document, disseminate, and periodically update database access policies and procedures that clearly define the purpose, scope, roles, and responsibilities of individuals who have input rights to their database.	Peak Academy established Salesforce database access standards that define the responsibilities of individual users and their corresponding levels of access to the database, including who has authority to request changes to the database. The individuals and their access were selected because of their role in the City's Peak Performance initiative. The standards also define Technology Services' administrative rights in the database. These standards were last updated in April 2016.	**Implemented**
1.2	Quality Assurance—Develop a robust quality assurance function to prevent miscalculated or incomplete database entries.	Peak Academy developed a Standard Work for A3 submissions that established a quality assurance function to help prevent miscalculated or incomplete database entries.[1] In addition, this Standard Work includes a tiered verification process that involves supervisory confirmation for savings figures above a specific threshold.	**Implemented**

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[1] An A3 is a tool used to help plan innovations. https://www.denvergov.org/content/dam/denvergov/Portals/728/documents/Peak_Performance/Black_Belt/Reference_Guides/03%20-%20A3_ReferenceGuide%20-%202014.pdf.

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Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.3	Including Costs in Savings Calculations—Develop guidance for participants regarding how to calculate overall innovation savings in a way that accounts for costs associated with identified and actualized savings.	Peak Academy updated its A3 and Metrics Reference Guides that describe how to complete an A3 and identify metrics and savings figures for innovations. The update included adding language specifying that employees should include costs to implement an innovation where applicable.	**Implemented**
1.4	Savings Reported—Separate soft and hard dollar savings when reporting future savings in the City and County of Denver Mayor's Budget.	Peak Academy reported actualized soft and hard dollar savings separately in the 2016 City and County of Denver Mayor's Budget.	**Implemented**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.5	Account for Hard Dollar Savings—Require agencies to account for and report on how hard dollar savings actualized through implemented innovations have been reallocated for other agency purposes.	Peak Academy's original response to the audit report issued in 2015 indicated that it anticipated that agencies would report how they accounted for hard dollar savings during the normal course of business and during annual Peak Performance readouts once the Citywide dashboard was developed. During follow-up activities, Peak Academy personnel indicated that discussions with Budget and Management Office personnel are ongoing about incorporating this information into the annual budget creation process. In addition, the software used to help develop the Citywide dashboard did not meet the needs of Peak Performance or the overall dashboard project. Peak Academy is currently investigating other software technologies to provide agency operational dashboards to satisfy this recommendation. Accordingly, this recommendation is considered in progress and not yet fully implemented.	**Agree/Not Implemented**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.6	Develop Performance Information—After addressing weaknesses in the Peak Academy data, develop and report additional measures and other performance information, which can be used to further demonstrate the effectiveness of its activities and to provide increased transparency of agency participation in Peak Performance efforts.	In December 2015, Peak Academy selected additional performance measures for future reporting. Peak Academy is currently identifying how to calculate the measures using Salesforce information. Peak Academy personnel indicated that, for the first progress report to the Mayor in December 2016, they will use the new performance measures and will also provide the results of Peak Academy's progress on their website. Accordingly, this recommendation is considered in progress and not yet fully implemented.	**Agree/Not Implemented**
1.7	Training Revenue Billing and Collection Controls—Develop proper controls over the billing and collection of training revenues, including ensuring that there is segregation in the duties of invoicing and receipting and a reconciliation of the amounts billed with the amounts received. In addition, the Peak Academy Manager should develop formal policies and procedures documenting the revenue billing and collection process, including where invoices will be retained. The Peak Academy Manager should also be consistent in its application of billings to City agencies for Black Belt training and continue to work with the City's Cost Allocation vendor to recoup revenues for enterprise fund agencies' Black Belt trainings conducted in 2014.	Peak Academy partnered with the Department of Finance's Controller's Office and Cash, Risk, and Capital Funding Division to enhance its revenue billing and collection process by developing a documented process to send training invoices and track payments received and also to accept online payments. Peak Academy added procedures to include documentation in Salesforce regarding which entities were charged for training and, if not charged, then why.	**Implemented**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.8	Supervisor Review of A3s—Reiterate the importance of supervisor awareness in the innovation process by requiring that trainees obtain supervisor review of the A3 prior to submitting it to Peak Academy.	Peak Academy does not require that trainees obtain supervisor review prior to submitting an A3 to Peak Academy. Peak Academy personnel encourage trainees to discuss innovations with their supervisors. However, Performance Enhancement Plan (PEP) language provided to Black Belt trainees and supervisors describes these discussions as occurring after innovations are submitted to Peak Academy. Because the recommendation stressed the importance of requiring trainees obtain supervisor review of the A3 prior to submittal to Peak Academy, this recommendation is considered not implemented.	**Agree/Not Implemented**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.9	Additional City Employee Training—Assess the feasibility of providing all supervisors with training in Lean tools and practical techniques for leading change in operational environments and providing new City employees with Peak Academy Green Belt training within their first year of service or developing a training specifically suited for new employees.	In November 2015, Peak Academy completed an analysis of the feasibility of providing training to all supervisors and new hires. With regard to supervisor training, Peak Academy's analysis found that there is currently not enough demand or resource availability within Peak Academy to offer training to all supervisors. However, Peak Academy began experimenting with providing supervisor training as a service offering in its Peak Partnerships with specific agencies; as of November 30, 2015, three agencies had been trained in this manner. With regard to new employee training, these employees have access to take Green Belt training through Denver City Employee University or to sign up for an instructor-led Green Belt class, but Office of Human Resources Rule 6 would have to be changed to require all new employees to take this class. As such, Peak Academy determined that agencies must require this training for new employees, if desired.	**Implemented**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.10	Recognize Employee Innovation— Provide both Black Belt-trained employees and their supervisors with the suggested Performance Enhancement Plan language to help facilitate proper recognition through the annual performance review process.	In September 2015, Peak Academy updated its internal Black Belt training "After Class" checklist with a step directing Peak employees to send the suggested PEP language to applicable supervisors. Peak Academy personnel first emailed the suggested PEP language to the participants of the September 2015 Black Belt training and their respective supervisors. Since, this language has been emailed to the trainees and respective supervisors of subsequent Black Belt classes.	**Implemented**
1.11	Leverage Black Belts—Determine whether there is sufficient demand to warrant additional Black Belt training, assess how many additional Black Belts could be trained with current resource levels, and consider ways to increase Black Belt training participation.	In November 2015, Peak Academy completed an analysis to determine demand and resource levels for additional Black Belt training and ways to increase Black Belt participation. Peak Academy's analysis found that there is not sufficient demand from employees to warrant additional Black Belt training. Further, resource levels are inadequate to increase the number of Black Belt trainings offered while providing personnel with adequate time to complete other job duties. To help foster increased participation in Black Belt training, Peak Academy rearranged the main training room to allow two more participants per class to increase the overall number of Black Belts trained in a year.	**Implemented**

Conclusion

While Peak Academy has implemented most of the recommendations made in the Peak Academy audit report, three recommendations have yet to be fully implemented. Despite Peak Academy's efforts, auditors determined that the risk associated with the audit team's initial findings has not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure appropriate corrective action is taken.

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