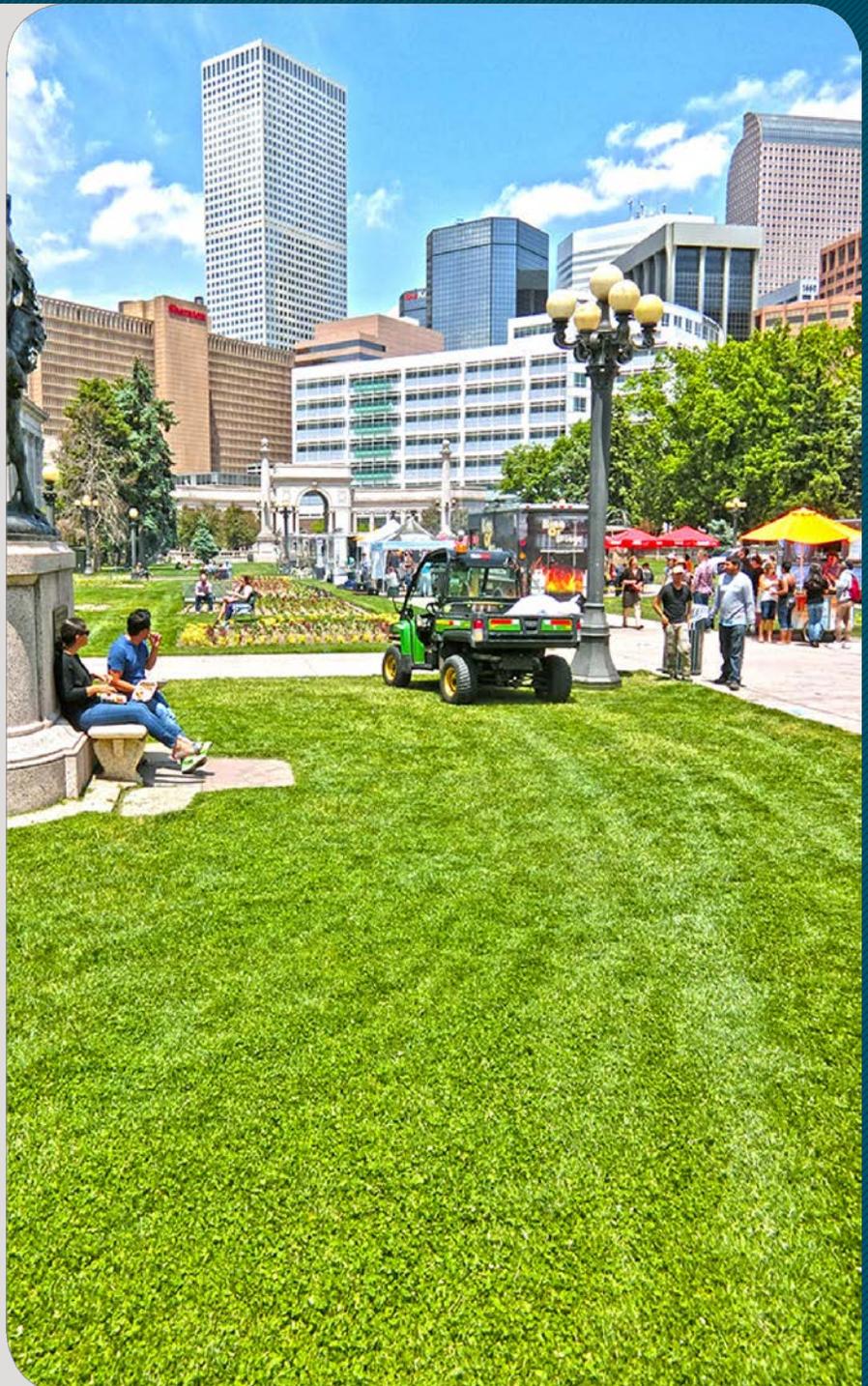


FOLLOW-UP
Department of Parks and Recreation
Contract Administration Practices Audit
October 2017

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



Timothy M. O'Brien, CPA
Denver Auditor



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

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

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Audit report year: **2016**



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October 5, 2017

Allegra Haynes, Executive Director
Denver Parks and Recreation
City and County of Denver

Re: Audit Follow-Up Report

Dear Ms. Haynes:

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 Department of Parks and Recreation *Contract Administration Practices* audit issued July 21, 2016. Our review determined that the department has implemented some of the recommendations made in the audit report, while others that were agreed to be implemented by December 2016 are still in progress. The department has created initial drafts of Policies and Procedures for contract administration that are partially in use. However, there is no date identified for final completion. Auditors determined that the risks associated with the audit team's initial findings have 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. Although we did not update the status of recommendations the department disagreed with, these recommendations are included in the status update section as a reference.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to department 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 Sonia Montano, Internal Audit Supervisor, at 720-913-5157.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



Department of Parks and Recreation – Contract Administration Practices October 2017

Status

Parks and Recreation has fully implemented two of seven agreed-to recommendations made in the July 2016 audit report. Three recommendations were partially implemented, and two were not implemented.

Background

Parks and Recreation is one of Denver's largest departments, providing a broad range of programs, services, facilities and park amenities to residents and visitors. The executive director of Parks and Recreation is a position appointed by the mayor.

Purpose

The purpose of the audit was to determine the effectiveness of DPR's contract administration practices, including assessing how DPR ensures that contractors are in compliance with contract terms and whether contract administration practices align with best practices and are in the best interest of the City.

REPORT HIGHLIGHTS

Highlights from Original Audit

The Department of Parks and Recreation is charged with administering over 460 contracts. DPR contracts with various organizations to provide an array of services that the department could not normally provide due to lack of personnel, expertise, or other resources.

In assessing DPR's contract administration practices we found that the Department lacks an effective contract administration control framework. Specifically, DPR did not have formalized and up-to-date contract administration policies and procedures and therefore, roles and responsibilities were unclear. We also found that DPR lacked controls needed to ensure reliability of the information entered into the contract administration system. In addition, controls related to on-call contracts needed to be enhanced.

Further, DPR was at risk of losing institutional knowledge at the management level, and DPR's management structure at the time may not have been sufficient for future needs. DPR did not have contingency or succession plans, which hindered DPR's ability to address current or future organizational needs. In addition, inadequate segregation of duties between the contract and finance function as well as a lack of documentation surrounding contract decision making may have an impact on DPR's ability to ensure the validity of transactions and transparency of decisions made by management.

Findings at Follow-up

The Department of Parks and Recreation implemented two recommendations, partially implemented three recommendations, and two others from our original audit remain not implemented. The department explained it is in the process of implementing and formalizing standard operating procedures, which has begun to significantly improve upon the control environment within the agency's contract administration practices. Two such procedures have been implemented and formalized; one addressing application and quality review controls in the department's contract administration system, and another adding structure around the mini-bid process. Additional roles and responsibilities, standard operating procedures, training materials, and contingency and succession plans are still in the process of being finalized.

For a copy of this report, visit www.denvergov.org/auditor or contact the Auditor's Office at 720-913-5000.

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status	
FINDING: The Department of Parks and Recreation Should Take Action to Strengthen Contract Administration Practices			
1.1	The Department of Parks and Recreation’s Director of Finance and Administration should enhance application and quality review controls in Salesforce.	Application and quality review controls were added, including naming conventions within Salesforce are now clarified and documented and secondary reviews of data entered into Salesforce are now required and documented as a standard operating procedure. The procedure is still in draft form and is scheduled to be finalized soon. In addition, Salesforce data fields that were optional are now required to include information.	Implemented
1.2	The Executive Director of the Department of Parks and Recreation should enhance the procedures related to how the number and size of contract awards are determined.	No action taken.	Disagree
1.3	The Department of Parks and Recreation’s Executive Director should finalize and implement a structure surrounding the mini-bid process to enhance consistency and transparency.	The structure surrounding the mini-bid process has been detailed in the Management of Master On-Call Contracts Standard Operating Procedure, effective as of December 31, 2016. This addressed the consistency of processes, and provides transparency into the department’s decision-making process.	Implemented

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
1.4	The Executive Director of the Department of Parks and Recreation should develop contingency and succession plans to ensure transfer of institutional knowledge and enhance continuity of operations.	<p>Department officials explained that they are working with the Office of Human Resources to develop contingency and succession plans. However, while these plans are currently being drafted, they will not be fully implemented departmentwide until the third quarter of 2018.</p> <p>Partially Implemented</p> <p>Original target date for completion: December 2016</p>
1.5	The Department of Parks and Recreation’s Director of Finance and Administration should develop policies and procedures for contract administration.	<p>Policies and procedures for contract administration practices have been drafted, but the Department of Parks and Recreation could not provide the date when these standard operating procedures would be finalized. According to the Department of Parks and Recreation, these draft standard operating procedures are currently being used by staff. However, without sending final policies to all employees, the agency risks inconsistent application of their new procedures.</p> <p>Partially Implemented</p> <p>Original target date for completion: December 2016</p>
1.6	The Department of Parks and Recreation’s Director of Finance and Administration should ensure that DPR’s contract administration practices include clear definitions of roles and responsibilities for personnel.	<p>Roles and responsibilities for contract administration are detailed in the draft version of standard operating procedures provided to auditors, and currently being used by staff. The Department of Parks and Recreation could not provide the date of when these standard operating procedures would be finalized. Without finalizing the standard operating procedures, the agency risks inconsistent application of their new procedures by personnel potentially impacting overall performance.</p> <p>Partially Implemented</p> <p>Original target date for completion: December 2016</p>

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
<p>1.7 The Department of Parks and Recreation’s Director of Finance and Administration should ensure that training is developed for current and future Contract Administrators and Project Managers.</p>	<p>Formal training has not been disseminated to Contract Administrators or Project Managers, and informal training for Project Managers has only been given ad hoc, and has not been proactively presented department-wide. The Department of Parks and Recreation explained that training will be based on standard operating procedures, which are drafted but have not been finalized. Lastly, while the department explained that they were developing onboarding training for the entire agency, no draft materials were provided and onboarding programs do not address existing employees.</p>	<p>Not Implemented</p> <p>Original target date for completion: December 2016</p>
<p>1.8 The Executive Director of the Department of Parks and Recreation should consider revising the organizational structure of DPR to separate DPR’s administration and finance functions.</p>	<p>No action taken.</p>	<p>Disagree</p>
<p>1.9 The Executive Director of the Department of Parks and Recreation should ensure that key decisions related to contract negotiations and administration are documented appropriately in contract files.</p>	<p>While a standard operating procedure for financial tasks relating to contract compliance is currently in draft form, the procedure does not go far enough to ensure certain key contracting decisions are documented, such as unique contract terms otherwise not found in City contracts. In order to address this risk, the standard operating procedure should provide examples of the specific types of communications that should be documented within the contract file.</p>	<p>Not Implemented</p> <p>Original target date for completion: September 2016</p>

Conclusion

While the department has implemented some recommendations made in the Department of Parks and Recreation Contract Administration Practices audit report, others have yet to be acted upon or fully implemented. Despite the department's efforts, auditors determined that the risks associated with the audit team's initial findings have not yet been fully mitigated. For example, while the department said it would ensure key decisions are documented, follow-up work finds the risk still remains for inconsistent and incomplete documentation of key contracting and negotiation decisions. Also, the standard operating procedures (SOPs) reviewed during the follow-up were not yet finalized and no firm date was identified for doing so, meaning that the controls reviewed with the draft SOPs could still change significantly if not approved by Department of Parks and Recreation's executive management. Lastly, the department disagreed with two of our original recommendations. 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 the department for their cooperation during our follow-up effort and their dedicated public service.