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Cover photo by Denver Auditor’s Office staff.
AUDITOR'S LETTER

August 5, 2021

In keeping with generally accepted government auditing standards and Auditor’s Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the “Denver Public Trustee” audit report issued in March 2019, we determined the Controller’s Office, with assistance from the Office of the Public Trustee in the Clerk and Recorder’s Office, fully implemented the recommendations it agreed to in the original audit. Meanwhile, the Denver Public Trustee fully implemented only six of the 15 recommendations it agreed to in the original audit report. Despite the Denver Public Trustee’s efforts, auditors determined the risks associated with the audit team’s initial findings have not been fully mitigated. As a result, we may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

I would like to express our sincere appreciation to the personnel in the Denver Public Trustee’s Office and the Controller’s Office who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
The Denver Public Trustee’s Fund Activity Is Not Clearly Stated in the City’s Annual Comprehensive Financial Report

Agency fund activity in the city’s 2017 annual comprehensive financial report was presented based on the net change in assets and liabilities, rather than based on the gross activity passing through the fund.

The Denver Public Trustee Has a Significant Weakness in Internal Controls

During the course of the audit, we found numerous control deficiencies in the Denver Public Trustee’s accounting function. These deficiencies resulted in a significant weakness in internal control for the Denver Public Trustee. These deficiencies related to:

- Insufficient written policies and procedures.
- An inadequate accounting system.
- Inaccurate recording of fee revenue.
- Errors in the list of fees that could be charged.
- Checks that were improperly printed and held.
- Improper accounting for held checks.
- A lack of controls over service organizations.
- Insufficient segregation of duties.
- Poor user permissions and access management policies.

Payroll Approvals Are Accurate and Timely

We found that the Denver Public Trustee did approve employee time sheets accurately and in a timely manner.
Of the 17 recommendations made in the original report, two were made to the Controller’s Office, and 15 were made to the Office of the Public Trustee.

- **The Controller’s Office** fully implemented both recommendations made to it in the original report. In the city’s 2020 annual comprehensive financial report, the Controller’s Office reported gross additions and deductions to the Denver Public Trustee Fund, which accurately reflects the actual amount of money flowing through the Denver Public Trustee. Additionally, activity in this fund is more transparent to report users.

- **The Denver Public Trustee** fully implemented six recommendations made in the original audit report, but nine others have yet to be fully implemented or acted upon. To be consistent with the requirements of city Fiscal Accountability Rules and best practices set by the U.S. Government Accountability Office, the Denver Public Trustee should continue pursuing integration between its system of record, Benchmark, and the city’s accounting system, Workday, to improve its accounting practices.

It should also maintain its progress in strengthening its segregation of duties and developing policies and procedures to address risks related to Benchmark’s user permissions and user access. Until these recommendations are fully implemented, the Denver Public Trustee still faces a heightened risk of errors, omissions, inefficiencies, or potential fraud.

Recommendation 1.1

REPORT ALL DENVER PUBLIC TRUSTEE ACTIVITY – The Controller’s Office should work with the Denver Public Trustee to develop a process to ensure the full amount of additions and deductions are reported to the Controller’s Office and that those amounts are fully accounted for in the city’s annual comprehensive financial report, beginning with the Dec. 31, 2018, report.

AGENCY ACTION

Original target date for completion: May 31, 2019

The Controller’s Office, in coordination with the Denver Public Trustee, implemented this recommendation for the 2020 report year. When the Controller’s Office is preparing the city’s annual comprehensive financial report, it requests the gross additions and deductions for the previous year via email from the Clerk and Recorder’s Office. The Controller’s Office reports these amounts for the Special Trust Fund, which includes the Public Trustee Fund and the Denver Sheriff Department’s Inmate Welfare Fund.

Although this recommendation was not fully implemented in the 2018 and 2019 annual comprehensive financial reports, it was implemented in the 2020 annual comprehensive financial report. In our review of the 2020 report, the Special Trust Fund report in Workday, and related documentation, we verified the additions and deductions to this fund were correctly reported in gross amounts beginning in 2020.

Recommendation 1.2

DISAGGREGATE AGENCY FUND REPORTING – In the interest of promoting greater transparency, the Controller’s Office should consider disaggregating its reporting of the city’s agency funds in the annual comprehensive financial report going forward. This will allow the public to see the balances of assets and liabilities that relate to each fund at the beginning of the year, all additions and deductions relating to each fund, and the ending balances by fund at year-end.

AGENCY ACTION

Original target date for completion: May 31, 2020

FULLY IMPLEMENTED
By comparing the city's annual comprehensive financial reports for 2018, 2019, and 2020, we found this recommendation was implemented.

The 2017 annual comprehensive financial report reviewed by the original audit team presented the city's agency funds in the aggregate with no indication that the Denver Public Trustee funds were included. Beginning with the 2019 annual comprehensive financial report, agency funds were disaggregated by fund source to allow the public to see the asset and liability balances and activity related to each fiduciary fund, including the Special Trust Fund, which was then composed of only the Denver Public Trustee Fund.¹

In the 2020 annual comprehensive financial report, the Special Trust Fund included the Denver Public Trustee Fund and the Denver Sheriff Department's Inmate Welfare Fund. The new presentation format also laid out balances and changes to assets and liabilities of the Special Trust Fund differently compared to the 2019 report. However, this new presentation is consistent with the newest guidance from the Governmental Accounting Standards Board governing the reporting of fiduciary activities that include those related to property foreclosure managed by the Denver Public Trustee.² Also, we identified a typographical error in the report associated with the description of deductions from the Special Trust Fund.

Although this new format is slightly less transparent than the 2019 annual comprehensive financial report that disaggregated the Denver Public Trustee Fund from all others, it is compliant with applicable standards and represents an improvement compared to the 2017 financial report.


² According to the Governmental Accounting Standards Board, “fiduciary activities” involve a government taking care of money that belongs to individuals or others outside of the government. Its statement No. 84 provides guidance on what constitutes fiduciary activities for accounting and reporting purposes and how these activities should be reported. The Governmental Accounting Standards Board is an independent, private organization that sets accounting and financial reporting standards for state and local governments that adhere to generally accepted accounting principles.
FINDING 2 | The Denver Public Trustee Has a Significant Weakness in Internal Controls

Recommendation 2.1

**UPDATE KEY POLICIES AND PROCEDURES** – The Denver Public Trustee should establish and document formal policies and procedures for key processes, such as the foreclosure review process, by the end of 2019. Policies and procedures should be designed to incorporate the five components and 17 principles of the internal control framework issued by the U.S. Government Accountability Office.

**AGENCY ACTION**

*Original target date for completion: June 30, 2020*

Denver Public Trustee staff created new policies and procedures that demonstrate improved internal controls by clearly defining responsibilities and establishing separation of duties associated with the foreclosure process. The procedures mitigate the risks identified in the original audit. The audit finding associated with this recommendation focused on the foreclosure review process. As a result, our conclusion on the final status of this recommendation is based on the policies and procedures developed for the foreclosure review process.

While no set of policies can cover all risks, these new procedures formalize practices taken by Denver Public Trustee staff and where applicable incorporate the U.S. Government Accountability Office’s internal control framework. For example, new procedures require critical information be reviewed before being finalized in the system. However, we did identify weaknesses in the Denver Public Trustee’s policies and procedures for other organizational processes. See recommendations 2.11 and 2.14.

Recommendation 2.2

**INTEGRATE BENCHMARK WITH WORKDAY** – The Denver Public Trustee, in conjunction with the Controller’s Office and the Technology Services agency, should determine if an integration can be built to transfer financial information from Benchmark into Workday by the end of 2019.

**AGENCY ACTION**

*Original target date for completion: Dec. 31, 2019*
As directed by the recommendation, Denver Public Trustee staff met with Controller’s Office staff and discussed the financial and reformatting aspects of integration. Denver Public Trustee staff also met with a Benchmark technician to discuss potential solutions. Based on these conversations, Denver Public Trustee staff determined that integration of the two systems was not feasible as of spring 2021. They did not consult the city’s Technology Services agency to determine feasibility because they preferred to first conduct a full review of workflows and data structures within each system, which continues to be in progress as staff resources are restored for post-COVID-19 pandemic return to work.

We consider this recommendation partially implemented because the process for determining feasibility of integration between Benchmark and Workday continues. Denver Public Trustee staff should still consult Technology Services, as mentioned in the recommendation, as part of this process to identify a solution for the successful transfer of financial information from Benchmark into Workday.

**Recommendation 2.3**

**RECORD ALL TRANSACTIONS IN WORKDAY** – In addition to developing and implementing integrations between Benchmark and Workday, the Denver Public Trustee should immediately record the summary of daily transaction activity into Workday on a timely basis and use Workday as its primary system of accounting.

**AGENCY ACTION**

*Original target date for completion: Dec. 31, 2019*

For full implementation of this recommendation, an integration between Benchmark and Workday must be developed and implemented. As mentioned above, the Denver Public Trustee has determined integration is not feasible at this time. This recommendation has not been implemented because staff are not using Workday as their primary accounting system.

As a result, Denver Public Trustee staff do not record the summary of daily transaction activity in Workday. They continue to use Benchmark as the primary system of accounting and to track daily transactions. The audit directed the Denver Public Trustee to transfer its financial tracking to Workday because Workday is the primary accounting system for the city, and Benchmark is not designed to function as accounting software.

We appreciate the Denver Public Trustee’s continued efforts to seek solutions in integrating systems and allow the transfer of financial information. However, in addition to implementing this recommendation, we suggest the Denver Public Trustee find and implement alternative interim solutions to reduce the risks associated with using Benchmark before
Recommendation 2.4

**IMPROVE POLICIES AND PROCEDURES FOR REVENUE TRANSACTIONS**
- The Denver Public Trustee should, by the end of 2019, develop and implement formal written policies and procedures requiring revenue transactions be reconciled and reviewed after they are recorded in the city’s Enterprise Cashiering System and in Workday, and that this be done by someone other than the person who recorded the transactions.

**AGENCY ACTION**

*Original target date for completion: Dec. 31, 2019*

Denver Public Trustee staff developed written procedures for reviewing and reconciling revenue transactions after they have been recorded in the city’s Enterprise Cashiering System and Workday. The procedures provide a step-by-step guide for using all relevant systems to reconcile and post payments for earned revenue accounts in Workday. Denver Public Trustee staff also created a flowchart to describe the process.

The Denver Public Trustee implemented process changes to create separation of duties that previously did not exist. During the audit, we found that one staff member of the office’s accounting team was responsible for both recording and reconciling the Automated Clearing House transactions in the Enterprise Cashiering System. This increased the likelihood of errors, including the one identified during the audit. However, the Denver Public Trustee’s new procedures require a documented review of a transaction entered into the Enterprise Cashiering System by someone other than the person who recorded the transaction. We confirmed this review occurs through documentation provided by staff.

Therefore, based on our review of the written procedures and reconciliation documentation, we consider this recommendation fully implemented.

Recommendation 2.5

**CREATE POLICIES AND PROCEDURES FOR FEES** – The Denver Public Trustee should, by the end of 2019, create and implement formal written procedures for regularly reviewing active fees that can be charged to an account. This procedure should ensure fees align with current state law and ensure there are no outdated or incorrect fees available to employees.
AGENCY ACTION

Original target date for completion: June 30, 2019

Denver Public Trustee staff developed and implemented a written procedure regarding the review of active fees that can be charged to an account. According to the procedure, active fees in Benchmark will be reviewed on an annual basis. It also directs staff to the relevant sections of state law that describe the required fees.

Furthermore, staff say that once a fee has been deactivated, the Benchmark system no longer applies it. Although staff can manually apply a fee, this should not be a frequent occurrence because Benchmark automatically applies any applicable fees. Finally, the department's procedures say the Benchmark case will be audited by a team member. This review should likely identify any inappropriate fees manually applied.

In early 2019, before the audit's publication, the Denver Public Trustee deactivated the outdated fees identified by the audit team. According to the chief deputy public trustee, no additional changes have been made to state law since early 2019 when they reviewed and deactivated fees. Therefore, they have not conducted another review of fees because the Public Trustee's Office can only charge fees that are allowed by state law and no changes to allowable fees have occurred since their last review. We reviewed relevant sections of state law and identified no examples of changes to fees since early 2019.

Therefore, we consider this recommendation fully implemented.

Recommendation 2.6

MOVE CHECK-WRITING TO CONTROLLER'S OFFICE – The Denver Public Trustee, in conjunction with the Controller's Office, should develop a plan to move the function of check-writing to the Controller's Office by the end of 2019.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

The Denver Public Trustee has not moved the function of check-writing to the Controller's Office. Because Denver Public Trustee staff would have to conduct manual reconciliations of checks written by the Controller's Office and these manual processes present the risk of human error, Denver Public

Timothy M. O'Brien, CPA | Denver Auditor
Trustee staff said it would be better to wait for the automated workflow of check-writing and reconciliations that should be possible once they identify a way to integrate Benchmark with Workday, the city’s accounting system of record.

Denver Public Trustee staff have attempted to work with both the Controller’s Office and Benchmark staff to determine the best way to integrate Benchmark outputs in a manner that Workday can use. Denver Public Trustee staff meet regularly with Benchmark staff and continue to pursue opportunities to integrate the two systems. They hope that there may be a solution this year because Benchmark is in the process of being updated and additional Public Trustee staff are being hired with technological expertise that could help identify a solution.

Because the Denver Public Trustee will not move check-writing to the Controller’s Office until a workable solution has been implemented, we consider this recommendation not implemented.

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**Recommendation 2.7**

**PROHIBIT PRE-PRINTING OF CHECKS** – Until Recommendation 2.6 is implemented, the Denver Public Trustee should immediately update its written policies and procedures to prohibit the practice of printing checks in advance.

**AGENCY ACTION**

Original target date for completion: June 30, 2020

According to Denver Public Trustee staff, they stopped pre-printing checks as of December 2018. We also confirmed they updated their written policies and procedures to reflect that the practice of pre-printing checks is prohibited. In practice, they pre-print a check on the same day that a resident has an appointment to pick up the check. We confirmed that the only checks held in the safe were printed that day in preparation for pick-up. We consider this recommendation fully implemented.

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**Recommendation 2.8**

**MOVE BANK RECONCILIATION PROCESS TO CONTROLLER’S OFFICE** – The Denver Public Trustee, in conjunction with the Controller’s Office, should develop a plan to move the function of performing bank reconciliations to the Controller’s Office by the end of 2019.
AGENCY ACTION

Original target date for completion: June 30, 2020

The Denver Public Trustee has not moved the function of performing bank reconciliations to the Controller’s Office. According to Denver Public Trustee staff, moving the reconciliation process to the Controller’s Office at this time would be difficult because the Controller’s Office does not have easy access to the information in Benchmark as Workday and Benchmark are not yet integrated. Therefore, we consider this recommendation not implemented.

Recommendation 2.9

UPDATE BANK RECONCILIATION FORM – Until Recommendation 2.8 can be implemented, the Denver Public Trustee should immediately update its bank reconciliation form to distinguish between outstanding checks and held checks and account for both held checks and outstanding checks in accordance with Governmental Accounting Standards Board guidance.

AGENCY ACTION

Original target date for completion: Dec. 31, 2018

Because Denver Public Trustee staff no longer pre-print checks, the issue of held checks causing accounting imbalances is no longer a concern.

Additionally, internal procedures now say that the practice of pre-printing checks is prohibited. Even though staff did not update the bank reconciliation form, the change in procedure and practice mitigates the risk identified by the audit team. Therefore, we consider this recommendation fully implemented.

Recommendation 2.10

OBTAIN AND REVIEW SERVICE ORGANIZATION CONTROLS REPORTS – The Denver Public Trustee should work with third-party vendors that provide critical services to obtain Service Organization Controls reports from them by the end of 2019. These reports should be carefully reviewed to determine if there are any weaknesses or gaps in the controls provided by the vendor and to identify critical “user controls” the Denver Public Trustee needs to have in place to rely on the vendor’s controls.
AGENCY ACTION

Original target date for completion: Dec. 31, 2019

To date, Denver Public Trustee staff have successfully obtained only one of two Service Organization Controls reports from its third-party vendors. Department staff say the existing contracts with these vendors did not require the vendor to provide this report. However, during the contract renewal process that will likely begin this year, Denver Public Trustee staff plan to add a requirement for these reports to be provided upon request.

Additionally, Denver Public Trustee staff do not yet have a plan to review these reports from third-party vendors and they have not updated their procedures as needed based on the report’s findings. Therefore, we consider this recommendation not implemented because the risk identified during the audit has not been mitigated.

DEVELOP AND IMPLEMENT POLICIES AND PROCEDURES FOR SERVICE ORGANIZATIONS – The Denver Public Trustee should develop and implement formal written policies and procedures for monitoring its third-party vendors that provide critical services but that do not have Service Organization Controls reports available by the end of 2019. These policies and procedures should address all critical requirements that would otherwise be addressed in a standard Service Organization Controls report.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

Denver Public Trustee staff have not yet developed policies and procedures for monitoring its third-party vendors that provide critical services but do not have Service Organization Controls reports. Denver Public Trustee staff say they will continue to consult with Technology Services regarding the necessary content for these policies and procedures.

The Denver Public Trustee continues to rely on the same practices noted in the audit report. Technology Services staff test any new updates to Benchmark. An update is implemented only after it is tested. We were unable to obtain written procedures for this process as they were being updated by Technology Services during our audit follow-up period. However, these practices alone are not sufficient to mitigate risks related to working with third-party vendors as we found during the original audit. Therefore,
we consider this recommendation not implemented.

Recommendation 2.12

**STRENGTHEN SEGREGATION OF DUTIES** – The Denver Public Trustee should improve segregation of duties by conducting and documenting a thorough review of the current duties assigned to its staff, including identifying incompatible job responsibilities by the end of 2019. The Denver Public Trustee should then remove some incompatible duties from staff with excessive responsibilities and move those responsibilities to other personnel. For example, a single employee should not have the authority to create and submit the positive pay file as well as have the responsibility to approve or reject positive pay exceptions.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2019**

Denver Public Trustee staff conducted a review and created documentation of the current duties assigned to personnel, and they removed excessive responsibilities that allow an employee the authority to review and approve their own work.

For example, an accounting technician should create and upload a positive pay file to the bank, and this should be reviewed and signed by the public trustee manager. However, Denver Public Trustee staff said that some of these newly established separation of duties could not be implemented because of staffing shortages.

As a result, this recommendation has been partially implemented, but Denver Public Trustee staff said they are committed to fully implementing the improved separation of duties once new accounting staff are hired and trained.

Recommendation 2.13

**DELEGATE AUTHORITY FOR USER PERMISSIONS** – To better segregate duties, the Denver Public Trustee should, by the end of 2019, assign the ability for modifying user permissions to someone who does not have other responsibilities in Benchmark.

**AGENCY ACTION**

**Original target date for completion: June 30, 2019**
Benchmark, the current software used by the Denver Public Trustee, does not have a user role that allows sole ability to modify permissions while not allowing modifications to other information. This user role must be created by the vendor. The Denver Public Trustee recently contacted a Benchmark technician to request the creation of the user role. Denver Public Trustee staff anticipate this user role may be created within the next few months.

Because the new user role has not yet been created, despite a target completion date of June 2019, we consider this recommendation not implemented.

**Recommendation 2.14**

**IMPLEMENT TIMELY REMOVAL OF ACCESS** – The Denver Public Trustee should immediately create and implement formal written policies and procedures for the timely removal of access for terminated or transferred employees.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2019**

We reviewed the Denver Public Trustee's formal written policies and procedures for its quarterly review of users. However, the policies and procedures do not specify a process for the timely removal of access for terminated or transferred employees.

Denver Public Trustee staff are currently developing a process for terminated or transferred employees now that staff positions have been filled after last year’s COVID-19 pandemic-related staffing issues. Although there is a technician at the Clerk and Recorder’s Office who is assigned the responsibility of enabling and disabling user access in Benchmark and of submitting a request to Technology Services for terminated employees to no longer access city systems, risks related to inappropriate access for transferred and terminated employees remain because formal policies have not been created. Therefore, this recommendation has not yet been implemented.

**Recommendation 2.15**

**DEVELOP REVIEW PROCESS FOR USER PERMISSIONS** – The Denver Public Trustee should create and implement formal written policies and procedures to periodically review user permissions to ensure all users have appropriate access to Denver Public Trustee information systems and that there are no unauthorized users with access to the information systems by the end of 2019.
AGENCY ACTION

Original target date for completion: June 30, 2020

The Denver Public Trustee created and implemented formal written policies and procedures to periodically review user permissions to ensure all users have appropriate access. The policies and procedures require a quarterly review of users and permissions that should be undertaken by the division manager within the office. Currently, the chief deputy public trustee is the only staff member within the office who reviews user permissions.

Additionally, the security rights report — a list of all users and their status — is used to cross-reference the quarterly review of user permissions. The Denver Public Trustee retains the security rights report to document the completed review. Finally, the policies and procedures document will be available to new staff members who will eventually take over this responsibility.

We consider this recommendation fully implemented because Denver Public Trustee staff created formal written policies and procedures to review user permissions.
The Auditor of the City and County of Denver is independently elected by the residents 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. He also provides other audit services and information to City Council, the mayor, and the public to improve all aspects of Denver’s government.

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