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

September 2, 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 “Employment Services Cluster Grants” audit report issued in August 2020, we determined Denver Economic Development & Opportunity fully implemented all recommendations it agreed to in the original audit report.

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 Denver Economic Development & Opportunity 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
Objective
Our objective was to determine whether all activities and costs for Employment Services Cluster grants received by Denver Economic Development & Opportunity were consistent with grant requirements and whether all required reports were complete and submitted on time in compliance with grant requirements.

Background
Federal Employment Services Cluster grants pay for workforce development activities. This includes employment services funded through the Wagner-Peyser Act, as well as two other federal programs: the Disabled Veterans’ Outreach Program and the Local Veterans’ Employment Representative program.

In Colorado, the state Department of Labor and Employment disburses federal workforce development funds to local municipalities and monitors employment programs and services to ensure they meet federal requirements. For the City and County of Denver, Denver Economic Development & Opportunity’s Division of Workforce Development implements these programs.

Denver Economic Development & Opportunity Submitted Some Reports Late to the State
Of seven reports we tested for timeliness from fiscal year 2019, Denver Economic Development & Opportunity submitted five late — ranging from one day late to 14 days late.

Staff said the reports being late was because of technology issues. However, if reports are late, it could affect the state’s ability to track grant expenditures in a timely manner and complete federal reporting.

Denver Economic Development & Opportunity Did Not Properly Document the Need for Travel Costs for a Conference
While all expenditures auditors tested were allowable, we found the transaction documentation for one conference did not justify the cost of the travel being charged to the Wagner-Peyser grant for workforce development programming and services.

If a cost is not documented as necessary to provide employment programs and services under Wagner-Peyser, it could call into question whether the cost was allowable.

WHY THIS MATTERS
Federal grant requirements ensure agencies like Denver Economic Development & Opportunity spend grant money on appropriate programs and services — which in the case of employment services grants, means helping job seekers find work.
Sept. 2, 2021

**Action Since Audit Report**

**Employment Services Cluster Grants**

2 recommendations proposed in August 2020

We found Denver Economic Development & Opportunity fully implemented both recommendations and mitigated all risks identified during the original audit. As a result, we conclude our follow-up effort related to the “Employment Services Cluster Grants” audit.

Because Denver Economic Development & Opportunity implemented the recommendations, it can ensure it submits employment services grant reports on time to the state so that the state can monitor grant spending and verify the city is following federal requirements. In addition, because Economic Development is now properly justifying expenditures paid for with the grant money, it can ensure the money is being spent on allowable employment programs that help Denver residents find work.
**FINDING 1 | Denver Economic Development & Opportunity Submitted Some Reports Late to the State**

**Recommendation 1.1**

**WORK WITH THE STATE TO ADDRESS TECHNOLOGY ISSUES** – Denver Economic Development & Opportunity should work with the Colorado Department of Labor and Employment to address technology issues to improve the timely upload of reports. In case of system issues, an alternate method of submission should be arranged — such as sending the report directly to Colorado Department of Labor and Employment staff for them to upload, when feasible — to ensure on-time delivery.

**AGENCY ACTION**

**Original target date for completion: Sept. 30, 2020**

Staff from Denver Economic Development & Opportunity have turned in all reports on time since August 2020. Staff said there were fewer technology issues since the original audit and they have been working with the city’s Technology Services agency to ensure the city’s software updates do not interfere with their ability to upload reports to the state.

Additionally, Economic Development now has an alternate plan to email expenditure reports directly to the Colorado Department of Labor and Employment when there are issues uploading the documents. Staff in the state Department of Labor and Employment confirmed that since August 2020, Denver submitted both the expenditures and accruals on time in accordance with their policies.

Therefore, the recommendation is fully implemented.
Recommendation 2.1

DOCUMENT SPECIFIC EVIDENCE TYING SPENDING TO GRANT – For all expenditures funded by the Wagner-Peyser program, Denver Economic Development & Opportunity should include within its documentation specific evidence tying the expenditure to employment services and workforce development activities under the grant.

AGENCY ACTION

Original target date for completion: Aug. 31, 2020

Denver Economic Development & Opportunity updated its request form for conferences, trainings, and events to include a field for staff to mark whether the expenditure is related to grant funding. If it is, staff can mark the name of the grant and explain how the expenditure specifically relates to the grant’s purpose and how it is an allowable cost.

Therefore, in line with the recommendation, the form explains how spending is related to employment services and workforce development activities under the Wagner-Peyser grant. Economic Development used this form in 2021 for a Wagner-Peyser grant-funded travel transaction, and staff detailed how the travel was related to the grant documented on the form.

Because Economic Development updated the form and because it is now part of standard documentation for conferences, trainings, and events, this recommendation is fully implemented.
Office of the Auditor

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.

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 residents' confidence and avoiding any appearance of a conflict of interest.

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