

City and County of Denver

Corrective Action Plan

Year Ended December 31, 2021

2021-001 Finding: Major Fund Determination

Status: Corrective action complete

Corrective Action: For the Major Fund determination, we followed the same process that we had used in the past. After discussion with BDO as well as more research on our part we learned that our interpretation of the GASB was incorrect. The change was made within the ACFR as well as our workpapers during fieldwork. All funds were properly reported.

Person(s) Responsible for Implementing: Accounting and Financial Reporting

Implementation Date: May 2023

2021-002 Finding: Financial Information Preparation

Status: Corrective action in progress

Corrective Action: The development of the 2021 ACFR included several process improvements from previous years. The Controller's Office mapped out the ACFR process and identified specific steps that could improve the creation of the ACFR. We are currently engaged with the PEAK team to help identify processes improvement which is ongoing. These innovations improved the timeliness and accuracy of drafting the report. For the 2021 ACFR, a new workplan was initiated that included distributing ACFR work across several employees and multiple teams within the Controller's Office. For the 2022 ACFR, the Controller's Office will continue to leverage these changes to further improve the timeliness and accuracy of the process to produce the report.

The 2021 reporting year presented unique challenges, including the addition of several new staff members on the Accounting and Financial reporting teams, and onboarding a new audit firm. Despite the challenges, it was also exciting to learn and obtain new perspectives to a process that has been the same for many years. We look forward to the future with the improvements and adjustments we are currently implementing in preparation of the financials. We are proud of the effort that everyone on the team gave as well as our final product.

We acknowledge the significant number of variances between the statements and the footnotes within the four drafts of the ACFR prior to the Final ACFR. The Controller's Office implemented Gravity (financial reporting tool) in 2020 to produce the ACFR and in 2021 started to find ways to use the full capabilities of Gravity. We will continue with this effort for 2022. We will create efficiencies by adding workbooks (audit workpapers) into Gravity. This will ensure that figures in the footnotes match the financial statements coming from the general ledger. Gravity will also make it more efficient for the city to review the general ledger for accuracy during the current year. This will improve the ability of the city to reduce post-closing adjusting journal entries.

We would also like to acknowledge that post-closing adjusting journal entries will always exist, many of which are normal and anticipated. These adjustments decreased by 14 from 2019 and by 8 from 2020. We will continue to work closely with Agencies throughout the city to ensure their understanding of the process. We will also work closely with BDO to determine the appropriate timing of when they are supplied with the first trial balance and drafts of the ACFR as all of this will play into the need for post-closing adjusting journal entries.

Person(s) Responsible for Implementing: Accounting and Financial Reporting

Controller's Office
Denver Department of Finance,
201 W. Colfax Ave. | Denver, CO 80204
www.denvergov.org/finance
p. 720.913.5500 | f. 720.913.5599 | controller@denvergov.org

Implementation Date: May 2023

2021-003 Finding: Components of Internal Control

Status: Corrective action in progress

Corrective Action: While elements of risk assessment exist, to our knowledge the city has never conducted a formal and documented Risk Assessment process. We will create a risk assessment for 2022.

Regarding internal control documentation, in the past we have worked closely with BKD (previous external auditors) on updating internal control documentation. This is what had been used for years. This is what was asked for and provided to BDO. We acknowledge that there were places that needed updating. We are reviewing prior procedures to update for improvement in processes in 2022. It would be helpful to have some guidance from BDO on what would be expected for next year. From there we will update to ensure the documentation is complete and accurate.

Regarding succession planning, we agree that this very important to any organization. We have already started with cross training efforts in many areas as well as ensuring that procedural documentation exists and plan to continue this effort. As part of our internal control documentation, we will ensure that we document the primary person and back-up responsible for all critical processes.

Person(s) Responsible for Implementing: Accounting and Financial Reporting

Implementation Date: May 2023

2021-004 Finding: Review of System and Organization Controls (SOC) Reports

Status: Corrective action in progress

Corrective Action: Technology services is currently reviewing vendor management processes and procedures. Technology Services is working collaboratively with other city agencies to identify ownership of responsibilities and collaboratively develop a standardized process for vendor management, which will include review of SOC reports and review of other compensating controls and variables annually.

Person(s) Responsible for Implementing: Technology Services and Accounting and Financial Reporting

Implementation Date: June 2023

2021-005 Finding: Service Organization Does Not Have a SOC Report

Status: Corrective action in progress

Corrective Action: Technology services is currently reviewing vendor management processes and procedures. Technology Services is working collaboratively with other city agencies to identify ownership of responsibilities and collaboratively develop a standardized process for vendor management, which will include review of SOC reports and review of other compensating controls and variables annually.

Person(s) Responsible for Implementing: Technology Services and Accounting and Financial Reporting

Implementation Date: June 2023

2021-006 Finding: Control Documentation and Records Properly Managed and Maintained

Status: Corrective action in progress and in some cases complete

Corrective Action: Bank reconciliation review was caught up and have been reviewed timely since October 2021.

Per Cash and Capital Funding they agree that an externally documented control and log for online bank account access is appropriate. As of August 2022, they have implemented a quarterly Online Banking Platform User Access Procedure and an Online Banking Access Review Log

Meetings have started regarding the need for better grant reconciliations and will continue throughout 2022 to determine best practices. The Grant Rollforward Report will be explored.

The December 2021 sales tax reconciliation that was selected and reviewed was appropriately not reviewed and approved until March 2022 when 2021 was closed. Documentation of the process on end of period reviews prior to final close will be maintained.

The data that was ran and the entry that was recorded for the Sales Tax Accrual was accurate. The implementation will occur of a process for the initiator to save their report filters for the reviewer to access the completeness of the data.

When producing the asset list for inventory counts, a report is ran wide open to ensure nothing is missed. A macro is used to separate the data into individual reports. Spot checking multiple reports occurs to ensure each is complete. It is ensured that each report that is expected was produced. Going forward evidence of this review will be maintained.

Investment reconciliations have been performed timely and the support has been maintained since January of 2022.

Kronos and Workday reports in conjunction with the approval of payroll were reviewed and approval was completed throughout 2021. Evidence of that review and approval will be maintained going forward.

Regarding the weekly AP accrual, the search for unrecorded liabilities, and the Year-End Questionnaire a review/approval was completed. Evidence of that review will be maintained.

A procedure document will be created and maintained for the search for unrecorded liabilities.

Implementation of a process to review/approve the District and Levies spreadsheet (TX310) to validate the completeness and accuracy of the district levies will occur.

We will work with Treasury regarding the Daily Balancing reconciliation.

The Property Tax Prepayment and Property Tax Refund Suspense Reconciliations for all of 2022 have a cover sheet that covers off on the completeness and accuracy of the review.

The Property Tax Receivable Reconciliation was reviewed. We have implemented a process for the initiator to save their report filters for the reviewer to access the completeness of the data.

Property tax journals are prepared in Workday and supporting documentation is attached. These journals were reviewed and approved within Workday. We have implemented a process for the initiator to save their report filters for the reviewer to access the completeness of the data.

Person(s) Responsible for Implementing: Accounting and Financial Reporting

Implementation Date: April 2023

2021-007 Finding: Change Management and Administrative Access

Status: Corrective action in progress

Corrective Action: Technology Services has identified a project manager to look at the application access provisioning and de-provisioning throughout all CCD agencies holistically. Specifically ensuring the creation of standardized access controls, standards, processes, and policies supporting best practices throughout the city and county of Denver applications.

Person(s) Responsible for Implementing: Technology Services

Implementation Date: June 2023

2021-008 Finding: Provisioning/Deprovisioning Access and User Access Review

Status: Corrective action in progress

Corrective Action: Technology Services has identified a project manager to look at the application access provisioning and de-provisioning throughout all CCD agencies holistically. Specifically ensuring the creation of standardized access controls, standards, processes, and policies supporting best practices throughout the city and county of Denver applications.

Person(s) Responsible for Implementing: Technology Services

Implementation Date: June 2023

2021-009 Finding: Matching - ALN 14.231 – Emergency Solutions Grant Program / Department of Housing and Urban Development / Award Number: E-20-MC-08-0005

Status: Corrective action complete

Corrective Action: HOST and HUD Technical Assistance provider, Homebase, have created an ESG Match Guide and training sub-grantees utilizing ESG funds.

Person(s) Responsible for Implementing: HOST – Midori Higa

Implementation Date: Complete

2021-010 Finding: Special Tests and Provisions - ALN 14.231 – Emergency Solutions Grant Program / Department of Housing and Urban Development / Award Number: E-20-MC-08-0005/E-20-MW-08-0005

Status: Corrective action in progress

Corrective Action: HOST's current NOFA cycle ends in FY2023. The next round of contracts to be allocated under this program will begin in 1/1/2024 and anticipate being executed in fall of FY2023, well ahead of the 180 day deadline. This special test will be updated within the HOST Grant Administration Policies & Procedures, as well as HOST Contract & Performance Management Policies.

Person(s) Responsible for Implementing: HOST – Jon Luper, Tara Olden

Implementation Date: 1st Quarter 2023

2021-011 Finding: Suspension, and Debarment – ALN 14.231 – Emergency Solutions Grant Program / Department of Housing and Urban Development / Award Number: E-19-MC-08-0005/E-20-MC-08-0005/E-21-MC-08-0005/E-20-MW-08-0005 / ALN 21.023 – Emergency Rental Assistance Program / Department of Treasury / Award Number: HOST – 202157622 / ALN 93.323 – Epidemiology and Laboratory Capacity for Infectious Diseases / Department of Health and Human Services / Award Number: PO, FHJA, 202000013525

Status: Corrective action complete and in progress

Corrective Action: 14.231 and 21.023 - HOST's internal policy states that a copy of the SAM.gov confirmation is kept within the program file. HOST will ensure that each contract requisition has a copy of the sam.gov Suspension and Debarment check attached in the Workday system and copied in the compliance file.

93.323 - DDPHE will update department contracts and grant policies and procedures to ensure that there is clarity on the process of documenting our search of each subrecipient on SAM.gov to ensure subrecipients are not included on the suspension and debarment list, as well as whose responsibility it is to do so. DDPHE will also work with citywide contracts and grants partners to ensure that there is clarity regarding the citywide expectations and procedures for this process as well, so our policies and procedures are in alignment.

Person(s) Responsible for Implementing: 14.231 and 21.023 HOST – Jon Luper and 93.323 DDPHE - Paige Cheney, Contracts & Grants Manager

Implementation Date: 14.231 and 21.023 - Complete and 93.323 - 12/31/2022

2021-012 Finding: Subrecipient Monitoring - ALN 14.241 – Housing Opportunities for Persons with AIDS / Department of Housing and Urban Development / Award Number: COH2F001

Status: Corrective action in progress

Corrective Action: HOST is in the process of backfilling and hiring additional audit staff to address the increased workload due to the additional COVID response dollars received. We will ensure that all required subrecipient monitoring is completed per our internal policies, City Fiscal rules, and Uniform Guidance as applicable.

Person(s) Responsible for Implementing: HOST – Ami Webb

Implementation Date: Late 2022 and 2023

2021-013 Finding: Subrecipient Monitoring, Cash Management (for subrecipients), Eligibility (for subrecipients) - ALN 21.023 – Emergency Rental Assistance Program / Department of Treasury / Award Number: HOST - 202157622

Status: Corrective action in progress

Corrective Action: HOST is in the process of backfilling and hiring additional audit staff to address the increased workload due to the additional COVID response dollars received. We will ensure that all required subrecipient monitoring is completed per our internal policies, City Fiscal rules, and Uniform Guidance as applicable.

Person(s) Responsible for Implementing: HOST – Ami Webb

Implementation Date: Late 2022 and 2023

2021-014 Finding: Activities Allowed or Unallowed, Allowable Costs - ALN 93.914 – HIV Emergency Relief Grants / ALN 93.323 – Epidemiology and Laboratory Capacity for Infectious Diseases / ALN 93.268 – Immunization Cooperative Agreements / Department of Health and Human Services / Award Number: H89HA00027-28-00, H89HA00027-28-01 (93.914) / FHJA 202000013525 (93.323) / FHJA 202100010501 (93.268)

Status: Corrective action complete

Corrective Action: This finding does not reflect an issue in process. Eight of the timesheets in question were during the time that Kronos was not available. The other four were for one particular pay period and does not reflect a consistent issue with timesheet review and approval. Timesheet approval processes are in place and are followed consistently.

Person(s) Responsible for Implementing: Robert George, HIV Resources Section Manager

Implementation Date: Currently implemented

2021-015 Finding: Allowable Costs - ALN 93.914 – HIV Emergency Relief Grants / Department of Health and Human Services / Award Number: H89HA00027-28-00, H89HA00027-28-01

Status: Corrective action in progress

Corrective Action: The review of personnel costs that are not 100% allocated to the grant will be reviewed annually as a part of the annual budget planning process. Allocation decisions will be documented and attached to budget planning documents.

Person(s) Responsible for Implementing: Tristan Sanders, CBH Division Director and Robert George, HIV Resources Section Manager.

Implementation Date: Fiscal Year 2023

2021-016 – Activities Allowed or Unallowed, Allowable Costs - ALN 93.778 – Medicaid Cluster / ALN 93.659 – Adoption Assistance Program / ALN 93.563 – Child Support Enforcement (Non-Major) / ALN 93.090 – Guardianship Assistance (Non-Major) / ALN 93.658 – Foster Care Title IV-E (Non-Major) / ALN 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program / Department of Health and Human Services / Department of Agriculture / Award Number: N/A

Status: Corrective action in progress

Corrective Action: City will seek submission guidance from the U.S. Department of Transportation, the City's largest federal grantor agency for FY 2021, as to whether the City's Central Services Cost Allocation Plan should be submitted for formal federal review and approval.

Person(s) Responsible for Implementing: Jessica Chandler, Rachel Bardin and Rory Regan, Department of Finance

Implementation Date: 12/31/2022

2021-017 – Activities Allowed or Unallowed, Allowable Costs - ALN 93.778 – Medicaid Cluster / ALN 93.659 – Adoption Assistance Program/ ALN 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases / ALN 93.268 – Immunization Cooperative Agreements / Department of Health and Human Services / Department of Agriculture / Award Number: N/A – Medical Assistance Program and Adoption Assistance / FHJA 202000013525- Epidemiology and Laboratory Capacity for Infectious Diseases / FHJA 202100010501- Immunization Cooperative Agreements

Status: Corrective action in progress

Corrective Action: The Budget and Management Office will ensure receipt of certification from agencies related to the full cost plan in accordance with our internal policies. Additionally, we will document the approval we previously received verbally from Denver Human Services after their review of the 2CFR cost plan.

Person(s) Responsible for Implementing: Rachel Bardin, Department of Finance

Implementation Date: 12/31/2022

2021-018 Finding: Reporting - ALN 21.023 – Emergency Rental Assistance Program / Department of Treasury / Award Number: HOST – 202157622

Status: Corrective action in progress

Corrective Action: Due to mitigating circumstances beyond HOST's control, the Treasury's portal does not currently display copies of compliance reports that were submitted in previous quarters. Treasury expects this issue will be corrected in late 2022 and the past quarterly reports will be made available for download at that time. The reports are webforms that are completed and submitted. Q2 and Q3 of 2022 are available for download and have been downloaded and retained. However, all of 2021 and Q1 2022 are not yet available due to the technological restraints of the Treasury platform. Once the reports for these timeframes are available, they will be downloaded and retained by the City.

Person(s) Responsible for Implementing: HOST – Ami Webb

Implementation Date: As soon as possible



City and County of Denver

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

2020-001 **Finding:** Capital Asset – Bridges - Several issues were noted with the reconciliations, review, and recording processes of infrastructure additions, specifically bridges within the city tracked by the Department of Transportation and Infrastructure (DOTI or the Department). The Department was not consistently reconciling the financial data related to bridges between the City's general ledger and internally maintained systems, to ensure all systems agreed as to the number of, location, and value of bridges. In addition, a detailed secondary review of the City's reconciliation was not performed by the Department or Controller's Office.

Status: Corrective action complete. DOTI created a written procedure that defines how and when to add or remove bridges from its Infor software system. In addition, DOTI Accounting monitors WIP balances by project ID and asks PMs when the projects are substantially complete. If DOTI Accounting finds a bridge that should be in service and is not in Infor, it communicates with the bridge team to discuss the discrepancy. Furthermore, DOTI Accounting requires a letter of acceptance from DOTI Right-of-Way-Services before adding a donated bridge to its spreadsheet. Annually, DOTI Accounting contacts CDOT to confirm that there are no state bridges in the Infor listing.

At year-end, the DOTI bridge team sends a listing of bridge additions and deletions to DOTI Accounting, which reconciles it to the bridge spreadsheet and updates the depreciation calculation. DOTI Accounting then makes a year-end journal entry to update the bridge account balances in Workday's general ledger, using the spreadsheet as support for the entry.

DOTI is investing in a new infrastructure asset management system. It will replace Infor and integrate with Workday, which will eliminate the manual spreadsheet process. The system is tentatively scheduled to go live in phases in 2023 or 2024.

2020-002 **Finding:** Capital Asset – Completeness and Cutoff - During testing of capital assets, we noted several instances in which the capital asset addition or disposal was not recorded by the city in the correct period or asset type. Established internal controls were not effective in preventing or detecting and correcting clerical errors in the recording and recognition of capital assets in a timely manner. In addition, there was a lack of communication between the City, the project managers, and those creating construction contracts that would allow for the appropriate recording of capital assets in the correct period.

Status: Corrective action complete. The Controller's Office performs monthly reconciliations of work-in-progress (WIP), Accumulated Depreciation, and Asset general ledger accounts, and comparing and analyzing outstanding transactions in the capital workbench for proper accounting treatment and

works closely with city agencies and departments to remedy discrepancies identified or additional actions to be taken. An annual physical review and certification of City assets also takes place prior to September 30th of each year.

The city has workflow capabilities built into the system of record (Workday) to facilitate the proper recording of acquisitions and dispositions in a timely manner. These workflows are consistent with the parameters set forth in Chapter 4 – Assets, of the city and County of Denver Fiscal Accountability Rules (FARs). City employees are required to follow the policies and procedures outlined in the FARs. Enforcement is carried out via the internal controls built into the system of record that lead to the second review and approval of capital asset related activities by the Controller’s Office.

These reviews and reconciliations serve the purpose of timely identifying the most recent statuses of capital projects as it relates to WIP, capitalization, and expensing, as well as to ensure the timely and appropriate recording of acquisitions, dispositions, and transfers.

The Controller’s Office effectively communicates new trainings, policies and procedures, materials, and other news through email with the Financial Network—an email correspondence sent from the Controller’s Office with specialized content published on Denver Hub, which is an intranet site that houses all things related to financial processes, policy, and news at the City and County of Denver. Additionally, the Controller’s Office publishes educational courses and training content on the learning module of Workday that address various areas of accounting, such as the Year-End Trainings. Moreover, the City is continuously searching for more ways to incorporate more trainings and strengthen internal controls.

2020-003

Finding: Financial Information Preparation - During our review of the financial information, we encountered numerous issues with the timeliness and/or accuracy of the information provided. Multiple requests to responsible departments to provide and correct information were required during the audit process. From our observations and inquiries of management, the Controller’s Office appears to spend a great deal of time correcting errors in accounting and re-working financial information due to staffing turnover. These issues were further exacerbated by the conversion to a new financial reporting preparation system in December 2020.

Status: Corrective action in progress – During 2021 we were able to fill all but one of our vacancies which was a huge accomplishment but also meant that 100% of our Manager and Supervisor positions were being held by new employees. Aside from management we also onboarded 2 new employees on the Financial Reporting Team as well as 1 on the Accounting Team. We also onboarded a new audit firm in 2021. As noted in 2021-002 above, all of this presented unique challenges. Despite the challenges, it was also exciting to learn and obtain new perspectives to a process that has been the same for a long time. We look forward to the future and the improvements and adjustment we can make. We are proud of the effort that everyone on the team gave as well as our final product.

Post-closing adjustments decreased by 14 from 2019 and by 8 from 2020. We will continue to work closely with Agencies throughout the City to ensure their understanding of the process. Adjustments (posted or passed adjustments) needed that were discovered, as a result of the audit, were minimal in 2021.

We will also work closely with BDO to determine the appropriate timing of when they are supplied with the first trial balance and drafts of the ACFR as all of this will play into the need for post-closing adjusting journal entries.

We acknowledge the significant number of variances between the statements and the footnotes within the first few drafts of the ACFR. The Controller's Office implemented Gravity (financial reporting tool) in 2020 to produce the ACFR and in 2021 started to find ways to use the full capabilities of Gravity. We will continue with this effort for 2022. We will create efficiencies by adding workbooks (audit workpapers) into Gravity. This will ensure that figures in the footnotes match the financial statements coming from the general ledger.

2020-004

Finding: Capital Assets - Several issues were noted with the reconciliations, review, and recording processes of capital assets. Established internal controls were not effective in preventing or detecting and correcting clerical errors in the recording and recognition of capital assets in a timely manner. In addition, management spent a great deal of time correcting errors in accounting systems and reconciling financial information due to inconsistent application of capital asset additions and transfers.

Status: Corrective action complete. The Controller's Office performs monthly reconciliations of work-in-progress (WIP), Accumulated Depreciation, and Asset general ledger accounts, and comparing and analyzing outstanding transactions in the capital workbench for proper accounting treatment and works closely with city agencies and departments to remedy discrepancies identified or additional actions to be taken. An annual physical review and certification of City assets also takes place prior to September 30th of each year.

The city has workflow capabilities built into the system of record (Workday) to facilitate the proper recording of acquisitions and dispositions in a timely manner. These workflows are consistent with the parameters set forth in Chapter 4 – Assets, of the City and County of Denver Fiscal Accountability Rules (FARs). City employees are required to follow the policies and procedures outlined in the FARs. Enforcement is carried out via the internal controls built into the system of record that lead to the second review and approval of capital asset related activities by the Controller's Office.

These reviews and reconciliations serve the purpose of timely identifying the most recent statuses of capital projects as it relates to WIP, capitalization, and expensing, as well as to ensure the timely and appropriate recording of acquisitions, dispositions, and transfers.

The Controller's Office effectively communicates new trainings, policies and procedures, materials, and other news through email with the Financial Network—an email correspondence sent from the Controller's Office with specialized content published on Denver Hub, which is an intranet site that houses all things related to financial processes, policy, and news at the City and County of Denver. Additionally, the Controller's Office publishes educational courses and training content on the learning module of Workday that address various areas of accounting, such as the Year-End Trainings. Moreover, the city is continuously searching for more ways to incorporate more trainings and strengthen internal controls.

2020-005

Finding: Police Retiree Health Fund Census Data and Participant Population - In regard to the Police Retiree Health Fund (the Plan), the city had significant difficulty in providing complete and accurate information relating to the required census data for the plan participants and no completeness

check was performed over the census data provided to the actuary. As a result of audit procedures, an additional 124 employees were identified which were not included in the original actuary valuation and it was determined that the actuary was not previously made aware of a benefit increase. The GASB 75 actuary report was updated to account for these changes. An audit adjustment of \$6.2 million was proposed, which the city elected to record. As a result of the prior year finding, the city did not establish any new procedures or controls over the Plan during the year ended December 31, 2020. Overall, there appears to be a lack of understanding related to the information needed to be provided to the actuary and who should be providing and reconciling this information.

Status: Corrective action in progress. OHR met with the Denver Police Retiree Health Fund Board of Trustees and their attorney along with Assurance Financial (the fund administrator) in March of 2021. First, the plan document needs to be modified. The Board agreed they needed to look at their plan document and revise the definition of spouse. We tried to emphasize their own liability here, but they do seem surprised that the city is looking at this. Second, the board utilizes Assurance Financial to administer their fund. Assurance Financial is entirely paper based. The only time they get notified of a member is if the member completes a paper enrollment form and sends it to Assurance Financial. We explained to both Assurance and the Board the audit finding about assurance not tracking members who are eligible but aren't enrolled (enrolling means with a paper form). We asked them if Denver could send them an automatic file feed of all members (not just those who enrolled in the benefit) and they said they do not have the capacity to receive. Assurance only has capacity for paper forms. They did agree to receive an excel spreadsheet from Denver with the list of members annually but seemed reluctant to track members not actively using the plan.