CONTROLLER'S OFFICE
DENVER DEPARTMENT OF FINANCE

# CITY AND COUNTY OF DENVER
# CORECTIVE ACTION PLAN
# YEAR ENDED DECEMBER 31, 2024

City and County of Denver respectfully submits the following corrective action plan for the year ended December 31, 2024.

Audit period: Year Ended December 31, 2024

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2024-001 Loans Receivable

Recommendation: We recommend the Department of Housing Stability (Department) enhance procedures and controls surrounding timely updates to outstanding loans. The Department should ensure timely and accurate recognition of the forgiveness of loan amounts in their records when the conditions are met by the borrowers. We recommend the Department develop enhanced procedures to properly track the loan activity and status throughout the year to maintain up to date information regarding each loan.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: HOST Finance will meet monthly with the HOST Asset Management Team to confirm and document: (1) current status of any pending DOT releases that require processing, (2) any necessary steps to complete the DOT release process, (3) any loan balances that need to be reduced or adjusted, and (4) confirmation that original documentation sent to partner if it is a full release. This will be performed to ensure all releases are processed timely in accordance with HOST Loan Portfolio policies.

Name of the contact person responsible for corrective action: Nicole Espinoza, Fiscal Administrator II, Department of Housing Stability

Planned completion date for corrective action plan: June 30, 2025

2024-002 Denver County Court Reporting

Recommendation: We recommend the County Court enhance procedures and controls surrounding review of year-end balances within the City's accounting system. The County Court should ensure timely and accurate recognition of balances throughout the year and at year-end.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: There are two parts to the corrective action plan. First, the Denver County Court team will remove any unearned revenue account balances and ensure no such balances are recorded in future periods, effective immediately. Second, the Denver County Court team will work with the Department of Finance to adjust the long-term accounts receivable worksheet to align with Denver County Court revenues. The reporting package will be reevaluated to properly account for Denver County Court's activities and a meeting will occur between the Controller's Office and Denver County Court to ensure a better understanding of the business and to ensure revenue, receivables, and allowance associated with receivables are recorded correctly. After this, Denver County Court will discuss the revamped reporting package and a correcting entry will be made. This new reporting package will be used going forward for the Denver County Court unless changes are made to the process.

Names of the contact persons responsible for corrective action: Gary Schulz, Finance Director, Denver County Court and Luke Morrissey, Financial Reporting Manager, Department of Finance

Planned completion date for corrective action plan: August 2025 (correction entry) and early 2026 for year-end 2025 adjustments

2024-003 Capital Asset Reconciliation

Recommendation: We recommend the City perform an annual reconciliation for capital assets, which covers the ending balances for asset value and accumulated depreciation for each asset class.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The city will perform a reconciliation of infrastructure assets and the associated accumulated Depreciation. We will evaluate each infrastructure asset class to determine the best approach and establish a new process to complete a reconciliation of ending balances for asset values and accumulated depreciation. Possible tools that will be considered include using Excel, Access or Workday, and availability of staff time and resources will be factors in the determination as each approach requires a different level of effort.

Name of the contact person responsible for corrective action: Luke Morrissey, Financial Reporting Manager

Planned completion date for corrective action plan: March 31, 2026

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## FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S DEPARTMENT OF TREASURY

2024-004 Federal Program Name: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF Program)– Assistance Listing No. 21.027

Compliance Requirement: Suspension and Debarment

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Recommendation: We recommend that the City incorporate specific language into its existing procurement process—particularly regarding suspension and debarment requirements—by clearly assigning responsibility for conducting these checks to the agency receiving and overseeing the federal award, both prior to any federal spending and on a recurring basis thereafter.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- Procedure Enhancement: The Department of Finance's Grant Operations team will develop and publish a more detailed procedure and FAQ outlining the process for conducting suspension and debarment checks in compliance with federal requirements. This will include clear guidance on:
    - The timing (prior to execution and upon renewal or amendment)
    - The verification method (e.g., SAM.gov),
    - Required documentation standards for these checks (attaching with the contract or purchase order in Workday, the City's financial system of record)
- Clarification of Roles and Responsibilities: The updated procedure will explicitly address multi-agency procurements. It will specify that the agency receiving and managing the federal funding is responsible for completing and documenting the suspension and debarment check, regardless of which agency initiates or supports the procurement process.
- Training and Communication: The Department of Finance and will communicate these updates through:
    - Direct outreach to agencies where the finding was made
    - Regular Grant Policy Advisory Committee (GPAC) meetings
    - Updated training materials for agency grant leads/liaisons

Name(s) of the contact person(s) responsible for corrective action: Justin Sykes, Budget and Management Director; Toni Bellucci, Citywide Grants Manager

Planned completion date for corrective action plan: August 30, 2025

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2024-005 Federal Program Name: Child Care and Development Fund Cluster – Assistance Listing No. 93.575, 93.596

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency in Internal Control over Compliance

Recommendation: We recommend the City implement a control to ensure the CBMS user access rights are offboarded timely when employees separate employment or move departments that do not require them to keep CBMS access.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Add Second Level verification: DHS Help Desk supervisor will be copied on Departure notices from Human Resources. The DHS Help Desk Supervisor will match IAM offboard notices from State OIT to Internal Human Resources Departure notices on a weekly basis and follow-up on any unmatched items.

Name(s) of the contact person(s) responsible for corrective action: Carl Ellis, TS IT Supervisor

Planned completion date for corrective action plan: April 1, 2025

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2024-006 Federal Program Name: Community Development Block Grants/Entitlement Grants – Assistance Listing No. 14.218

Compliance Requirement: Reporting – Federal Funding Accountability and Transparency Act (FFATA)

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Recommendation: We recommend the City establish and implement a formal process to consistently retain documentation of FFATA report submission dates, as well as evidence of the review and approval of each report submitted.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Denver's Department of Economic Development and Opportunity (DEDO) will establish a formal approval process to establish and document submission dates of all FFATA filings going forward. While the Federal Government does not provide any timestamps of initial submission for FFATA filings, nor require approval for FFATA submissions, DEDO will begin providing written and dated approvals of when FFATA reporting is taking place. We will put together a formal process that will provide dates to show review/approval of FFATA filings to meet our external auditor's request, despite the Federal Government not requiring it. DEDO is able to provide a documented historical consistency of maintaining effective internal controls over this Federal award, and will begin including FFATA filings in the documentation that is already maintained showing timely submission of reporting to the Federal Government.

Name(s) of the contact person(s) responsible for corrective action: Fanta Harkiso & Derek Cary

Planned completion date for corrective action plan: August 31, 2025