



**City and County of Denver
Office of the Auditor
2011 Audit Plan**

**Dennis J. Gallagher, Auditor
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City and County of Denver

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Auditor

October 18, 2010

Honorable John W. Hickenlooper, Mayor
Mayor's Office
City and County of Denver

Mr. Chris Nevitt, Council President
City Council
City and County of Denver

Dear Mayor Hickenlooper and Mr. Nevitt:

In accordance with City Charter section 5.2.1, sub-section (B), attached is the Auditor's Office 2011 Annual Audit Plan. This provision, officially effective as of January 1, 2008, requires that our Office submit to the Mayor and City Council, for information only, an audit work plan for the ensuing fiscal year. The purpose of the work plan is to identify particular departments, agencies, programs, contracts, franchises or other matters the Auditor has scheduled for auditing in the ensuing fiscal year. Our annual work plan facilitates an efficient allocation of limited audit resources on a risk-basis; provides a flexible mechanism for managing competing audit needs; eliminates the potential overlapping of audits with other audit organizations, and provides a sound foundation for obtaining sufficient budgetary funds required to execute our mission.

Our Office is committed to maintaining a collaborative partnership with the Mayor's Office and City Council. As such, we welcome any requests your Office may have regarding possible audits or audit services not listed in the 2011 plan with the caveat that, per the City Charter, the ultimate decision to perform any audit is at the sole discretion of the Auditor. Generally accepted government auditing standards (GAGAS) promulgated by the Comptroller General of the United States fully support this Charter provision.

If you have any questions, please call Kip Memmott, Director of Audit Services, at 720-913-5029.

Sincerely,

Dennis J. Gallagher
Auditor

DJG/ect

cc: Roxane White, Chief of Staff

To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people. We will monitor and report on recommendations and progress towards their implementation.

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I. Introduction

Denver City Charter, Article V, Part 2, Section 1, *General Powers and Duties of Auditor*, establishes the duties and responsibilities of the Auditor. Through the 2006 November election, Denver citizens voted to amend the City Charter to improve and streamline the City's financial structure while enhancing the important role of the independent Auditor.

The amendment to the City Charter significantly changed the role of the Auditor as defined in Article V, Part 2, Section 1, *General Powers and Duties of Auditor* effective January 1, 2008. Historically, since the establishment of the Office in 1904, the Auditor served as the general accountant for the City and, as such, maintained the City's financial records, and paid City expenses including payroll. However, in June 2007, based on the Charter revision, the accounting and payroll functions transitioned to the Controller's Office under the Chief Financial Officer, who officially assumed Charter responsibility and authority for those functions on January 1, 2008.

In addition to making these changes to the City's financial governance structure, the Charter revisions significantly enhanced the independent standing and authority of the Auditor. Specifically, the Charter authorizes the Auditor to conduct audits of all City entities in accordance with generally accepted governmental auditing standards promulgated by the United States Comptroller General. These standards establish clear definitions and requirements related to the independence of the audit function. The fact that the Denver City Charter now requires the Auditor to comply with these standards has resulted in the establishment of one of the most structurally independent government audit functions in the country.

Government auditing standards require an external peer review every three years. In October 2009, the Audit Services Division within the Auditor's Office underwent its most recent external peer review, which was conducted by the Association of Local Government Auditors (ALGA). The peer review team, consisting of three accomplished managers representing local government audit functions from around the country, determined and opined that the Audit Services Division fully complied with Government Auditing Standards promulgated by the Comptroller of the United States for the review period. This determination of full compliance is the highest possible level of compliance under the ALGA peer review program.

In addition to their finding of full compliance, the peer review team identified areas where the Division excels including core audit tenets and processes that are critical for not only an effective system of internal control necessary for full compliance with professional standards but for ensuring that work activities performed by the Division add significant value to City operations. Specifically, the review team identified several best practices used by the Division, most of

which were implemented during the latter part of the peer review period when the Division underwent significant internal restructuring as a result of the amendment to the City Charter. These areas include: the significant level of the structural and legal independence of the Auditor's Office, audit planning techniques, which include the use of formal risk assessment tools and sophisticated project planning and budgeting processes, high quality and expansive reporting practices, progressive management and supervisory techniques and the utilization of a cutting edge automated audit project management system including electronic working papers.

In addition to the inclusion of the requirement to adhere to government auditing standards, the Charter and resulting City ordinance citations include other provisions intended to strengthen the role and impact of the City internal audit function. These provisions include:

- The City Charter authorizes the Auditor to have, "... access at all times to all of the books, accounts, reports, vouchers or other records or information maintained by the Manager of Finance or by any other department or agency of the City and County."
- City Ordinance (Sec. 20-276) requires that audited City agencies and departments formally respond to audit findings and recommendations. Responses must specify either agreement with findings and recommendations or reasons for disagreement with findings and recommendations, plans for implementing solutions to issues identified and a timetable to complete such activities.
- The Charter establishes a formal, independent Audit Committee chaired by the Auditor and consisting of six other members. The Mayor, City Council and Auditor each appoint two members. The Audit Committee performs several critical functions including, among other responsibilities, annually commissioning and monitoring an independent external audit of the finances of the City (known as the Comprehensive Annual Financial Report – CAFR) and receiving findings and recommendations of internal audit reports.

Finally, City Charter Section 5.2.1, Sub-Section B requires that, "On or before the third Monday of October of each year, the Auditor shall submit to the Mayor and City Council, for information only, an audit work plan for the ensuing fiscal year. The work plan shall identify the particular departments, agencies, programs, contracts, franchises or other matters that the Auditor has scheduled for auditing in the ensuing fiscal year. Special audits or emergency audits may be requested by the Mayor or City Council or proposed by the Auditor at any time; provided, however that the ultimate decision to perform any audit shall be at the sole discretion of the Auditor."

In the fulfillment of this Charter responsibility, the Auditor's Office has developed the enclosed annual audit plan for the 2011 fiscal year. Key components of the plan, including concepts, criteria, key activities and timelines as well as a listing of planned audit projects for 2011 are described herein.

II. Overview of Annual Audit Plan

The Audit Services Division (the Division) of the Auditor's Office adheres to an overall audit strategy that a high quality and clear annual audit plan is critical for meeting the goals, objectives, and mission of the Office. The Division utilizes professional standards and guidelines developed by the Institute of Internal Auditors (IIA) for the development of the annual audit plan. These guidelines recognize that an annual audit plan and work schedule benefits the organization by:

- Establishing what agencies, programs, contracts, or other areas will be prioritized for audits on an annual basis.
- Permitting an efficient allocation of limited audit resources.
- Providing a flexible basis for managing audit personnel.
- Projecting an estimated timetable for initiating and completing audits for the year.
- Eliminating the potential for overlapping audits within the Division and with other audit organizations.
- Providing an identifiable basis for the role of the Division and justification for obtaining budgetary funds.

III. Principles for Audit Plan Development

In order to provide practical guidance and an authoritative framework for the development of the annual audit plan, the Division recognizes and observes the following basic audit plan principles:

- Consideration is given to the unique interests and responsibilities of the Auditor as an elected official of the City and the need to incorporate a risk factor that, when applied to a particular audit, would supersede other risk factors.
- Audit resources are limited, thus prohibiting one hundred percent audit coverage each year. This significant limiting factor is inherent in the concept of utilizing risk assessment to help prioritize audits.

- The plan is viewed as a flexible and dynamic tool that can be amended throughout the year to reflect changing City risks and priorities.
- The audit plan gives consideration to work performed by other auditors.
- The audit plan recognizes that there are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, risk factors are periodically evaluated and modified, as necessary.
- Risk assessment factors used for selecting annual audits are designed in conjunction with the objectives of auditing City agencies, business processes, and contracts. In general, audits of City agencies entail: the evaluation of internal controls, assessments of performance related to operational efficiency and effectiveness, as well as a determination of compliance with legal and contractual requirements.

IV. Audit Horizon

The audit plan is based on developing a realistic audit horizon of planned high-risk audits covering a three year period. The Division bases its annual audit plan on the development of such an audit horizon rather than developing a subjective, overly complex and incomplete “audit universe.” Historically, many audit organizations have attempted to develop a comprehensive “audit universe” from which to identify and prioritize audits. However, the Division adheres to a position that generating a comprehensive audit universe is prohibitive and unnecessary owing to the plethora of City departments, programs, activities and contracts, combined with the multiple types of audits that can be performed on each of these organizations, programs, activities and contracts and the fluid nature of government operations.

The outcome of such a cumbersome and time consuming analysis would reveal that there are literally thousands of possible audits that would require tens of thousands of audit hours and other resources. Based on our limited resources, the development of such a universe would simply reveal that it is not possible to provide full audit coverage of each City department, program, activity and contract. Additionally, the inclusion of such a “universe” could potentially mislead City officials and citizens to believe that all of the audits included on the listing will be performed and, perhaps more significantly, that any departments, programs, activities or contracts not included in the universe are not subject to audit.

As a result, instead of developing an “audit universe,” the Division utilizes a realistic audit horizon strategy and approach to identify, prioritize and manage audits deemed to be critical to City operations. Specifically, using the risk-based methodology described throughout the audit plan the Division identifies and

prioritizes a select number of audits for inclusion into the annual audit plan as well as listing potential audits for the ensuing two years.

The audits included in the horizon are based on available audit hours each year to ensure that realistic expectations are established and stated goals are met. The approach also builds ample hours into the plan for specially requested audits not originally captured on the plan, and for urgent audit issues that arise throughout the year. This approach provides the Auditor with a great deal of flexibility to address emerging issues in a timely manner and for providing high quality and responsive customer service to elected officials and operational management.

Great care is given in the selection of these audits to ensure that there is widespread audit coverage in terms of both types of audits performed, as defined in generally accepted government auditing standards promulgated by the Comptroller General of the United States,¹ and in terms of the City's vast array of departments, service areas, activities and contracts. These audits include performance audits that examine such areas as: program effectiveness, economy and efficiency, internal control, compliance and prospective analysis as well as financial audits.

The following are examples of the audit types included in the audit plan. Audits examining:

- Organizational units within a City agency such as a division or a department;
- Individual City programs and activities;
- Transaction cycles or processes that “horizontally” cross multiple City functions or departments, such as contracts, grants, human resources, information technology, etc.;
- Individual financial statement accounts and transactional areas such as capital assets, leave liability, accounts payable and payroll;
- Enterprise fund entities such as the Denver International Airport (DIA) and the Golf Enterprise Fund;
- Contracts and agreements the City has entered into with a third party; and
- Specialized audit advisory services (see Section VI for a description of advisory services).

¹ United States Government Accountability Office. *Government Auditing Standards*. July 2007.

V. Preparing the Annual Audit Plan

Audits included in the annual audit plan and audit horizon are selected and prioritized using a risk-based approach. Risk assessment is a process used to identify and prioritize audits based upon specific risk factors related to the quality of internal controls and the estimated liability and level of exposure to the City and County of Denver related to various City departments, programs, activities and contracts. The Division utilizes several techniques to identify and prioritize audits in the annual plan. These techniques include:

- Utilization of risk assessment criteria (described below);
- Analysis of operations and internal controls derived from previous internal audits, including trend analyses to identify recurring audit findings and control deficiencies as well as formal audit follow-up and outstanding recommendation tracking activities;
- Assessment of operations and controls derived from previous external audits including information in the City's Annual Financial Reports (CAFR), Single Audit Reports and external audit management letters;
- Input from elected officials, audit committee members, operational management and members of the public;
- Benchmarking audit priorities of other governmental entities;² and
- Consideration of current local events, financial conditions, and public policy issues.

The development of an annual risk-based audit plan is a dynamic and continuous process. Throughout the year, the Auditor's Office obtains and maintains current information about agencies and contractors for use in the risk assessment process. Additionally, the Auditor's Office obtains input from elected officials, City management, audit committee members, peer audit groups and citizens throughout the year to identify key risks related to various operational and public policy areas.

The final step for completing the annual audit plan is to estimate the number of available staff hours in the year and apply these to the estimated hours needed to complete selected audits and projects. These hours include hours allocated

² Recent audit activity and/or audit plans reviewed for the 2011 plan included internal audit functions from the following local government entities: Austin, Las Vegas, Los Angeles, Milwaukee, Philadelphia, Phoenix, Portland, San Antonio, San Diego, San Francisco, San Jose, Seattle, Tallahassee, and the District of Columbia. In addition, risk assessment work included a review of recent audit activity conducted by audit functions in the states of Arizona, California, Colorado, Florida, and Texas as well as the audit work performed by the U.S. Government Accountability Office (GAO).

for carry over audit projects (i.e. on-going projects initiated during the previous year). During 2009, the Division implemented state of the art audit project management software. This powerful tool has enabled the Division to enhance the manner in which potential audits are identified, prioritized, tracked and reported.

As noted, the objective of utilizing a risk-based audit plan is to identify and prioritize various operational and other issues posing the greatest potential risk and liability to the City. The Division utilizes the following risk factors based on their relevance to the nature and objectives of our audit approach and the political and reporting environment in which we operate:

- **Size of Audit Unit** – This measure assesses risk based on the magnitude of an entity in terms of revenue and expenditures, the amount and volume of financial transactions and the number of locations, employees, clients and customers.
- **Liquidity and Negotiability** – This measure assesses risk based on the nature and volume of cash transactions and the ease of converting assets into cash.
- **Compliance with Regulations** – This measure assesses risk in terms of exposure to loss, negative public relations impact, or regulatory sanction due to complexity and volume of regulations or penalties for noncompliance.
- **Public Exposure** – This measure assesses risk in terms of potential negative public relations impacts caused by the level of visibility and/or public interest in conjunction with financial or operational performance exposure.
- **Complexity of Transactions** – This measure assesses risk due to the nature and process of recording transactions and maintaining account balances.
- **Management Accountability** – This measure assesses the exposure to loss or embarrassment that has either been mitigated by audited entities actions to implement previous audit recommendations or has not been mitigated due to inaction by audited entities to address previous audit findings and recommendations. Audit literature refers to this as “tone at the top” i.e. the attitude and actions of elected officials and executive management related to accountability, transparency and continuous improvement.

- **Quality of Internal Control System** – This measure assesses the exposure to loss or embarrassment that has been mitigated by effective internal controls.
- **Age of Program or Operation** – This measure assesses exposure of risk of inefficiency, ineffectiveness, and exposure to loss or embarrassment due to changes in management, operations, organizational structure, accounting and information technology systems, personnel, or source of authority.
- **Audit History** – This measure presumes the risk of inefficiency, ineffectiveness, and exposure to loss or embarrassment has been decreased based on audit frequency, including both internal and external audits.
- **Public Health and Safety** – This measure assesses risk exposure related to public health and safety matters. The measure is based upon the tenet that protecting the safety and health of Denver citizens is the highest priority and most significant responsibility of the City government.

Information Technology Audit Planning Process – In addition to the performance and financial audits identified using the criteria and process described above, the annual audit plan also includes specialized informational technology audits. These audits are derived from the Division’s city-wide IT risk assessment. This risk assessment establishes an inventory of all critical IT systems. This inventory is comprised of four primary IT audit categories: IT business processes, business applications (either existing or under development), IT infrastructure (i.e., data networks), and IT facilities (i.e., data centers).

IT audit categories are risk-rated using an analysis based both on an objective technical process maturity score and a judgment based qualitative score. The technical score is based on the maturity model contained in *Control Objectives for Information and related Technology* framework (COBIT - see below). The qualitative score considers factors such as: risk of fraud, management concerns, and auditor judgment. The combined numerical risk score allows each IT audit category to be ranked from an overall City perspective or from within a given agency. The highest risk categories are the basis for the IT Audit Plan, providing a compass for IT audit work to be conducted over a several year period.

The IT risk assessment methodology is aligned with professional guidance, such as the Institute of Internal Auditors *Global Technology Audit Guide on Developing the IT Audit Plan*. Further, the methodology utilizes both the control domains and process maturity model contained within the COBIT, a generally accepted IT governance and controls framework.

VI. Description of 2011 Audit Plan

In accordance with City Charter Section 5.2.1, Subsection B, the following is a brief description of the 2011 audit plan tenets along with the Auditor Office's 2011 audit listing (see Attachment A) which, per City Charter requirements, identifies the "... particular departments, agencies, programs, contracts, franchises and other matters that the Auditor has scheduled for auditing during the fiscal year." While the listing represents the planned audit schedule for 2011, as noted previously, the plan is a flexible document that is subject to change and, per City Charter, "... the ultimate decision to perform any audit shall be at the sole discretion of the Auditor."

Emphasis on Performance Auditing – The 2011 audit plan continues to reflect a strong emphasis on performance auditing as a key mandate resulting from the change to the City Charter, particularly in the areas of program effectiveness and assessing the economy and efficiency of various City departments and programs. Per *Government Auditing Standards (GAS)*, promulgated by the Comptroller General of the United States, "performance audit objectives may vary widely and include assessments of program effectiveness, economy and efficiency, internal control, compliance and prospective analysis." In more specific terms, "the performance audit function provides an independent, third party view of management's performance and the degree to which the performance of the audited entity meets pre-stated expectations."³

Historically, the Auditor's Office has conducted numerous performance audits focused on internal control and compliance objectives. However, in 2008, the Office began conducting performance audits with program effectiveness and economy and efficiency objectives. Per GAS standards, audit objectives for performance audits focusing on program effectiveness and economy and efficiency components can include, but are not limited to, the following types of objectives:

- Assessing the extent to which legislative, regulatory, or organizational goals and objectives are being achieved;
- Assessing the relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;
- Analyzing the relative cost-effectiveness of a program or activity;
- Determining whether a program produced intended results or produced results that were not consistent with the program's objectives;

³ Education Committee of the *Association of Local Government Auditors*.

- Determining whether a program provides equitable access to or distribution of public resources within the context of statutory parameters;
- Assessing the extent to which programs duplicate, overlap, or conflict with other related programs;
- Evaluating whether the audited entity is following sound procurement practices;
- Assessing the reliability, validity, or relevance of performance measures concerning program effectiveness and results, or economy and efficiency;
- Assessing the reliability, validity, or relevance of financial information related to the performance of a program;
- Determining whether government resources (inputs) are obtained at reasonable costs while meeting timeliness and quality considerations;
- Determining whether appropriate value was obtained based on the cost or amount paid or based on the amount of revenue received;
- Determining whether government services and benefits are accessible to those individuals who have a right to access those services and benefits;
- Determining whether fees assessed cover costs;
- Determining whether and how the program's unit costs can be decreased or its productivity increased; and
- Assessing the reliability, validity, or relevance of budget proposals or budget requests to assist legislatures in the budget process.

The 2011 audit plan includes program effectiveness and economy and efficiency performance audits for areas deemed to be high-risk and many of them emphasize "horizontal" programs and activities that extend beyond individual departments and programs. Many of these audits will focus on the City's general governance structure for managing these horizontal activities to ensure comprehensive control structures are in place and efficient and effective communication processes and threading exists between operating departments. For example, the 2011 audit plan includes a performance audit of the City's Shared Services program.

In addition to identifying systemic types of issues involving key City responsibilities and activities, the primary intent of these types of audits is to assess the City's enterprise risk management approach. This audit emphasis is well aligned with the heightened focus nationally in both the public and private sectors towards strengthening and improving organizational governance, internal

control environments, transparency, quality of services, financial management and reporting and fraud prevention and detection activities and capabilities.

Audit Services Focused On Improving Financial Condition of the City –

While the financial condition of the City has always been and will always be a key tenet and criterion for annual audit plan development and execution, the 2011 audit plan includes specific audits and advisory services focused on helping to improve the financial condition of the City during a period of significant budgetary distress. The 2011 plan includes audits that will examine internal controls and assess compliance related to critical City fiscal activities such as budgeting, contract and grant administration, capital cost management, accounting practices, enterprise and internal service fund management, personnel costs, purchasing practices and cash handling functions.

Other audits in the 2011 plan will focus on opportunities for revenue maximization, such as analysis of current City fees and cost of service assessments, possible enhancements to City revenue contracts, and maximization of federal and state grant opportunities including American Recovery and Reinvestment Act (ARRA) federal grants. Additionally, the 2011 plan includes performance audits examining areas such as: the economy and efficiency of operations, unfunded federal and state mandates, consolidation, co-sourcing and outsourcing opportunities, and overall governance processes focused on identifying both service gaps and redundant activities.

The inherent flexibility of the audit plan was demonstrated during 2010 when the Division initiated several audits not originally listed on the 2010 plan in response to the substantive changing financial condition of the City. For example, the Division initiated work examining the City's oversight and use of ARRA funds. The Division's proactive and timely response in this strategic area not only resulted in timely information and recommendations being provided to City officials, but also resulted in the City earning a stellar reputation for ARRA oversight at the local government level.

For example, the Denver Auditor's Office and the United States General Accountability Office co-hosted a sold-out conference at the historic Magnolia Hotel in downtown Denver in August, 2010. The conference theme was the "Oversight and Monitoring of Stimulus Funds." The \$787 billion in stimulus funds authorized by ARRA has resulted in increased responsibilities for the governmental auditing profession, making this year's theme particularly relevant. Attendees from the federal government, public accounting firms, and accountability professionals from regional government entities (state and local) were very pleased with the conference and its timely theme.

The 2011 plan includes hours for undetermined audits to ensure the Division maintains the type of flexibility demonstrated by the ARRA work going forward.

Enhancement of Information Technology Auditing Capability – The 2011 plan includes audits that exhibit the Auditor Office’s strategic focus on information technology auditing. During 2009-10, the Division fully staffed our Information Technology (IT) audit team with experienced auditors all of whom have attained the Certified Information Systems Auditors (CISA) designation. Initially, the IT audit team worked on enhancing the Division’s internal use of technology. For example, the Division fully implemented an audit project management software system including electronic work papers. We have also implemented the use of Computer Assisted Audit Techniques (CAAT) to improve our data analysis capability. Additionally, the IT audit team supplemented our performance audit work with the use of comprehensive data analytics.

While the IT audit team will continue to perform some work activities in this capacity, the 2011 audit plan includes specific IT audits based on the IT risk assessment process (described on page 8). Local government technology organizations often face the same risks as those encountered by large corporations. In fact, the risks faced by governments may be higher, as government agencies are sometimes specifically targeted by those with malicious intent. However, governments operate with a significantly smaller budget and the proper functioning of our technology controls is critical to protecting our information resources. To ensure those risks are adequately controlled, the 2011 plan includes IT performance audits examining the confidentiality, integrity, and availability (CIA) as well as the cost-effectiveness of the City’s technology infrastructure.

Formal Anti-Fraud Audit Program – The Denver Auditor’s Office launched an extensive anti-fraud program in 2010 designed to identify risk areas across the City and prevent occupational fraud and other detrimental activity from occurring. While measures like these are always beneficial for an organization, they become particularly important when resources are scarce. The economic outlook for the City of Denver remains a concern and the Auditor’s Office plans to help to provide assurance that City property and assets are properly safeguarded.

Historically, there has been no formal internal audit anti-fraud program within the Auditor’s Office until the implementation of this program. Our research indicates there are few, if any, local government internal audit entities nationwide that have a similar anti-fraud program dedicated to fraud detection and prevention. Our progressive program stands unique with its efforts to identify and reduce opportunity for fraud.

The goals for our anti-fraud initiatives are to develop a program to identify high risk areas throughout the City where potential fraud may exist, reduce the opportunity for fraudulent activity and create a plan to continuously evaluate and

identify on-going fraud risks within the City. To evaluate potential risk areas identified and to ensure that the key enabling elements for fraud are mitigated (opportunity, pressure event and rationalization) the Division will utilize various methods including, but not limited to: reviewing current policies and procedures, interviewing agency personnel, evaluating internal controls, and conducting data analysis through Computer Aided Audit Techniques (CAATs). The 2011 audit plan includes substantive hours for on-going work activities related to the formal anti-fraud audit program.

Robust Audit Follow-Up Program – While the Division has had an audit follow-up process in place and has tracked the status of various audit findings and recommendations, the 2011 audit plan includes increased hours for audit follow-up, trend analysis and reporting activities. One key measure of the general effectiveness of an audit function, and in the case of the Denver model, a key indicator of the impact of the change to the City Charter related to the mission and role of the Auditor’s Office, is the organization’s audit recommendation implementation rate. In a nutshell, this rate is one of the clearest indicators as to whether an organization is utilizing information provided by internal audit reports to mitigate or reduce identified risks and to enhance performance and the economy and efficiency of operations.

In 2011, the Division will implement a more robust and enhanced follow-up program that will include significant hours for more in-depth audit work to verify that corrective actions have been taken to address prior audit findings. The program will include regular and formal reporting to the City’s elected officials, audit committee members, and operational management on the status of various audit findings and recommendations. This program will also include a trend analysis within and across City departments and programs in terms of management responsiveness and “tone at the top” related to audit findings and recommendations. The more robust 2011 audit follow-up program will also assist the Division with its on-going goal of implementing continuous improvement activities, in this case in terms of the quality and feasibility of audit recommendations.

Environmental Audit Capability – Beginning in 2008, the Auditor’s Office began executing the City’s first ever performance audits with program effectiveness and economy and efficiency objectives. In 2009, the Office began executing the City’s first ever information technology audits and in 2011 the Office will continue to expand its capabilities and array of audit services to include the City’s first environmental internal audits. Generally, environmental audits are reviews of an entity’s operations and processes to determine compliance with environmental regulations and generally accepted safety practices and guidelines. Environmental audits can address a wide range of areas including but not limited to assessments of buildings and building sites; activities and procedures; industrial and commercial developments; and engineering hazard and operability studies. The 2011 plan includes

environmental audits examining the Denver Arapahoe Disposal Site and Denver International Airport's Environmental Safety Management program.

Advisory Services Suite – In addition to the inclusion of new performance audit, information technology audit, environmental audit and anti-fraud capabilities, the 2011 plan also includes hours for performing the suite of advisory services products developed by the Auditor's Office. The intent of advisory services is to provide operational management with timely and critical information and analysis without the formality and duration of an audit. Generally, with the exception of Audit Alerts, the Division will provide these services at the request of operational management and elected officials. The following are descriptions of advisory services:

- **Audit Alerts** – Audit Alerts provide timely identification of potential risk areas that may prevent the achievement of City objectives. Alerts function as a rapid threading tool for disseminating key information identified by audit work. Those “at risk” entities can then complete a self-assessment and, if applicable, quickly self-correct any related control deficiencies.
- **Special Advisory Services** – Special Advisory Service reports provide information on limited reviews or time-critical assessments, investigations or evaluations. The Division generally provides these services at the request of operational management and elected officials. Special Advisory Services reports further City objectives and goals by providing a reporting vehicle that is flexible, quickly issued, and focused on singular issues. During 2010, the Division performed several of these services at the request of operational management and elected officials.
- **Control and Risk Self-Assessment Training Program** – Beginning in 2011, the Division will offer Control and Risk Self-Assessment (CRSA) training to City departments and personnel intended to assist managers, supervisors and staff to better understand management controls, the relationship between those controls, the risks related to a lack of effective controls and how controls are central to the strategic vision of the City. The core objectives of this training are to help operational personnel assume accountability for risk management, regardless of title and authority, to provide City business units with skills for analyzing and reporting on internal controls and to facilitate a prioritized focus on the most significant organizational risks.

The CRSA program is complimentary to the Anti-Fraud Program discussed earlier. With the City's current economic environment, where City employees are being required to do more with less and where enhanced financial stressors increase the risk of fraudulent

activity, the timing of these programs is even more strategic than would be the case under more stable and positive financial circumstances.

Focus on Flexibility & Responsiveness – As noted, as with prior audit plans, the 2011 plan includes significant hours for performing specially requested audits and for urgent audit issues that arise throughout the year not originally captured on the plan. This approach provides the Auditor with a great deal of flexibility to address emerging issues in a timely manner and for providing high quality and responsive customer service to elected officials and operational management.

Proactive Stakeholder Outreach – Obtaining input from various stakeholders regarding potential audit topics and areas deemed to be high risk is a key component of the annual audit plan development process. As part of outreach efforts related to the development of the 2011 audit plan, the Auditor's Office formal outreach activities included but were not limited to:

- Meetings with City elected officials including the Mayor, President of the City Council, and the Clerk and Recorder;
- Meetings with City Executive Management including the City Attorney, Chief Financial Officer and Chief Information Officer;
- A series of Auditor meetings and interactions with citizens and City employees in public arena.

The Auditor's Office extends its gratitude and appreciation to the Mayor's Office, Members of the City Council, members of the Audit Committee, the City's Operational Management Team and members of the general public for providing input on the annual audit plan, requesting audit services and for supporting the general mission of our Office throughout the year. We are committed to working with City management, elected officials and members of the public to improve the transparency of City operations and to enhance the quality of City processes, programs and services.

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Administration	Human Services	Economy and Efficiency	To assess the Department's strategic planning and personnel management practices. Questions that may be addressed by audit objectives may include but are not limited to: Does Denver Department of Human Services (DDHS) management provide personnel with effective guidance, training and performance evaluation to ensure they can perform their jobs effectively? How effective are DDHS management oversight and reporting systems? Does DDHS have a strategic plan that includes sound performance measures and is data collected to assess performance? How effective is DDHS' outreach to external stakeholders and advocates?
Advisory Services	Citywide	Non-Audit Services	Dedication of hours to perform advisory services requested by external parties including the Audit Committee, elected officials and operational management. Such services include: special advisory services, audit alerts, and training activities. The Division will be formally implementing a Control and Risk Self Assessment (CRSA) training program in 2011.
Ageing Facility Management	Denver International Airport (DIA)	Program Effectiveness	To assess DIA's planning process for maintaining aging facilities. Audit objectives may address such questions as: how do large installations effectively plan and manage aging? What maintenance programs are successful for long-term operations? How does a large facility plan for future growth and expansion without disrupting daily operations? How does a facility transition from preventative maintenance to new expansion?

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
<p style="text-align: center;">American Recovery and Reinvestment Act Administration</p>	<p style="text-align: center;">Mayor's Office</p>	<p style="text-align: center;">Program Effectiveness & Compliance</p>	<p>To review and report on the City's oversight and internal control structure for American Recovery and Reinvestment Act (ARRA) monies. The audit scope will include objectives assessing the usage and impact (outcomes) of these monies as well as ARRA grant compliance on a sample basis. ARRA audit work, initiated by the Auditor's Office the day the act was signed into law on February 17, 2009, will be performed for the duration of the Act.</p>
<p style="text-align: center;">Anti-Fraud Program</p>	<p style="text-align: center;">Citywide</p>	<p style="text-align: center;">Internal Controls</p>	<p>In addition to standardized fraud assessment activities included as a component of every performance audit, the Audit Services Division initiated a formal anti-fraud program during the 3Q of 2010. Through the use of Computer Assisted Audit Techniques (CAATs), the Division will analyze and correlate data sources that have been identified as possible indicators of fraud schemes. As the Division executes these programs, suspicious appearing anomalies will be investigated and if warranted referred to the District Attorney's Office for further investigation. CAATS identified that are particularly useful for strengthening internal controls will be recommended to City management for implementation. Our research indicates there are few, if any, local government entities nationwide that have a similar anti-fraud program dedicated to fraud detection and prevention. Our progressive program stands unique with its efforts to identify and reduce opportunity for fraud.</p>

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Audit Follow-Up	Citywide	N/A	Dedication of hours to follow-up on outstanding audit findings and recommendations. The Auditor's Office tracks these issues and reports to the Audit Committee on a regular basis the percentage of implemented recommendations as well as a listing of outstanding recommendations. For 2011, the Auditor's Office will be executing an enhanced follow-up program to ensure agreed upon audit findings and recommendations are being implemented in a timely and effective manner. Audit follow-up work will include a comprehensive follow-up on the Emergency Medical Response System audit issued in late 2008. This work will include a benchmarking and best practices advisory services component.
Capital Cost Management	Denver International Airport	Internal Controls	To assess the effectiveness of DIA's processes for managing and forecasting capital costs. Specific audit questions that may be addressed by audit objectives include: How does DIA forecast operating costs? How are capital improvement programs strategically organized to provide maximum value for stakeholders? What tools or methods do successful organizations deploy to effectively plan for future growth and the associated capital costs?
Career Service Authority Administration	Career Service Authority (CSA)	Program Effectiveness	To assess the effectiveness of CSA executive management in meeting the Authority's strategic objectives for the organization including financial oversight and budgeting practices, personnel management, and customer relations. Audit work will include a comprehensive assessment of CSA actions to address operational deficiencies identified by prior audits.

Attachment A: Listing of Planned Audits

***Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits***

Audit Title	Department	Audit Type	Audit Objective
Community Relations	Denver Public Library	Program Effectiveness	To assess the effectiveness of City outreach activities and customer service related to City Library operations. The audit will evaluate the impact on outreach services in terms of increased resource utilization and well as an analysis of fund raising activities with the intent of offering recommendations for enhancing such activities. The audit may also assess the effectiveness of public programs being offered by the library, in terms of costs and customer satisfaction on a sample basis.
Crime Laboratory Bureau	Denver Police Department (DPD)	Internal Controls	To review the Department's internal control structure related to the handling and processing of criminal evidence. Audit work will primarily focus on the Bureau's Quality Assurance Unit and will assess DPD compliance with national and international standards. However, all DPD units that handle evidence will be included within the scope of this audit.
Denver Arapahoe Disposal Site	Environmental Health	Environmental	To assess the internal control environment over this City-owned solid waste landfill including compliance with federal laws and standards. The landfill is operated by a third party and audit work will include a contract compliance review. This will be one of the initial environmental focused audits being performed by the Auditor's Office, demonstrating our expanded audit capabilities.

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Denver Probate Court	Denver Probate Court	Internal Controls	To assess the effectiveness of the Denver Probate Court's internal control environment and case management process. The Denver Probate Court has exclusive jurisdiction over "all matters of probate, settlements of estates of deceased persons, appointment of guardians, conservators and administrators, and settlement of their accounts, the adjudication of the mentally ill, and such other jurisdiction as may be provided by law." Audit work will include an examination of case files on a sample basis.
DIA Network Security	Denver International Airport	Internal Controls	To assess the efficiency and effectiveness of overall DIA Network Infrastructure Security Management including: firewall and router configuration, patch management, intrusion prevention and Detection, logging event correlation and monitoring, and wireless access configuration management.
Environmental Safety Management	Denver International Airport	Program Effectiveness	To assess DIA's programs and processes governing environmental safety. The audit will include a risk assessment of various environmental risks at DIA. Possible areas may include but are not limited to: runway drainage, de-icer containment, fuel farm storage, oil wells, air quality, waste removal, renewable energy usage and parking structure drainage. This will be one of the initial environmental focused audits being performed by the Auditor's Office, demonstrating our expanded audit capabilities.

Attachment A: Listing of Planned Audits

***Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits***

Audit Title	Department	Audit Type	Audit Objective
Expenditure & Revenue Contract Compliance	Citywide	Compliance	To review selected high risk City expenditure and revenue contracts for compliance. Audit scope will include diverse contract service and good types representing a cross-section of City departments. Audit objectives will include a review of the City's process and practices for using "on-call" contractors.
Finance Department	Denver International Airport	Internal Controls	To assess the effectiveness of DIA's Finance Department. Audit objectives will include an assessment of the Department's organizational structure and internal control environment.
Office of Emergency Management	Office of Emergency Management	Program Effectiveness	To assess the effectiveness of the City's emergency management program including preparedness and disaster recovery planning. Audit objectives will include a review of the City's Emergency Operations Plan (EOP), an evaluation of the effectiveness of inter and intra governmental communications and a benchmarking survey and literature review to identify best practices.
Office of the Chief Financial Officer	Department of Finance	Program Effectiveness	To assess the effectiveness of the Office of the Chief Financial Officer in managing the financial operations of the City. Amendment 1B to the City Charter established the Office in 2008 with the intent of strengthening City financial management. Audit work will include an assessment of activities undertaken by the Office since that time to accomplish this goal including an evaluation of performance measure and outcome data. Audit work will also include follow-up work related to prior work performed by the Auditor's Office involving the Office as well as audit work performed by the City's external auditor.

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Office of the Medical Examiner	Environmental Health	Compliance	To assess compliance with legal requirements, the adequacy of the Office's internal control environment, and to evaluate community relations.
OASIS/CAMA IT General Controls	Technology Services	Internal Controls	To assess the effectiveness of the IT General Controls supporting the City's property tax system including but not limited to: server operating system security (privileged access), server patch management, antivirus controls, change management, user access, vendor support and system supportability.
OSI IT General Controls and Performance Integrated Audit	Technology Services/ DPD	Economy and Efficiency	To assess the efficiency and effectiveness of the IT General Controls supporting the Denver Police Department's OSI system including but not limited to: server operating system security (privileged access), server patch management, antivirus controls, change management, user access, vendor support and system supportability. The audit scope will include an assessment of the National Incident Based Reporting System for policy crime statistics.
Permit and Inspection Services	Community Planning and Development	Economy & Efficiency	To assess the efficiency and effectiveness of the City's permitting process related to community development activities. The audit scope will specifically focus on enforcement activities related to the Denver Building Code as well as on community outreach and relations.

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Photo Traffic Enforcement Program	Denver Police Department	Program Effectiveness	To assess the effectiveness of the Department's Photo Traffic Enforcement program which includes Photo Radar and Photo Red Light components. Audit objectives will evaluate this program on the following performance factors: speed reduction, increased public safety, and revenue maximization. The audit will assess public relations aspects of this program as well.
Purchasing Division	General Services	Economy and Efficiency	To assess the economy and efficiency of the City's purchasing function. Audit objectives will assess purchasing internal controls including a review of selected purchases, determine processing time for purchases, evaluate customer satisfaction and include a benchmarking and literature review to identify best practices. In coordination with the Shared Services performance audit included in the 2011 plan, audit work may include an assessment of the effectiveness of the City's Procure-to-Pay (P2P) process.
Right of Way Enforcement & Permitting	Public Works	Economy and Efficiency	To assess the economy and efficiency of current City practices related to parking enforcement. Audit objectives will include an assessment of internal controls over parking enforcement as well as work activities to identify possible revenue enhancement opportunities related to parking structures and parking meters.
Shared Services Program	Citywide	Program Effectiveness	To assess elements of the City's Shared Services program from both internal control and program effectiveness perspectives. On a sample basis, audit work will examine Shared Services implementation and monitoring plans and assess related City performance measures and metrics. Audit objectives may include an assessment of Shared Services activities in the City's payroll, customer services (311) and/or Procure-to-Pay (P2P) programs.

Attachment A: Listing of Planned Audits

**Auditor's Office
2011 Annual Audit Plan
Listing of Planned Audits**

Audit Title	Department	Audit Type	Audit Objective
Solid Waste Management	Public Works	Economy and Efficiency	To assess the efficiency and effectiveness of the City's trash collection services. Audit objectives will include an assessment of internal controls, a cost of service analysis, an evaluation of customer satisfaction and benchmarking and literature reviews to evaluate and contrast the City's approach to best practices and alternative models. Audit work will seek to identify possible revenue enhancement options.
South Terminal Expansion	Denver International Airport	Program Effectiveness	To assess DIA's planning process for South Terminal expansion. Questions to be addressed by audit objectives may include: Is the terminal expansion project well-governed? Are resources being used effectively and in an efficient manner? Are stakeholder needs being satisfied? Are financing vehicles proper and appropriate?
Vehicle Fleet Maintenance	Denver International Airport	Program Effectiveness	To assess the effectiveness and efficiency of DIA's fleet management program. Key audit areas may include fleet development and turnover, maintenance practices and controls over fuel distribution. The audit will examine DIA fleet management practices on both the airside and groundside of the facility.
Worker's Compensation	Citywide	Program Effectiveness	To assess the effectiveness of City activities to diminish worker compensation claims and employee safety risks. The audit will include an examination of a sample of worker compensation claims including causes as well as an assessment of City compliance with related legal requirements. Additionally, the audit will examine City processes for assigning/re-assigning employees who have been injured on the job including "light" duty assignment practices.

Attachment B: 2012 and 2013 Audit Horizon

Auditor's Office 2011 Annual Audit Plan 2012 and 2013 Audit Horizon Listing

Audit Title	Department	Audit Type	Audit Objective
Advisory Services	Citywide	Non-Audit Services	Dedication of hours to perform advisory services requested by external parties including the Audit Committee, elected officials and operational management. Such services include: special advisory services, audit alerts, and training activities. The Division will be formally implementing a Control and Risk Self-Assessment (CRSA) training program in 2011.
Air Operations	Denver Police Department	Program Effectiveness	To assess the effectiveness of the Police Department's Air Operations program. Audit objectives may include an evaluation of costs (including cost-sharing agreements), staffing, equipment, and safety procedures.
American Recovery and Reinvestment Act Administration	Mayor's Office	Program Effectiveness & Compliance	To review and report on the City's oversight and internal control structure for American Recovery and Reinvestment Act (ARRA) monies. The audit scope will include objectives assessing the usage and impact (outcomes) of these monies as well as ARRA grant compliance on a sample basis. ARRA audit work, initiated by the Auditor's Office the day the act was signed into law on February 17, 2009, will be performed for the duration of the Act.
Animal Care and Control Division	Environmental Health	Internal Controls	To assess compliance with legal requirements and the adequacy of the Office's internal control environment. Audit objectives may include an assessment of customer relations and a study of current Animal Shelter fees.

Attachment B: 2012 and 2013 Audit Horizon

**Auditor's Office
2011 Annual Audit Plan
2012 and 2013 Audit Horizon Listing**

Audit Title	Department	Audit Type	Audit Objective
Anti-Fraud Program	Citywide	Internal Controls	In addition to standardized fraud assessment activities as a component of every performance audit, the Audit Services Division initiated a formal anti-fraud program in the 3Q of 2010. Through the use of Computer Assisted Audit Techniques (CAATs), the Division will analyze and correlate data sources that have been identified as possibility indicators of fraud schemes. As the Division executes these programs, suspicious appearing anomalies will be investigated and if warranted referred to the Distinct Attorney's Office for further investigation. CAATS identified that are particularly useful for strengthening internal controls will be recommended to City management.
Assessment Division	Department of Finance	Compliance	To assess the Division's real estate appraisal and information management processes. Audit objectives will evaluate: Division compliance with legal requirements, the completeness and timeliness of real estate appraisal activities, information management practices, customer relations approach and an assessment of the Division's property valuation methodologies using benchmarking and other methods.
Audit Follow-Up	Citywide	N/A	Dedication of hours to follow-up on outstanding audit findings and recommendations. The Auditor's Office tracks these issues and reports to the Audit Committee on a regular basis the percentage of implemented recommendations as well as a listing of outstanding recommendations. In 2011, the Auditor's Office will be executing an enhanced follow-up program to ensure agreed upon audit findings and recommendations are being implemented in a timely and effective manner.

Attachment B: 2012 and 2013 Audit Horizon

**Auditor's Office
2011 Annual Audit Plan
2012 and 2013 Audit Horizon Listing**

Audit Title	Department	Audit Type	Audit Objective
Boards and Commissions	Citywide	Program Effectiveness	To assess the City's use of Boards and Commissions for providing critical oversight and governance functions. Audit objectives will include an assessment of: the number and types of boards and commissions utilized by the City, the City's process for managing appointments to boards and commissions, the compliance of boards and commissions to legal requirements and accountability and oversight practices related to boards and commissions. Owing to the significant number of boards and commissions, a majority of audit work will be performed on a sample basis.
Budget and Management Office	Finance	Economy & Efficiency	To assess the effectiveness of City budgeting practices and performance measurement. Audit objectives will include a review of the City's budget development process from an efficiency and effectiveness perspective, an assessment of customer relations, the effectiveness of budget monitoring processes (including a review of related automated systems) and an assessment of data and performance information used by the City to make critical public policy decisions during a time of decreasing resources and increasing public demands.
Business Use Tax	Finance	Economy & Efficiency	To assess City practices and internal controls related to business use taxes. Audit objectives may include evaluation of lodging tax and related hotel generated revenues, Convention Center revenues and other business use tax types such as automotive dealerships. Audit work will include a comparative business tax rate analysis with benchmarked municipalities.
Capital Projects	Public Works	Internal Controls	To assess the adequacy of internal controls and accounting processes used by Public Works for major capital projects. The audit scope will focus on project management activities, particularly regarding cost containment, and change order processing on a sample basis. The audit will include follow-up work related to prior audit activity involving the Better Denver Bond program.

Attachment B: 2012 and 2013 Audit Horizon

**Auditor's Office
2011 Annual Audit Plan
2012 and 2013 Audit Horizon Listing**

Audit Title	Department	Audit Type	Audit Objective
Central Services Internal Service Fund	General Services	Economy and Efficiency	To assess the economy and efficiency of the support services provided to City agencies through this fund including copying, printing and mail services. Audit objectives will assess fund internal controls, evaluate customer satisfaction and include a benchmarking and literature review to identify best practices and possible consolidation or co-sourcing opportunities.
Community Corrections Funding	Safety	Program Effectiveness	The objective of this audit is to assess the efficiency and effectiveness of program oversight for the operation of community corrections within the City and County of Denver. Audit objectives will include a review of the City's contracts with the State of Colorado and related third parties to administer a community corrections program, the monitoring processes performed by the community corrections board, as well as a benchmarking and best practices approach for comparative purposes.
Cost Allocation Plan	Department of Finance	Internal Controls	To review and assess the City's methodology and process for allocating internal service costs. Audit work will include a contract compliance review as the City uses a third party to develop the annual cost allocation plan.
Denver 311	Technology Services	Program Effectiveness	To assess the effectiveness of the City's 311 customer service function. Audit objectives will include: an assessment of the technology used for this system, customer satisfaction rates, and referral and documentation processes. The audit will include a benchmarking and best practices assessment related to customer service approaches used by other municipalities.
Denver International Airport	Denver International Airport	Various	The Auditor's Office will conduct a series of audits examining DIA operations and contracts. Areas to be audited include but are not limited to: selected revenue and expenditure contracts; leases and agreements; strategic planning processes including major capital projects; procurement practices; safety, security, and emergency planning activities; fixed asset management, and community and intergovernmental relations functions.

Attachment B: 2012 and 2013 Audit Horizon

Auditor's Office 2011 Annual Audit Plan 2012 and 2013 Audit Horizon Listing

Audit Title	Department	Audit Type	Audit Objective
Denver Public Library	Denver Public Library	Program Effectiveness	To assess the effectiveness of the City Library in terms of meeting key mission and performance objectives. Audit objectives may include evaluations of: privacy concerns, bad debt collections, quality of collections and holdings, strategic planning processes and Internet access and broadband build out processes and controls.
Elections Division	Clerk and Recorder	Internal Controls	To assess the adequacy of City internal controls for elections. The audit will include an assessment of City compliance with related legal requirements. The audit scope will also address any voting issues identified from the November 2010 General Election.
Employee Overtime and Compensatory Accrual Practices	Citywide	Internal Controls	To assess the City's policies, procedures and practices related to employee overtime and compensatory time. Audit objectives will include quantifying overtime and compensatory costs, evaluating the effectiveness of City policies and practices and reviewing selected departments to determine compliance with City requirements.
Employee Training	Career Service Authority	Program Effectiveness	To assess the quality and adequacy of City employee training activities. Audit objectives will include an assessment of required and optional training provided by the Career Service Authority's Employee Relations, Training and Organizational Development Division and a review of selected City department's internal training programs.
Expenditure & Revenue Contract Compliance	Citywide	Compliance	To review selected, high risk City expenditure and revenue contracts for compliance. Audit scope will include diverse contract service and good types representing a cross-section of City departments.
Fire Department Administration	Safety	Economy & Efficiency	To assess the effectiveness of Department administration in terms of strategic planning and performance measurement, budgeting and accounting practices and community relations.

Attachment B: 2012 and 2013 Audit Horizon

Auditor's Office 2011 Annual Audit Plan 2012 and 2013 Audit Horizon Listing

Audit Title	Department	Audit Type	Audit Objective
Greenprint Denver	Mayor's Office	Program Effectiveness	To assess the effectiveness of the Greenprint Denver program. Audit objectives will include an assessment of the program's community outreach and education activities, performance metrics and reporting processes, and partnering activities.
Information Technology Audits	Citywide	Various	The Office has completed a comprehensive risk assessment of the City's consolidated IT systems and will complete IT risk assessment for Denver International Airport and non-consolidated City IT functions in 2011. Possible 2012 IT audit topics include: IT change management, identity management, service level management, business continuity, configuration management and IT governance.
Mayor's Office of Education and Children	Mayor's Office	Program Effectiveness	To assess the effectiveness of the Mayor's Office for Education and Children. Audit objectives will include a review of the Office's: outreach activities, partnering activities with Denver Public Schools, and administrative practices related to the Denver Great Kids Head Start Program. The audit will also include internal controls governing the Office's grant administration activities.
Motor Vehicle Division	Department of Finance	Economy and Efficiency	To assess the economy and efficiency of the Denver Motor Vehicle Division's operations. Audit objectives will include an assessment of the security and adequacy of automated systems, customer satisfaction and compliance with legal requirements.
Municipal Operations	City Attorney's Office	Program Effectiveness	To assess the Department's effectiveness in providing legal services to various City departments specifically related to caseload management, contracting, recordkeeping and tracking and training practices. Audit objectives will include an evaluation of the timeliness and quality of legal services provided to City departments including a customer satisfaction assessment and a review of the outcome of selected key City activities with legal implications.

Attachment B: 2012 and 2013 Audit Horizon

Auditor's Office 2011 Annual Audit Plan 2012 and 2013 Audit Horizon Listing

Audit Title	Department	Audit Type	Audit Objective
Office of Employee Assistance	Mayor's Office	Program Effectiveness	To assess the effectiveness of the City's employee assistance program. Audit objectives will include reviews of the Office's: employee outreach activities, internal controls for the Denver Employee Emergency Program (DEEP), records management practices and performance measurement activities.
Permitting Office	Parks & Recreation	Economy & Efficiency	To assess the Department's structure and practices for ensuring resources are being utilized as effectively as possible and assessing internal controls over the processing of permits and the collection of permit revenue. The primary objectives of this audit will include examining and assessing operational practices, resources, technology tools, and training practices.
Program Improvement and Accountability	Human Services	Internal Controls	To assess the effectiveness of the Program Improvement and Accountability Unit towards providing the Department with centralized quality assurance, internal controls, information management, fraud detection and recovery services. Audit objectives will include an evaluation of current unit practices and performance measurement activities as well as a trend analysis related to audit activity within the Department.
Public Nuisance Abatement Unit	Denver Police Department	Program Effectiveness	To assess the effectiveness of the Public Nuisance Abatement Unit's investigation processes involving real property and vehicles. Audit objectives will include a review of the timeliness of investigations, internal controls over the fine and penalty enforcement and collection processes, community outreach activities and inter-governmental communications with the District Attorney's Office.
Recreation Division	Parks & Recreation	Economy and Efficiency	To assess the adequacy of internal controls and accounting processes used by the Recreation Division of the City Parks and Recreation Department. Audit objectives may also include a review of the economy and efficiency of various youth recreation programs administered by the Department.

Attachment B: 2012 and 2013 Audit Horizon

Auditor's Office 2011 Annual Audit Plan 2012 and 2013 Audit Horizon Listing

Audit Title	Department	Audit Type	Audit Objective
Right-of-Way Permitting	Public Works	Internal Controls	To assess internal controls and legal compliance related to the Public Works Department's Right-of-Way permitting processes. Audit objectives will include an evaluation of the Department's permitting and inspection processes in terms of timeliness, consistency, cost and legality and will include a review of a sample of right-of-way projects including contract award and enforcement practices.
Safe City Office	Safety	Program Effectiveness	To assess the effectiveness of the City's Safe City program. Audit objectives will include an evaluation of program outreach and intervention activities, performance measurement practices and research and policy development activities.
Undersheriff Operations - Vehicle Impound Facility	Undersheriff Department	Internal Controls	To assess the program's internal control environment including recordkeeping practices, acquisition and disposal processes and revenue collection activities.
Utilities	General Services	Economy & Efficiency	To assess the economy and efficiency of the Department's Utilities function. Audit objectives will include a review of Department activities related to the acquisition, negotiation, monitoring, tracking and payment for the City's utility services. Department efforts towards maximizing the use of renewable energy will be examined and threaded with other environmentally-focused audits being performed by the Auditor's office.
Winter Park Fund	Parks & Recreation	Internal Controls	To assess the internal controls governing the City's Winter Parks and Recreation Capital Fund. Audit objectives will include an evaluation of compliance with legal requirements and the terms of the City's agreement with Winter Park Ski Resort, a review of accounting practices and an assessment of fund allocation and utilization activities.

Attachment B: 2012 and 2013 Audit Horizon

*Auditor's Office
2011 Annual Audit Plan
2012 and 2013 Audit Horizon Listing*

Audit Title	Department	Audit Type	Audit Objective
Workforce Development	Office of Economic Development (OED)	Program Effectiveness	To assess the effectiveness of the Office of Economic Development's Workforce Development Program. The audit will include an assessment of current OED performance measures used to monitor the effectiveness of the program as well as an analysis of OED efforts to maximize federal and state funding sources. Audit objectives will assess Department's action to address on-going high unemployment within the City and County.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
911 Data Center Operations	Consolidated Technology Services - Facilities	Internal Controls	To assess the efficiency and effectiveness of the 911 Communications Data Center to ensure compliance with National Fire Protection Association (NFPA) standards, disaster recovery capability, and vendor support.
Advisory Services	Citywide	Non-Audit Services	Dedication of hours to perform advisory services requested by external parties including the Audit Committee, elected officials and operational management. Such services include: special advisory services, audit alerts, and training activities.
Airport Improvement Program	Department of Aviation	Program Effectiveness	To review and assess the DIA strategic plans for improving airport operations and physical improvements such as the construction of an on-site hotel and conference facilities and efforts to enhance concession revenues.
American Recovery and Reinvestment Act Administration	Mayor's Office	Program Effectiveness & Compliance	To review and report on the City's oversight and internal control structure for ARRA monies. The audit scope will include objectives assessing the usage and impact (outcomes) of these monies as well as compliance assessments with selected ARRA grants. ARRA audit work will be performed for the duration of the Act.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
Anti-Fraud Program	Citywide	Internal Controls	In addition to standardized fraud assessment activities as a component of every performance audit, the Audit Services Division initiated a formal anti-fraud program in the 3Q of 2010. Through the use of Computer Assisted Audit Techniques (CAATs), the Division will analyze and correlate data sources that have been identified as possibility indicators of fraud schemes. As the Division executes these programs, suspicious appearing anomalies will be investigated and if warranted referred to the Distinct Attorney's Office for further investigation. CAATS identified that are particularly useful for strengthening internal controls will be recommended to City management.
Audit Follow-Up	Citywide	N/A	Dedication of hours to follow-up on outstanding audit findings and recommendations. The Auditor's Office tracks these issues and reports to the Audit Committee on a regular basis the percentage of implemented recommendations as well as a listing of outstanding recommendations.
Board of Ethics	Board of Ethics	Program Effectiveness	To assess the effectiveness of the City's ethics program. Audit objectives may include an examination of the City's organizational approach and legal requirements, employee outreach and training efforts, policies and procedures, program performance measures, and review of formal opinions issued by the Board.
Career Service Hearing Office	Career Service Authority	Compliance	To assess compliance with legal requirements and to evaluate program effectiveness. Audit objectives will include examining and validating Hearing Office performance measures and reviewing selected cases to assess the quality and equity of decision making criteria.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
City Attorney Information Security Management	Citywide - Applications	Internal Controls	To assess the efficiency and effectiveness of overall Information Security Management for the City Attorney's Office including security planning, risk assessment, compliance, privacy, business continuity, and disaster recovery.
City Fees	Citywide	Economy & Efficiency	To determine if City fees are properly structured to allow for full cost recovery for services provided and to assess legal compliance related to such fees. Audit methodology may include activity-based costing analysis on a sample basis.
Classification, Compensation and Benefits Division	Career Service Authority	Economy & Efficiency	To assess the effectiveness and equity of the City's employee classification and compensation structures as well as to assess selected City employee benefit programs in terms of cost containment, cost-benefit analysis, and unfunded employee liability costs.
Contract Administration Practices	Citywide	Program Effectiveness	To assess City contract administration practices to ensure the City is receiving quality services and goods at equitable prices in a timely manner. Audit objectives will include an assessment of citywide contract administration and monitoring legal and procedural requirements as well as a review of record keeping practices, Statements of Work (SOW) and contract deliverables, and amendment and contract close out processes on a sample basis.
Denver Employee Retirement Plan	Citywide	Internal Controls	To assess the internal control structure over the Denver Employees Retirement Plan (DERP) including plan performance (rate of return) and actuarial analyses to determine any current unfunded liability. Audit objectives with assess compliance with legal requirements.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
Division of Small Business Opportunity	Office of Economic Development	Compliance	To assess City compliance with legal requirements related to federal Disadvantaged Business Enterprise (DBE) Program and the federal Airport Concession Disadvantaged Business Enterprise Program (ACDBE). Audit objectives will include a review of outreach and certification processes.
Excise and Tax - Business Inspections	Excise and License	Economy & Efficiency	To assess the economy and efficiency of the City's business inspection process including a City ordinance compliance review. The audit scope will include an examination of City complaint investigation and enforcement activities related to violations of City Code by businesses and an assessment of license fee collection processes.
Expenditure Contract Compliance	Citywide	Compliance	To review selected, high risk City expenditure contracts for compliance. Audit scope will include diverse contract service types representing a cross-section of City departments.
Family and Adult Services - Adult Protection	Human Services	Program Effectiveness	To assess the effectiveness of the City's adult protection program. The audit will include an examination of the case management system, outcomes and compliance with related legal requirements as well as an assessment of Department revenue maximization efforts from federal and state funding sources.
Facilities Planning & Management	Citywide	Economy & Efficiency	To assess the economy and efficiency of Facilities Planning and Management activities performed by the Department of General Services. The audit will include a review of a sample of third party contracts.
Financial Management - Treasury Division	Department of Finance	Program Effectiveness	To review the City's investment approach and portfolio management practices. Audit objectives will include an assessment of internal controls, an evaluation of the City's organizational and oversight approach and benchmarking to identify best practices.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
Fixed Asset Management	Citywide	Internal Controls	To assess the City's internal control environment over fixed assets including a review of governing documents (e.g. policies and fiscal rules), accounting documents (accuracy of inventories) and disposition practices.
Golf Enterprise Fund	Parks and Recreation	Internal Controls	To assess the internal controls related to the management of the City's Golf Enterprise Fund. The audit will include an examination of accounting processes and a sample of revenue contracts (including a follow-up on previous audits of various contracts).
Information Security Management	Department of Aviation	Internal Controls	To assess the efficiency and effectiveness of overall Information Security Management at DIA including security planning, risk assessment, compliance, privacy, business continuity, and disaster recovery.
Network Security	Consolidated Technology Services - Infrastructure	Internal Controls	To assess the efficiency and effectiveness of overall network infrastructure security management including: firewall and router configuration, patch management intrusion prevention and detection, logging event correlation and monitoring, and wireless access configuration management
Office of the Controller	Department of Finance	Internal Controls	To assess the adequacy of the internal controls governing key City fiscal processes and to review the status of mitigation strategies implemented by the Controller's Office to eliminate historical material weaknesses identified by the City's annual external audit.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
Office of the Independent Monitor	Office of the Independent Monitor	Program Effectiveness	To assess the effectiveness of the Office of the Independent Monitor function particularly focused on the Office's core functions of monitoring, reviewing, and making recommendations for improving Police, Sheriff and Fire Department critical incident investigations and internal affairs assignment decision making processes to ensure fairness and consistency in the handling of citizen and internally initiated complaints and investigations. Audit objectives will include benchmarking and literature reviews to assess the effectiveness of the City's organizational structure for this function.
Passenger Facility Charge	Department of Aviation	Compliance	To assess the internal control environment related to passenger facility charges including compliance reviews of related agreements and requirements.
Passenger Safety	Department of Aviation	Program Effectiveness	To assess DIA's programs and activities related to ensuring passenger safety. Audit objectives will include a review of intergovernmental coordination with the Federal Aviation Administration, emergency preparedness plans and activities and overall security management practices.
Revenue Contract Compliance	Department of Aviation	Compliance	To review selected DIA revenue contracts for compliance and revenue maximization. Audit scope will include diverse cross-section of contract service and good types.
Revenue Contract Compliance	Citywide	Compliance	To review selected City revenue contracts for compliance and revenue maximization. Audit scope will include diverse contract service and good types representing a cross-section of City departments.

Attachment C: 2010 Audits

Auditor's Office 2011 Annual Audit Plan 2010 Audits

Audit Title	Department	Audit Type	Audit Objective
Tax Compliance - Treasury Division	Department of Finance	Economy & Efficiency	To assess the economy and efficiency of the Division's various tax collection processes. Audit objectives will include an evaluation of Division practices and processes used to identify and collect tax revenue owed to the City and assessment of community outreach activities in terms of public education, information and customer service.
Theaters and Arenas Special Revenue Fund	General Services	Program Effectiveness	To assess the effectiveness of the Theaters and Arenas Division in meeting its mission, specifically in the areas of: revenue maximization and job creation, the economy and efficiency of operations and customer service.
Traffic Division	Denver County Court	Program Effectiveness	To evaluate the effectiveness of the County Court's moving violations adjudication process. Audit objectives will include assessing information technology and other systems used for case management and for collecting fines owed to the City.
Travel and Expense Review	Department of Aviation	Internal Controls	To assess the DIA internal control environment for employee travel and related expenses. Audit methodology will include the utilization of Computer Assisted Auditing Techniques (CAATs) to test travel claims paid during the audit scope period.
Vehicle Fleet Maintenance	Citywide	Economy & Efficiency	To assess the effectiveness and efficiency of the City's fleet management program. Key audit areas may include fleet development and turnover, consolidation feasibility, maintenance and controls over fuel distribution.