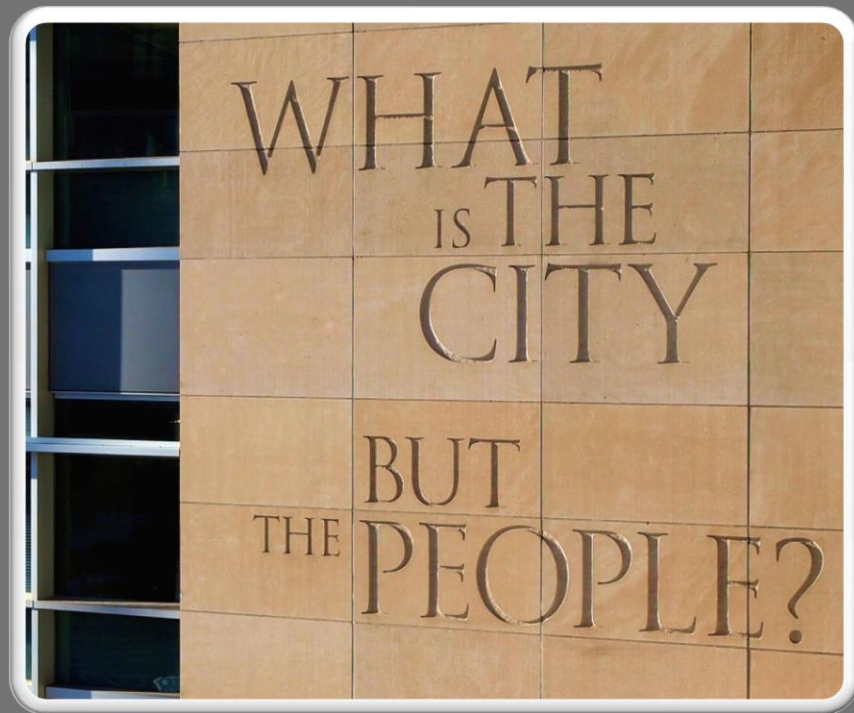


2012

# City and County of Denver

## Office of the Auditor

### 2012 AUDIT PLAN



Dennis J. Gallagher, Auditor  
Kip R. Memmott, Director of Audit Services





# City and County of Denver

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*Dennis J. Gallagher*  
Auditor

October 17, 2011

Honorable Michael B. Hancock, Mayor  
Mayor's Office  
City and County of Denver

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

Dear Mayor Hancock and Mr. Nevitt:

In accordance with City Charter Section 5.2.1, Sub-Section (B), attached is the Auditor's Office 2012 Annual Audit Plan (2012 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 subsequent 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 Offices may have regarding possible audits or audit services not listed in the 2012 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 720-913-5000.

Sincerely,

Dennis J. Gallagher  
Auditor

DJG/ect

cc: Janice Sinden, Chief of Staff

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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 Government Auditing Standards (GAGAS) 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 (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 Division fully complied with GAGAS 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, which is 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. The Division will be undergoing its next peer review in 2012.

In addition to the inclusion of the requirement to adhere to GAGAS, the Charter and resulting City ordinance citations include other provisions intended to strengthen the role and impact of the City's 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 (Section 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, or 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.

The Office provides the Audit Committee with the draft annual audit plan in advance of formal issuance for review.

In the fulfillment of this Charter responsibility, the Auditor's Office has developed the enclosed annual audit plan for the 2012 fiscal year. Key components of the plan, including concepts, criteria, key activities, and timelines, as well as a listing of planned audit projects for 2012, are described herein.

## **II. Overview of Annual Audit Plan**

The Audit Services Division (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 benefit the organization by:

- Establishing which 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 Audit Services Division (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, and 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 Audit Services Division (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 (GAGAS) promulgated by the Comptroller General of the United States,<sup>1</sup> and in terms of the City's vast array of departments, programs, activities, and contracts. These audits include performance audits, which 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, which examine:

- 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.;

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<sup>1</sup> United States Government Accountability Office, *Government Auditing Standards*. July 2007.

- 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).

## **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 Audit Services Division (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 Comprehensive Annual Financial Reports (CAFRs), Single Audit Reports, and external audit management letters;
- Input from elected officials, Audit Committee members, operational management, and members of the public;
- Benchmarking against the audit priorities of other governmental entities;<sup>2</sup> 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.

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<sup>2</sup> Recent audit activity and/or audit plans reviewed included internal audit functions from the following local governmental 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).

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 including diminished public trust in the municipal government 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 risks related to outdated technology, maintenance, safety, and lack of preventive means and measures due to changes in management, operations, organizational structure, accounting systems, information technology systems, personnel, or source of authority.
- **Audit History** – This measure assesses the risk of inefficiency, ineffectiveness, and exposure to loss or embarrassment 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 Risk Assessment Process** – In addition to the performance and financial audits identified using the criteria and process described above, the annual audit plan also includes specialized information technology audits. These audits are derived from the Division's Citywide IT risk assessment. This risk assessment establishes an inventory of all critical IT systems and comprises 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 the *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 categories with the highest risk scores 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, including resources from the Institute of Internal Auditors: *Global Technology Audit Guide* and *Developing the IT Audit Plan*. Further, the methodology utilizes COBIT, a generally accepted IT control framework, control domains, and a process maturity model.

## **VI. Description of 2012 Audit Plan**

In accordance with City Charter Section 5.2.1, Sub-Section B, the following is a brief description of the 2012 audit plan tenets along with the Auditor's Office 2012 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 2012, 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."

**Enhanced Focus on Flexibility and Responsiveness** – As described throughout the plan, the concepts of flexibility, responsiveness, and transparency are core tenets of the Auditor's Office annual audit plan. The utilization of the audit horizon methodology and risk assessment criteria focused on proactively obtaining audit suggestions from elected officials and operational management demonstrate how these core tenets are actualized in the audit plan development process. The 2012 audit plan places an even greater emphasis on the core tenets of flexibility and responsiveness now that the City has a new Mayoral administration and new City Council members.

With the intent of assisting the City's newly elected officials transition into their positions and address known and emerging risks to City operations and performance, the 2012 plan includes abundant hours to execute audit services related to emerging issues and risks in a timely manner. In this regard, the Auditor and the Director of Audit Services will be meeting regularly throughout the year with elected officials and operational management to solicit input related to operational risks and proposed audit engagements as well as to share information related to issues and risks identified by historical work performed by the Auditor's Office. A key component of this outreach will be to share audit follow-up status reports and related trend analysis with City officials.

Meeting with City elected officials and operational management has been a key risk assessment criterion in the annual audit plan development process in the recent past. The Office has executed several audits and advisory services at the request of elected officials and operational management over the years. As a recent example, the Office will be initiating an audit of the City's 311 system in November 2011 at the request of several City Council members. During 2012, the Auditor's Office plans to increase the frequency and level of interaction with City officials with the intent of enhancing collaboration, especially in terms of understanding and monitoring major initiatives and programs being undertaken by elected officials and operational management.

For example, the Auditor's Office will be actively engaged in monitoring and reviewing key initiatives, programs, and activities intended to address the City's budget condition, including recommendations being developed by the Structural Financial Task Force and subsequent actions taken by City officials based on these recommendations; programs and initiatives designed to identify and eliminate inefficiencies and waste in the City, including the Peak Performance Initiative and the Shared Services program; and programs intended to stimulate economic growth within the City and region including activities performed by the Office of Economic Development and the airport's South Terminal Redevelopment Project.

The Auditor's Office is cognizant that it will take a period of time for some of these initiatives and programs to be fully implemented and to be subsequently measured. During 2012, the primary intent of the Auditor's Office monitoring activities related to these initiatives and programs, in most cases, is to keep current and informed about such activities or future audit risk assessment purposes and to enable the Office to assist the administration with any of these efforts to the greatest extent possible.

**Continued Emphasis on Performance Auditing** – The 2012 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 Generally Accepted Government Auditing Standards (GAGAS), 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."<sup>3</sup>

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 that evaluated program effectiveness and incorporated economy and efficiency objectives. Per GAGAS, audit objectives for performance audits that focus 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;

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<sup>3</sup> Education Committee of the Association of Local Government Auditors.

- 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;
- 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 2012 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. These audits will focus on the City's general governance structure for managing horizontal activities to ensure that comprehensive control structures are in place and that efficient and effective communication processes and threading exist between operating departments. For example, the 2012 audit plan includes a performance audit of the City's Procure-to-Pay (P2P) system.

In addition to identifying systemic 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 plan emphasis is well aligned with the heightened focus nationally in both the public and private sectors on strengthening and improving organizational governance, internal control environments, transparency, quality of

services, financial management, and reporting and fraud prevention and detection activities and capabilities.

During 2012, the Auditor's Office will continue to work on gaining access to Child and Adult Protective Services records under the purview of the Department of Human Services. Despite provisions in the City Charter that grant the Auditor's Office comprehensive authority to access City records and employees, State law currently prohibits the Office from accessing these records. As a result, the Office has been unable to execute performance audits examining the effectiveness of current Department practices and activities related to the provision of services to these two vulnerable populations within the City and County of Denver.

**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 2012 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 2012 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/payroll, purchasing practices, and cash handling functions.

Other audits in the 2012 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. Additionally, the 2012 plan includes performance audits examining areas such as the economy and efficiency of operations; consolidation, co-sourcing, and outsourcing opportunities; and overall governance processes focused on identifying both service gaps and redundant activities.

**Enhancement of Information Technology Audit Capability** – The 2012 audit plan includes specific IT audits based on the IT risk assessment process (described in Section V). 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.

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

The Denver Auditor's Office continued its anti-fraud program during 2011. The program is designed to identify high-risk areas in City operations for occupational fraud potential. During the year, the Anti-Fraud Team focused efforts on reviewing the internal control structure in three distinct agency cash handling operations. Detailed internal control process narratives were created with accompanying test scripts that can be used by the Audit Services Division (Division) or agency staff to assess controls over cash handling. The

Anti-Fraud Team briefed the Audit Committee on its observations at the September 2011 Audit Committee meeting.

The 2012 goals for fraud prevention are to further incorporate anti-fraud capabilities into performance audits conducted by the Division. By highlighting potential gaps within internal control systems, the opportunity for fraud can be reduced. The Division intends to continue its evaluation of potential risk areas and mitigate the precursors for fraud (opportunity, pressure event, and rationalization) within the identified internal control system on an audit-by-audit basis rather than through a formal program.

**Enhanced Audit Follow-Up Program** – Although the Division has had an audit follow-up process in place and has tracked the status of various audit findings and recommendations, the 2012 audit plan will place continued emphasis on follow-up activities with 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 2012, the Division will continue its robust and enhanced follow-up program, which will include significant hours for more in-depth audit work to verify that appropriate and timely corrective actions have been taken to address prior audit findings and mitigate identified risk to City operators. 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 2012 audit follow-up program will also assist the Division with its on-going performance 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 continued to expand its capabilities and array of audit services to include the City's first environmental internal audits. Specifically, the Office initiated an environmental performance audit of Denver International Airport's Environmental Safety Management program.

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 2012 plan includes an environmental audit examining the Denver Arapahoe Disposal Site.

**Advisory Services Suite** – In addition to the inclusion of new performance audit, information technology audit, environmental audit, and anti-fraud capabilities, the 2012 plan also includes hours dedicated to 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 of 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.
- **Control and Risk Self-Assessment Training Program** – In 2010, the Division created a Control and Risk Self-Assessment (CRSA) team and provided the team’s supervisor with an opportunity to develop workshop-facilitation skills by attending an Institute of Internal Auditors training class. In early 2011, Division management and the CRSA team identified areas in which the team could facilitate workshops for the Division. These workshops had a dual positive effect: allowing the CRSA team members to gain experience in workshop creation and facilitation, and providing the Division with an important opportunity for self-evaluation and continuous improvement.

The CRSA team conducted five workshops on various aspects of the audit process from March to May 2011. After the facilitation sessions concluded, the team supervisor convened a core group of workshop participants to ensure that action items identified in the workshops are implemented. This implementation process will be completed by December 2011. The team has also identified ways to leverage the experience gained in the internal workshops to enhance its ability to facilitate workshops for groups in other City agencies.

In 2012, the Division plans to begin offering CRSA workshops to other City departments and personnel. The intent of the CRSA workshops is to help management and staff better understand management controls, understand the risks related to a lack of effective controls, and facilitate a prioritized focus on the most significant organizational risks. Finally, CRSA workshops should help operational personnel take greater accountability for risk management, regardless of title and authority. The CRSA program complements the Division's anti-fraud efforts by demonstrating to agency personnel how they can improve controls, which may help prevent fraud.

**Proactive Stakeholder Outreach** – As noted, obtaining input from various stakeholders regarding potential audit topics and high-risk areas is a key component of the annual audit plan development process. During the development and execution of the 2012 audit plan, the Auditor's Office outreach activities include but are not limited to:

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

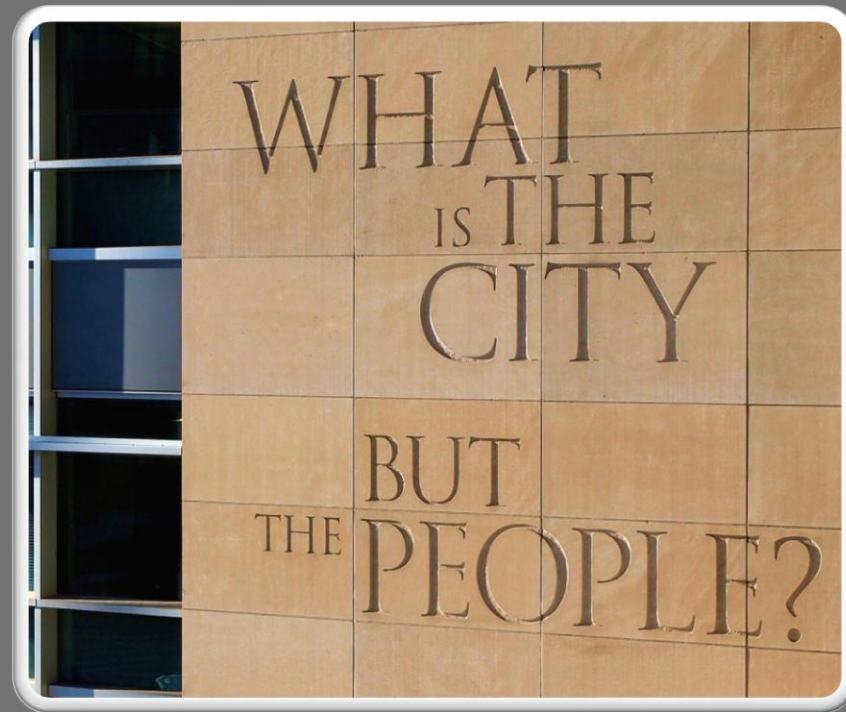
For the 2013 audit plan risk assessment and development process, the Auditor's Office plans to hold a series of public meetings to obtain direct input from citizens on perceived City risks and performance. The Auditor's Office ardently adheres to a citizen-centric model, and we continually develop strategy and seek methods intended to solicit and address citizen concerns and questions related to the operations and activities of their municipal government.

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.

A

# Attachment A

2012 PLANNED AUDITS



## Attachment A: 2012 Planned Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Advisory Services</b>	Citywide	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, fraud mitigation, and training activities. The Audit Services Division formally implemented a Control and Risk Self Assessment (CRSA) training program in 2011 and piloted the program internally. CRSA advisory services will be offered to City departments beginning in 2012.
<b>Audit Follow-Up</b>	Citywide	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 2012, the Auditor's Office will be executing an enhanced follow-up program to ensure that agreed-upon audit findings and recommendations are being implemented in a timely and effective manner.
<b>Boards and Commissions</b>	Citywide	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 with 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.
<b>Budget and Management Office</b>	Finance	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.

## Attachment A: 2012 Planned Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Capital Projects</b>	Public Works	To assess the adequacy of internal controls and accounting processes used by the Department of 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 and Public Works contracting processes.
<b>Change Management Practices</b>	Technology Services	To assess the efficiency and effectiveness of change management practices and processes utilized by Technology Services including metrics for changes to outage correlation.
<b>Civil Litigation Program</b>	City Attorney's Office	To assess the effectiveness and efficiency of current City practices related to civil litigation. Audit objectives will include a review of current City practices related to civil litigation settlement including an assessment of current process internal controls and compliance, a review of cost-benefit analysis methodologies employed for settlement decisions, trend analysis to identify root causes for recurring civil litigation issues, and a determination of the reasonableness of City civil litigation settlement costs.
<b>Denver Arapahoe Disposal Site</b>	Environmental Health	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 environmentally focused audits being performed by the Auditor's Office, demonstrating our expanded audit capabilities. Audit work may include the use of a technical consultant.
<b>Denver Public Library</b>	Denver Public Library	To assess the effectiveness of the Denver Public 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.
<b>Network Security</b>	Aviation	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.

## Attachment A: 2012 Planned Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>OASIS/CAMA IT General Controls</b>	Technology Services	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.
<b>Office of the Deputy Chief of Administration</b>	Police	To assess the economy and efficiency of the Denver Police Department's budgeting and performance measurement practices. Audit objectives may include an assessment of DPD staffing strategy, overtime costs, and the role of the Office of the Deputy Chief of Administration in DPD's disciplinary review process.
<b>OSI IT General Controls</b>	Technology Services / Police	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.
<b>Parking Administration</b>	Aviation	To assess the efficiency and effectiveness of Denver International Airport's parking office operations. DIA has more than 40,000 public parking spaces offering a variety of choices for customers. Audit objectives will assess DIA controls governing revenue, customer outreach and satisfaction programs, and performance standards.
<b>Payroll</b>	Finance	To assess the City's internal control environment for payroll. Audit objectives will include an assessment of system controls and payroll testing on a sample basis. Audit objectives may also include an examination of City overtime costs.
<b>Permitting Office</b>	Parks and Recreation	To assess the Denver Parks and Recreation Department's structure and practices for ensuring that 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, revenues, and training practices.

## Attachment A: 2012 Planned Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Purchasing Division</b>	General Services	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. Audit work will include an assessment of the effectiveness of the City's Procure-to-Pay (P2P) system.
<b>RMS / Versadex IT General Controls</b>	Technology Services / Police	To assess the effectiveness of the IT General Controls supporting the Denver Police Department's Record Management System, including server operating system security (privileged access), server patch management, antivirus controls, change management, user access, vendor support, and system supportability.
<b>South Terminal Redevelopment Project</b>	Aviation	To determine if costs charged to the South Terminal Redevelopment Project are in accordance with the terms and conditions of applicable contracts, and to ensure costs including labor, materials, equipment, equipment rentals, disposable tools, and overhead costs are properly billed and received. Audit objectives will also include a review of payments made to contractors to ascertain whether amounts match amounts billed to the STRP project, are timely, and are adequately supported; an analysis of back-charges for accuracy and supporting documentation; an examination of work performed to assure that services are in accordance with STRP contract stipulations and specifications; and a review of STRP competitive bidding processes conducted for major purchases of materials or services.
<b>Undersheriff Operations - Vehicle Impound Facility</b>	Safety	To assess the operation's internal control environment including record-keeping practices, acquisition and disposal processes, and revenue collection activities.
<b>Vehicle Fleet Maintenance</b>	Aviation	To assess the effectiveness and efficiency of DIA's fleet management program. Key audit objectives 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.

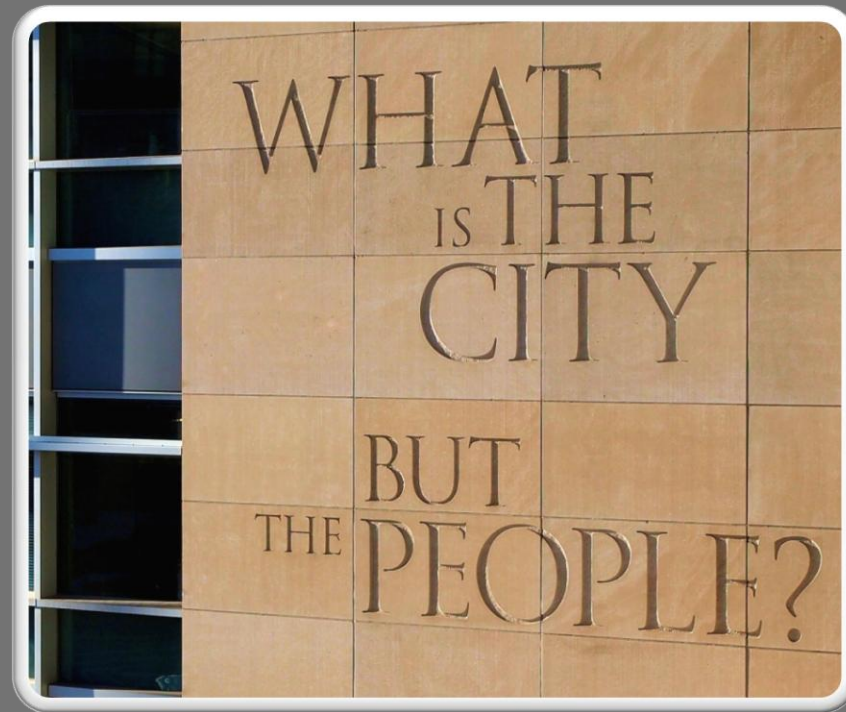
### Attachment A: 2012 Planned Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Workforce Development Program</b>	Office of Economic Development	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 OED's action to address on-going high unemployment within the City.

B

# Attachment B

2013 AND 2014 AUDIT HORIZON



## Attachment B: 2013 and 2014 Audit Horizon

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>American Recovery and Reinvestment Act Administration</b>	Mayor's Office	To review and report on the City's oversight and internal control structure for American Recovery and Reinvestment Act 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.
<b>Animal Care and Control</b>	Environmental Health	To assess Animal Care and Control's compliance with legal requirements and the adequacy of ACC's internal control environment. Audit objectives may include an assessment of customer relations and a study of current animal-shelter fees.
<b>Assessment Division</b>	Finance	To evaluate the Assessment 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, and customer relations approach. The audit will also assess the Division's property valuation methodologies using benchmarking and other methods.
<b>Business Use Tax</b>	Finance	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.
<b>Career Service Authority Administration</b>	Career Service Authority	To assess the effectiveness of Career Service Authority executive management in meeting CSA'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.
<b>Central Services Internal Service Fund</b>	General Services	To assess the economy and efficiency of the support services provided to City agencies through the Internal Service 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.

## Attachment B: 2013 and 2014 Audit Horizon

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Child and Adult Protective Services</b>	Human Services	During 2012, the Auditor's Office will continue to work on gaining access to Child and Adult Protective Services records under the purview of the Department of Human Services. Despite provisions in the City Charter that grant the Auditor's Office comprehensive authority to access City records and employees, State law currently prohibits the Office from accessing these records. As a result, the Office has been unable to execute performance audits examining the effectiveness of current Department practices and activities related to the provision of services to these two vulnerable populations within the City and County of Denver.
<b>Community Corrections Funding</b>	Safety	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.
<b>Denver International Airport</b>	Aviation	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.
<b>Elections Division</b>	Clerk and Recorder	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 address any issues identified with regard to Elections Division processes in the aftermath of the November 2012 General Election.
<b>Employee Overtime and Compensatory Accrual Practices</b>	Citywide	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.
<b>Employee Training</b>	Career Service Authority	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 departments' internal training programs.

## Attachment B: 2013 and 2014 Audit Horizon

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Environmental Quality Division</b>	Environmental Health	The Environmental Quality Division (EQ) assures environmental protection and provides environmental services through assessment, regulatory compliance, technical assistance, environmental education, and stewardship initiatives for both private sector and City operations. EQ is a principal agency in supporting the Mayor's Sustainable Development Initiative, Greenprint Denver. An Environment Management System (EMS) is a management tool that helps Denver incorporate environmental considerations into day-to-day operations. Denver is one of the first cities in the nation to implement a Citywide EMS. Audit objectives will include assessing activities of both the EQ and the EMS that are intended to foster the efficient use of renewable and non-renewable resources.
<b>Expenditure and Revenue Contract Compliance</b>	Citywide	To review selected high-risk City expenditure and revenue contracts for compliance. Audit scope will include diverse contract service types representing a cross-section of City departments.
<b>Greenprint Denver</b>	Mayor's Office	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.
<b>Information Technology Audits</b>	Citywide	The Office has completed a comprehensive risk assessment of the City's consolidated IT systems. Possible 2013 IT audit topics include IT change management, identity management, service level management, business continuity, configuration management, and IT governance.
<b>Legislative Services</b>	City Council	To assess the effectiveness and efficiency of activities performed by the City Council office. Audit objectives may include an examination of support costs, compliance with City legal requirements related to Council activities, records management practices, and a quality assessment of research and other information provided to Council members by Legislative Services personnel.
<b>Mayor's Office for Education and Children</b>	Mayor's Office	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 Denver's Great Kids Head Start program. The audit will also include internal controls governing the Office's grant administration activities.
<b>Motor Vehicle Division</b>	Finance	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.

## Attachment B: 2013 and 2014 Audit Horizon

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Municipal Operations Section</b>	City Attorney's Office	To assess the Municipal Operations Section'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.
<b>Office of Employee Assistance</b>	Mayor's Office	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 Employees Emergency Program (DEEP), records management practices, and performance measurement activities.
<b>Office of the Chief Financial Officer</b>	Finance	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.
<b>Performance Improvement and Accountability Division</b>	Human Services	To assess the effectiveness of the Performance Improvement and Accountability Division with regard to providing the Department of Human Services with centralized quality assurance, internal controls, information management, fraud detection, and recovery services. Audit objectives will include an evaluation of current Division practices and performance-measurement activities as well as a trend analysis related to audit activity within the Department.
<b>Public Nuisance Abatement Unit</b>	Police	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.
<b>Recreation Division</b>	Parks and Recreation	To assess the adequacy of internal controls and accounting processes used by the Recreation Division of the Department of Parks and Recreation. Audit objectives may also include a review of the economy and efficiency of various youth recreation programs administered by the Department.

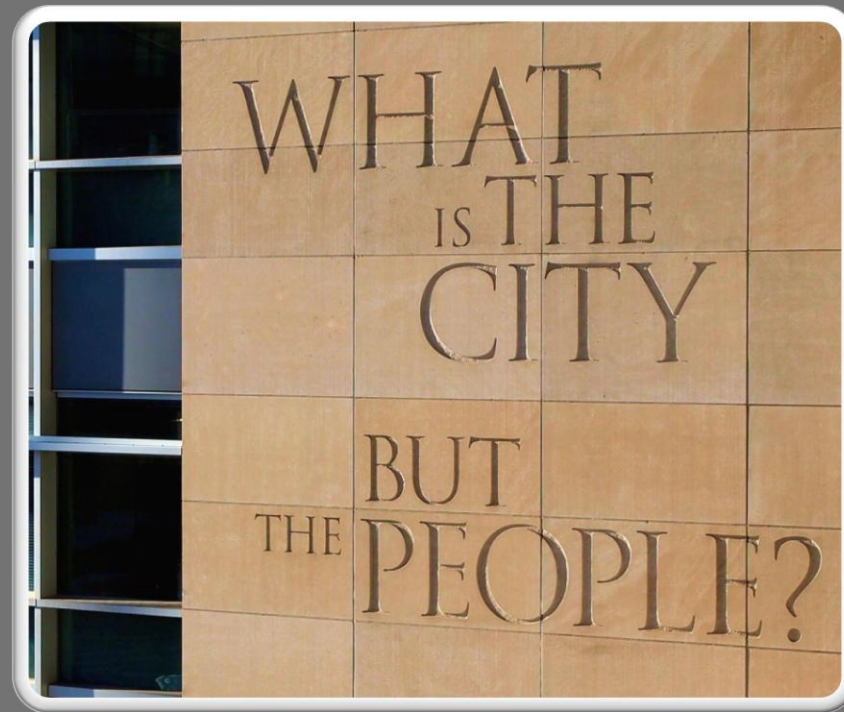
## Attachment B: 2013 and 2014 Audit Horizon

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Safe City Office</b>	Safety	To assess the effectiveness of the Denver Safe City Office. Audit objectives will include an evaluation of Office outreach and intervention activities, performance measurement practices, and research and policy development activities.
<b>Solid Waste Management</b>	Public Works	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.
<b>Traffic Engineering Services</b>	Public Works	To assess the effectiveness of the Division of Traffic Engineering Services' traffic control system. Audit objectives will include a review of the traffic signal system and the Intelligent Transportation System (ITS) as well as an assessment of the effectiveness of intra-governmental coordination.
<b>Utilities Division</b>	General Services	To assess the economy and efficiency of the General Services Department's Utilities Division. Audit objectives will include a review of Division activities related to the acquisition, negotiation, monitoring, tracking, and payment for the City's utility services. Division efforts with regard to maximizing the use of renewable energy will be examined and threaded with other environmentally focused audits being performed by the Auditor's office.
<b>Winter Park Fund</b>	Parks and Recreation	To assess the internal controls governing the City's Winter Park 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 Resort, a review of accounting practices, and an assessment of fund allocation and utilization activities.

C

# Attachment C

2011 AUDITS



## Attachment C: 2011 Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Advisory Services</b>	Citywide	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.
<b>Aging Facility Management</b>	Aviation	To assess DIA's planning process for maintaining aging facilities. Audit objectives may explore such topics as: how large installations effectively plan and manage aging; which types of maintenance programs are successful for long-term operations; how large facilities plan for future growth and expansion without disrupting daily operations; and how facilities transition from preventative maintenance to new expansion.
<b>American Recovery and Reinvestment Act Administration</b>	Mayor's Office	To review and report on the City's oversight and internal control structure for the American Recovery and Reinvestment Act 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.
<b>Anti-Fraud Program</b>	Citywide	In addition to standardized fraud-assessment activities being incorporated into every performance audit, the Audit Services Division initiated a formal anti-fraud program in 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 District Attorney's Office for further investigation. Any CAATs that are identified as particularly useful for strengthening internal controls will be recommended to City management.
<b>Audit Follow-Up</b>	Citywide	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.

## Attachment C: 2011 Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Career Service Hearing Office</b>	Career Service Authority	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.
<b>Classification, Compensation and Benefits Division</b>	Career Service Authority	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.
<b>Cost Allocation Plan</b>	Finance	To review and assess the City's methodology and process for allocating internal service costs. Design and conduct a performance audit to determine if the Denver cost allocation plan is reasonable, accurate, and timely. Analyze whether the cost allocation method is consistent and equitable. Perform audit test work to ascertain whether the City adequately monitors the performance of the contractor charged with conducting the annual cost allocation study. Review compliance with OMB Circular A-87, which provides principles and standards for determining both direct and indirect costs applicable to federal cost-based awards to governmental units. Parties using the A-87 cost principles include budget preparers, recipient personnel responsible for tracking costs charged against federal awards, independent auditors, and agency personnel negotiating indirect cost rates and cost allocation plans. Determine how overhead and indirect costs are established and charged.
<b>Denver 311</b>	Technology Services	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.
<b>Division of Small Business Opportunity</b>	Office of Economic Development	To assess City compliance with legal requirements related to the federal Disadvantaged Business Enterprise Program (DBE) and the federal Airport Concession Disadvantaged Business Enterprise Program (ACDBE). Audit objectives will include a review of outreach and certification processes.

## Attachment C: 2011 Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Environmental Safety Management</b>	Aviation	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 environmentally focused audits being performed by the Auditor's Office, demonstrating our expanded audit capabilities.
<b>Finance Department</b>	Aviation	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.
<b>Fire Department Administration</b>	Safety	To assess the effectiveness of Fire Department administration in terms of strategic planning and performance measurement, budgeting and accounting practices, and community relations.
<b>Network Security</b>	Technology Services	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
<b>Office of Emergency Management</b>	Office of Emergency Management	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, as well as a benchmarking survey and literature review to identify best practices.
<b>Office of Telecommunications Cable Franchise Agreement</b>	City Council	To assess the accuracy of the reporting of Gross Revenues, Franchise Fees, and Public, Education, and Government (PEG) fees as well as compliance with insurance and financial reporting requirements in accordance with the Cable Franchise Agreement.
<b>Office of the Controller</b>	Finance	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: 2011 Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Office of the Independent Monitor</b>	Office of the Independent Monitor	To assess the effectiveness of the Office of the Independent Monitor function, specifically with regard to the Office's core functions of monitoring, reviewing, and making recommendations for improving the Denver Police, Sheriff, and Fire Departments' 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.
<b>Office of the Medical Examiner</b>	Environmental Health	To assess compliance with legal requirements, examine the adequacy of the Office's internal control environment, and evaluate community relations.
<b>Outsourcing Practices</b>	Public Works	To assess the Department of Public Works' outsourcing practices. Audit objectives will include a review of Department cost-benefit analyses and other information utilized to make outsourcing decisions and to measure the effectiveness, efficiency, and impact of outsourcing decisions. Additionally, audit work will include a review of outsourcing costs.
<b>Passenger Facility Charge</b>	Aviation	To assess the internal control environment related to passenger facility charges including compliance reviews of related agreements and requirements.
<b>Permit and Inspection Services</b>	Community Planning and Development	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.
<b>Photo Traffic Enforcement Program</b>	Police	To assess the effectiveness of the Denver Police Department's Photo Traffic Enforcement program that 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.

## Attachment C: 2011 Audits

AUDIT TITLE	DEPARTMENT	AUDIT OBJECTIVE
<b>Public Works Contracting Process</b>	Public Works	To assess the controls and prequalification requirements for construction contracts with the City; to determine compliance with contract requirements, including Orange Book standards, for construction projects funded solely by the City and County of Denver, as well as for federally funded projects; and to assess processes and controls related to change orders.
<b>Revenue Contract Compliance</b>	Aviation	To review selected DIA revenue contracts for compliance and revenue maximization. Audit scope will include a diverse cross-section of contract service and good types.
<b>Right of Way Enforcement and Permitting</b>	Public Works	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.
<b>South Terminal Expansion</b>	Aviation	To assess DIA's planning process for South Terminal expansion. Audit objectives may explore such topics as: whether the terminal expansion project is well governed; whether resources are being used effectively and in an efficient manner; whether stakeholder needs are being satisfied; and whether financing vehicles are proper and appropriate.
<b>Vehicle Fleet Maintenance</b>	Citywide	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.
<b>Workers' Compensation</b>	Citywide	To assess the effectiveness of City activities intended to diminish workers' compensation claims and employee safety risks. The audit will include an examination of a sample of workers' 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 or re-assigning employees who have been injured on the job including "light" duty assignment practices.



# *City and County of Denver*

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WHAT  
IS THE  
CITY

BUT  
THE  
PEOPLE?

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