



**Audit Services Division**  
**Audit Follow-Up Status Report**  
**Second Quarter**



September 2011

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies for the purpose of ensuring the proper and efficient use of City resources and providing other audit services and information to City Council, the Mayor and the public to improve all aspects of Denver's government. He also chairs the City's Audit Committee.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities of the integrity of the City's finances and operations, including the integrity of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

## Audit Committee

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Jeffrey Hart  
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Robert Haddock  
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# City and County of Denver

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*Dennis J. Gallagher*

Auditor

## AUDIT FOLLOW-UP STATUS REPORT

This Audit Follow-Up Status Report summarizes the status of audit recommendations for audit reports released between January 1, 2009 and December 31, 2010. For audits completed in the first six months of 2011, we will begin follow-up activities during the fourth quarter of 2011 and first quarter of 2012. The purpose of the Audit Follow-Up Status Report is to update the Audit Committee, City management, and Denver citizens as to the implementation status of audit recommendations issued by the Denver Auditor's Office.

Of the 42 audits issued in 2009 and 2010, the Auditor's Office has completed follow-up activity for 13 audits, is in the process of completing follow-up work on 20 additional audits, and has scheduled follow-up activity for the remaining nine audits.

Of the 119 recommendations contained in audit reports issued in 2009, 46 recommendations have been verified as implemented, 64 recommendations are in the process of being implemented, and audited entities disagreed with nine recommendations. Follow-up work to be performed in the third and fourth quarters of 2011 will address audit recommendations identified in reports issued in 2010.

Audit follow-up procedures are an essential component of the audit process. They evaluate the efforts made by management to address audit findings, mitigate identified risks to the City, and increase the likelihood that agencies will implement audit recommendations. As such, the Auditor's Office strives for a high implementation rate for recommendations. In order to achieve this goal, the Division adheres to a robust and focused recommendation follow-up process to determine whether appropriate and timely corrective actions have been taken by City management to implement audit recommendations and mitigate identified risks to City operations.

We extend our appreciation to the City personnel who assisted and cooperated with us during the follow-up process.

Audit Services Division

A handwritten signature in black ink, appearing to read "K. Memmott".

Kip Memmott, MA, CGAP, CICA  
Director of Audit Services

*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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# BACKGROUND

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Follow-up work performed by the Auditor's Office is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of the Auditor, and is conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). In addition to the inclusion of the requirement to adhere to these standards, the City Charter and supporting City ordinance provisions include other mechanisms intended to strengthen the role and impact of the City's internal audit function. For example, Denver Revised Municipal Code (Sec. 20-276) requires that the 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.

As noted, per the City Charter, the Auditor Office's Audit Services Division adheres to GAGAS promulgated by the Comptroller General of the United States. These professional standards provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence. When auditors perform their work in this manner and comply with GAGAS in reporting results, their work can lead to improved government management, better decision making and oversight, more effective and efficient operations, and enhanced accountability for resources and results.

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 annual audit plan included 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 City of Denver, a key indicator of the impact of the 2008 change to the City Charter related to the mission and role of the Auditor's Office, is the organization's audit recommendation implementation rate. This rate is a primary indicator as to whether an organization is utilizing information provided by internal audit reports to mitigate or reduce identified risks, enhance performance, and improve the economy and efficiency of operations.

As a result, the Division has designed and implemented an enhanced follow-up program that includes significant hours for more in-depth audit work to verify that corrective actions have been taken to address prior audit findings. The program includes regular and formal reporting to the City's elected officials, audit committee members, and operational management on the implementation status of various audit findings and recommendations. This program also includes a trend analysis component 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 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.

# Overview of Auditor's Office Follow-Up Process

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During the follow-up process,<sup>1</sup> Audit Supervisors are primarily responsible for monitoring, verifying, and reporting on the status of recommendations in audit reports to which they were assigned. Specifically, Audit Supervisors are required to prepare and send an Audit Follow-Up Announcement Letter and Recommendation Status Tracker to the audited entity, generally within 6 to 12 months after the issuance of the final report. Audit Supervisors request written confirmation within five business days after all actions taken to resolve the findings and recommendations included in the initial audit report.

When the Audit Supervisor receives responses to the Audit Follow-Up Announcement Letter and Recommendation Status Tracker, the Audit Supervisor and assigned team members verify the implementation status of the recommendation(s) and perform any necessary follow-up testing procedures.

The Audit Supervisor subsequently makes a determination of the implementation status for each recommendation and generates either a Completion Letter or Disposition Letter and related Disposition Matrix addressed to the audited entity.<sup>2</sup>

In summary, the audit follow-up process includes, but is not limited to:

- Notifying agency management that follow-up activity is commencing;
- Requesting agency management to provide updates on the status of recommendations identified in the initial audit report;
- Analyzing information provided by the responsible individual to determine the implementation status of recommendations;
- Conducting appropriate audit work to verify the implementation of audit recommendations;
- Conducting appropriate audit work to ensure that identified risks have been adequately addressed for areas where the audited entity disagreed with an audit recommendation;
- Informing agency management, where applicable, when additional steps are needed to implement identified recommendations;
- Notifying agency management when follow-up activities are complete; and
- Reporting the status of recommendations and other follow-up activities to the Audit Committee on a quarterly basis.

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<sup>1</sup> See Exhibit A for the Follow-Up Process Overview.

<sup>2</sup> The Completion Letter notifies the audited entity that all recommendations have been adequately addressed or implemented and that follow-up work has been completed. If follow-up work is not complete, a Disposition Letter conveys the status of recommendations including a Disposition Matrix that denotes what recommendations are implemented, in-progress, or not implemented.

# Summary of Audits & Recommendations

The Audit Services Division's enhanced recommendation follow-up plan is based on a phased approach to ensure an optimal balance between the amount of work needed to complete follow-up work in a timely manner and the amount of resources required to execute our annual audit plan.

**Recommendations:**  
Between 2009 and 2010, Internal Audit made 298 recommendations.

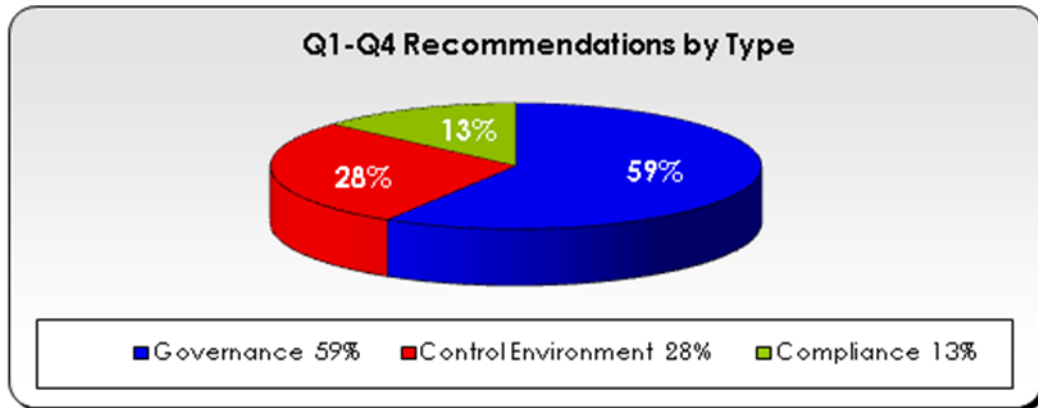
**Recommendation Types:**

- 175 Governance
- 83 Control Environment
- 40 Compliance

Follow-up work conducted in the first and second quarters of 2011 focused on audit recommendations identified in audit reports issued in 2009. Follow-up work to be performed in the third and fourth quarters of 2011 will address audit recommendations identified in reports issued in 2010.

The Audit Services Division has identified three categories of audit recommendations to illustrate audit impact within the

City. The first audit recommendation category is Governance, which comprises 59 percent or 175 of the 298 recommendations offered in audits completed in 2009 and 2010. These recommendations address areas that when corrective action is implemented mitigate risks related to management oversight and process improvements. Control Environment is the next category and consists of 28 percent or 83 of the 298 recommendations made in 2009 and 2010. These recommendations address areas that when corrective action is implemented mitigate risks related to internal controls and segregation of duties. The final category consists of recommendations regarding Compliance and consists of 13 percent or 40 of the 298 recommendations made in 2009 and 2010. These recommendations address areas that when corrective action is implemented mitigate risks related to compliance with laws, ordinances, and internal policies and procedures.



# Audit Recommendation Implementation Status

This Audit Follow-Up Status Report summarizes the status of audit recommendations for audit reports released between January 1, 2009 and December 31, 2010. A total of 298 audit recommendations are currently being monitored for implementation and completion. Audited entities agreed with 95 percent of our recommendations illustrating the ability to collaborate with agencies and departments to offer value-added recommendations. Scheduled and in-progress recommendations consist of 221 recommendations with the majority of these to be completed in the last two quarters of 2011.<sup>3</sup>

**Implementation:**  
Of the 298 recommendations reported between 2009 and 2010:

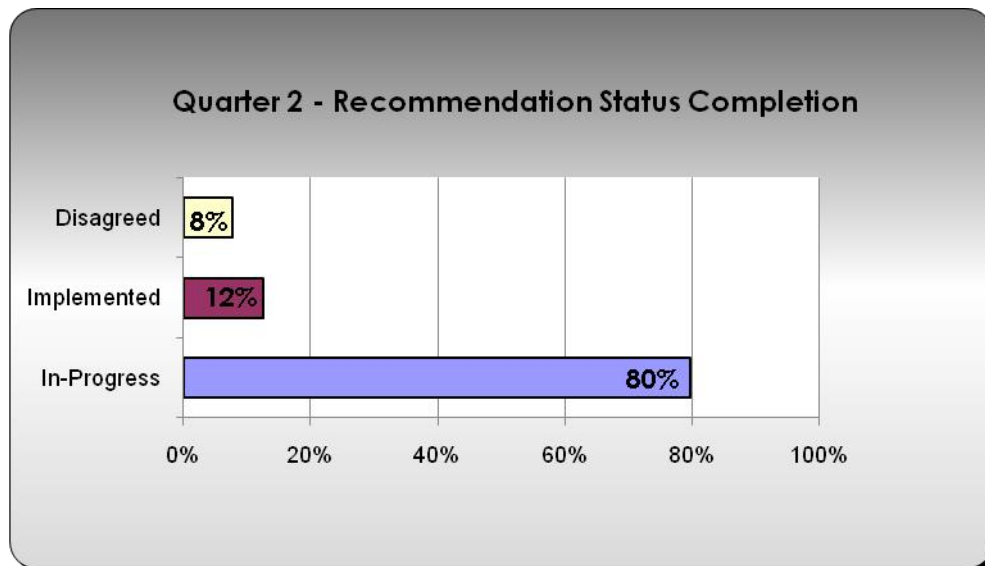
- **62** have been Implemented
- **153** are In-Progress
- **68** are Scheduled
- **15** Disagreements

**Audited Entities agreed with 95% of Audit recommendations for the audit period 2009 – 2010**

## Second Quarter 2011 Follow-Up

The Audit Services Division performed follow-up activities for 64 recommendations during the second quarter of 2011. The following summarizes the recommendation type and implementation status of each recommendation.

- Total Recommendations: 64 recommendations were reported in 2009 and followed up on as part of this second-quarter 2011 status report.
- Recommendation Types: Of the 64 recommendations reported, 34 related to Governance, 26 related to Control Environment, and four related to Compliance.
- Implementation Status: Of the 64 recommendations reported and as illustrated in the table below, eight have been Implemented (12%), 51 are In-Progress (80%), and five were Disagreements (8%).



<sup>3</sup> Audit recommendations with a status of “scheduled” will begin follow-up in the third and fourth quarters of 2011. Audit recommendations with a status of “in-progress” represent a combination of either Audit Services’ in process of verifying the status of recommendation implementation or the audited agency implementation is in-progress.

The Audit Services Division initiated follow-up activities for six audits during the second quarter of 2011:

- CSA Recruiting Process
- DIA – Finance and Administration
- DIA – Revenue Management and Business Development Division (RMBD)
- PeopleSoft IT General Controls
- Citywide Records Management
- DSD Inmate Trust Fund

The accompanying summaries contain the audit name, scope, objective, and recommendations from the original audit report including the status of the recommendations. The summaries also include the rationale from audited entities regarding disagreed-upon audit recommendations.

## CSA Recruiting Process

**Scope:** The scope of the audit was to examine CSA's recruiting processes and practices. Consequently, it focused primarily on the Recruiting Section within CSA's Workforce Management Division. Audit work also included evaluating the CSA Board and the amount of time City agencies dedicated to the hiring process. The audit period extended from January 1, 2008 through December 31, 2008.

**Objective:** The audit objective was to assess the following aspects of the CSA recruiting process:

- Does Recruiting have clearly articulated goals and a suitable plan for accomplishing them?
- Is the process producing timely results in terms of screening applicants and filling open positions?
- Are components of the process consistently implemented, so that the process is objective and fair?
- Does management have accurate, useful, and timely information that can be used to monitor and improve the process, as well as effective controls for ensuring accountability?

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**

**Governance – G**

**Control Environment – CE**

**Compliance – C**

Rec #	Recommendation	Status	Rec Type
1a	Establishing a clear, actionable definition of the merit system and making it a part of agency documents—for example, in the purpose statement or the introductory statement of the CSA Rules. The definition of the merit system should be detailed enough to identify when Rules are appropriate and how it specifically applies to all personnel issues.	I	G
1b	Consider increasing the minimum job posting time from two to five business days to align with the federal government and other benchmarking jurisdictions.	I	G
1c	Developing, in a single document, a strategic plan that includes measurable goals and reportable performance measures that can be tracked over time.	IP	G
1d	Ensure all Recruiters are aware of materials and tools available to promote CSA's branding strategy.	IP	G
2a	Identifying steps that hiring agencies can take to shorten their portion of the hiring process.	IP	G
2b	Pursuing rule changes that allow for quick hiring, such as authorizing agencies to hire their own on-call positions or utilize temp agencies.	I*	G
2c	Starting initial recruitment steps at the time the hiring agency decides to fill an open position rather than waiting until the Budget and Management Office determines funding for the position is available.	IP	G

Rec #	Recommendation	Status	Rec Type
3	To ensure greater consistency in the recruiting process and integrity in data collection, CSA should create written policies and procedures that cover the following: Explaining when Recruiters may eliminate steps in the recruiting process; Specifying the documentation to be attached in NEOGOV to ensure consistent and complete recruiting records; Specifying procedures for developing eligible and certified lists; Specifying when subject matter experts should be used in applicant testing, including how many should be used; Specifying what information should be consistently entered and how to enter it into NEOGOV, including recruitments that utilize an existing certified list; Clarifying when and how it is appropriate to use special or preferred qualifications and promote usage by the hiring agency, including: Using special qualifications to establish clear and concise requirements for the open position and help limit the number of applications from candidates that who clearly do not meet the qualifications needed for the position. Ranking eligible candidates based on preferred qualifications for the certified list, in conjunction with test scores; and Clearly documenting the development of supplemental test questions and specifying that supplemental questions are standardized for like job postings, to the degree possible.	IP	G
4	CSA should seek a Rule change establishing an expiration date for certified lists to ensure that these lists are not used beyond the expiration of the eligible lists.	IP	G
5a	Perform an inventory of the test vault in order to create a baseline for future inventories, establish a set number of test books for each examination, and maintain documentation of test books that are destroyed.	IP	CE
5b	Consider replacing manual test books with computer-based or video-based tests. Video-based tests have been shown to produce a more positive response from candidates, and reduce adverse impact.	D*	CE
5c	Eliminate the pass point on written tests. By eliminating the pass point, each eligible candidate has the opportunity to move forward in the hiring process.	D*	CE
5d	To address test security and pass point issues, CSA could also consider eliminating testing from the recruiting process, or keeping testing for positions only when necessary, such as for positions that may require physical demonstration of a needed skill.	D*	CE
6	To better assess the efficiency and effectiveness of the recruiting function, CSA should develop specific performance measures that coincide with those identified by best practices. At a minimum, these measures should include time to hire, turnover rates, and cost per hire. Other important measures and steps include probation passing rates, time spent per recruitment, and analyzing the various components of the recruiting process to identify which parts are taking longer. CSA should then incorporate performance data findings into management practices.	IP	G
7a	Ensure the methodology used to produce data is documented and can be reproduced. Additionally, backup data behind figures reported publicly should be retained to support such figures.	IP	CE
7b	Verify all information before presenting it to the Board or reporting it to City officials.	IP	CE
7c	Measure them (contents contained in 7a & 7b) consistently over time.	IP	CE
8a	To improve personnel performance evaluation, CSA should: Develop clear, detailed, and measurable roles and responsibilities for Recruiting personnel. This should include Recruiters as well as HR and Testing Specialists. Duties should be better defined for each level of Recruiter, including expectations for how each duty should be performed and how performance will be measured.	I	G
8b	Identify specific disciplinary actions to hold management accountable when PEPRs are not completed in a timely manner.	I	G

Rec #	Recommendation	Status	Rec Type
9a	To strengthen monitoring of job processes, CSA should develop quality documentation on what should be reviewed who should review it, at what points in the recruiting process reviews should happen, how often it should occur, and how it will be monitored.	I	CE
9b	Monitor compliance with policies and procedures.	IP	CE
9c	CSA should develop a specific quality control process for ensuring data reliability and accuracy.	IP	CE
10	To help analyze and interpret information about the recruiting process, CSA should increase its use of NEOGOV's custom reporting tools. At a minimum, create reports for job posting data and requisition life cycle data to ensure figures reported are accurate and useful.	IP	G

**D\* – Agency Statement of Disagreement to Recommendations 5b – 5d:** Recruiting has researched the feasibility of deploying both of these methods, but we are constrained by available budget resources. These methods require significant fiscal investments. Video tests are expensive to develop and maintain in-house, and are equally expensive to purchase or license. In addition to the cost, another obstacle is that we can only deploy video testing in one of our testing rooms. In mid-2008, we looked at deploying NEOGOV's new Computer-Based Testing tool, but the cost was prohibitive. Depending on budgets and available resources, CSA will review options to include these costs in our next budget cycle. With smaller recruiting pools, the elimination of a pass point could result in sending unqualified candidates to the hiring managers in the mandated certified list of 20. That being said, CSA has already eliminated using pass points on written supplemental questions. This is a City Charter mandated function (see below): CITY CHARTER, ARTICLE IX, EMPLOYMENT, PART 1, CAREER SERVICE § 9.1.1 Career Service personnel system. A. There shall be and is hereby created a Career Service personnel system, which shall be directed by a Career Service Board of five members appointed by the Mayor and confirmed by the City Council for staggered terms fixed by ordinance. The Board shall, pursuant to its own rulemaking procedures, adopt, administer and enforce rules necessary to foster and maintain a merit-based personnel system according to the principles set forth in this Part 1, including but not limited to rules concerning the conduct of competitive examinations of competence, probationary periods, grievance procedures, and appeals from actions of appointing authorities to the Board and any hearing officers appointed by the Board. The Board and any hearing officers appointed by the Board shall have the power to issue subpoenas. The Board shall perform such other duties in relation to the Career Service personnel system as may be assigned by ordinance consistent with this Charter.

**I\* –** There were 23 recommendations, of which six were implemented or identified risk addressed by the agency through mitigating controls, enhancements to their existing process, modifications to their procedures, or an assessment conducted by the auditor concluding the risk noted in the original recommendation was mitigated to a level that is acceptable to Audit Services.

## DIA – Finance and Administration Division

**Scope:** The scope of the audit was to evaluate the adequacy of internal controls over the Department's accounts payable process and to identify any areas for improvement in the efficiency and effectiveness of this process. The audit covered the period January 1, 2008 through May 31, 2009.

**Objective:** The audit objectives included: Obtaining knowledge of procedures involving review and approval of payments to vendors by the Department's personnel and the design of controls over these procedures. Evaluating whether internal controls over the accounts payable operations are adequate. Assessing whether vendor payments are reviewed and approved in an efficient and effective manner. Determining whether the Department's accounts payable process complies with applicable city ordinances and other rules and regulation and adheres to the written policies and procedures adopted by the Department of Finance and Administration Division.

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**

**Governance – G**

**Control Environment – CE**

**Compliance – C**

Rec #	Recommendation	Status	Rec Type
1	The Department should perform formal analyses of prompt payment incidents that may identify additional areas for improvement.	IP	CE
2	If the analyses indicate that the prompt payment timeline is unreasonable for certain payments, the Department should work collectively with their managers, vendors, and the City Attorney's Office to identify prompt payment solutions.	IP	G
3	With assistance from the Department's Information Technology Division, design and utilize reports of data related to the number, frequency, nature, and causes of interface rejections and other system related problems. This information will provide analytical evidence of the existing problems, their impact on the payment process, and will serve as a useful tool in finding the proper solutions.	IP	G
4	In collaboration with the Department's Management and the other stakeholders and as the Department begins to implement their AMS upgrade, the Department should conduct a cost-benefit and feasibility analysis of changes to the current system integration design and consider the design used by other airports.	IP	G

## DIA – Revenue Management and Business Development Division (RMBD)

**Scope:** The purpose of this audit was to review the efficiency and effectiveness of RMBD's management activities as they relate to contract oversight and space management practices during the audit period of June 30, 2007 through June 30, 2008.

**Objective:** To determine whether RMBD's contract and space oversight practices are adequate to detect and deter non-compliance with contract provisions, City Charter, and departmental rules.

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**

**Governance – G**

**Control Environment – CE**

**Compliance – C**

Rec #	Recommendation	Status	Rec Type
1	Develop a plan and procedures for space utilization, including the following: Accurately catalogue all tenant space, monitor contract expiration dates, reconcile PROPworks® information to original contracts, and generate timely and accurate tenant vacancy reports.	I	G
2	Develop written procedures and train staff on those procedures for contract administration for all industry types operating at the airport including the following: Processes for documentation requirements from the initiation of a contract until contract expiration, assignment of a contract administrator for all contracts, rigorous enforcement of contract compliance with monitoring by the Airport Manager when necessary, processes for reviewing and enforcing compensation calculation, monthly gross revenue reporting and submitting annual statements and enhance PROPworks® controls	I	G
3	Amend the oil and gas contract to provide specific payment due dates.	D*	C

**D\* - Agency Statement of Disagreement to Recommendation:** We cannot make unilaterally changes to the contract. The contract payment provisions are standard for oil/gas in this area and are influenced by existing state regulations governing timely submittal of production reports. Payment has been timely in the past and we do not believe there is a pressing need to amend the contract. If an opportunity presents itself to amend the agreement as part of a broader negotiation, RMBD will consider this item when evaluating the entire contract.

## PeopleSoft IT General Controls

**Scope:** The audit examined and evaluated IT general controls related to the City's PeopleSoft Human Resources and Financial Management applications. The audit tested IT general controls in the areas of change control, security settings, access management, and operations. The audit focused on agencies that directly use PeopleSoft and are supported by Technology Services, which excludes the Denver International Airport. The audit period extended from October 1, 2008 through September 30, 2009.

**Objective:** Audit objectives included evaluating the Information Technology General Controls for the following areas: Change controls providing separation of processing environments for test, quality assurance, and production, and separation of duties for the roles of software developers, system testers, and end users. Including system changes being authorized, tested, and approved before implemented into production. Security settings limiting access to authorized individuals for PeopleSoft at the application, database, operating system, and physical security levels. Access management controls ensuring employee access is limited to specific job functions and access to City systems and data is removed when individuals terminate their employment with the City. Operational controls providing for system backup and recovery capability for the PeopleSoft applications.

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**  
**Governance – G                      Control Environment – CE                      Compliance – C**

Rec #	Recommendation	Status	Rec Type
1	Working with the Controller's Office, we recommend that Technology Services: Investigate and immediately deactivate all terminated employee login accounts, including those from prior years.	IP	CE
2	Determine the root cause for the breakdown within the termination process.	IP	CE
3	Revise procedures to improve the effectiveness of the termination process.	IP	G
4	Add compensating controls to support the revised termination procedures. For example, scanning inactive accounts or adopting a periodic comparison of active accounts against terminated employees.	IP	CE
5	Consider the implementation of more sophisticated or automated access management tools.	IP	G
6	We recommend that Technology Services: Enforce Established Password Controls Technology Services should configure password requirements within PeopleSoft software, Oracle databases, and AIX operating systems to ensure that all users follow City and County of Denver password requirements outlined in the Acceptable Use Policy. An excerpt of the Acceptable Use Policy relating to password requirements is listed below: Users shall construct passwords with at least eight (8) characters, including three of the following four character types: upper case alphabetic, lower case alphabetic, numeric, special characters (symbols, punctuation marks). For additional security, Users are recommended to create "pass phrases" that contain at least fifteen (15) characters. Passwords are case sensitive. Passwords will expire after 90 days and Users will not be permitted to reuse any of the last fifteen (15) passwords used. After five (5) failed login attempts, the User's account will be disabled. The User must then personally contact Technology Services to manually reset their account.	IP	CE

Rec #	Recommendation	Status	Rec Type
7	Overhaul Data Center Access Lists. We recommend Technology Services remove data center access from all cards which are not identifiable by card number or assigned to an individual. Technology Services should complete a review of all cards with access to the City's data centers for appropriateness and consider establishing formal, regular review procedures for physical access listings. Review procedures should identify and remedy: inactive badges, badges belonging to transferred or terminated personnel duplicate IDs, and any inappropriate access not commensurate with a user's job function.	IP	CE
8	Coordinating with business owners, Technology Services should perform regular tests of the City's disaster recovery capability for the PeopleSoft applications and supporting infrastructure. The frequency of such tests should be dictated by system criticality, and should occur at least every 12 to 18 months.	IP	CE

## Citywide Records Management

**Scope:** This audit examined the City and County's records management program to determine if policies and procedures are in accordance with laws and regulations and effectively preserve, safeguard, and prevent the improper destruction or disposition of City records and archives.

**Objective:** Determining if the City has established policies and procedures in accordance with applicable Federal, State, and City rules to adequately preserve, safeguard, and prevent the improper transfer, destruction, or disposition of City Records and archives. Evaluating whether the City adheres to its established and State Archivist approved retention schedule. Evaluating if there is proper management of document systems and to confirm whether there is proper destruction of electronic files. Identifying standards, structures, and other best practices used by other municipalities and governmental entities regarding Records Management Programs.

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**

**Governance – G**

**Control Environment – CE**

**Compliance – C**

Rec #	Recommendation	Status	Rec Type
1	Working with the City Attorney, the Mayor's Office, and the Office of the Clerk and Recorder, should clearly identify areas of citywide records management responsibility. Once identified, records management responsibilities should be delineated in governance documents such as City Code, Executive Orders, and inter-agency agreements.	IP	G
2	The City Records Manager should be held accountable by the Records Management Committee for duties and responsibilities in accordance with Executive Order 64. The City Records Manager and the Records Management Committee should ensure that a manual with suitable guidance on records management—including requirements for retention policies and schedules—be developed and distributed as quickly as possible. The Records Management Committee should provide oversight of the City Records Management Program by ensuring that it meets on a regular basis as prescribed in Executive Order 64.	IP	G
3	The City Records Manager should develop and submit an updated citywide retention schedule to the State Archivist including a resolution as encouraged by the State.	IP	G
4	The City Records Manager should take the lead in initiating a development strategy for a city archive. A development strategy would include the following: Articulating a vision that meets the City's archival needs. Researching initiatives and exploratory development. Developing a workable plan for achieving the vision, and refining this plan as conditions change, and developing a comprehensive means of preserving and providing continued access to any type of archival records.	IP	G
5	City agencies should ensure accurate inventories exist for their records and that their records, especially those containing confidential information, are properly safeguarded.	IP	G
6	The City Records Manager should provide guidance through the Records Management Program to facilitate enhanced records security.	IP	CE
7	The City Records Manager should establish policies and procedures that monitor the existence and safeguarding of records throughout the City.	IP	CE
8	Agencies should adhere to Technology Services' policies and procedures for removal of systems access.	IP	C
9	Career Service Authority should provide direction to agencies regarding personnel file requirements in collaboration with the City Records Manager to ensure consistency.	IP	C

Rec #	Recommendation	Status	Rec Type
10	The Controller's Office should assume organizational responsibility for the Records Imaging function currently housed within the Office of the Auditor.	IP	G
11	The Controller's Office should conduct an economy and efficiency analysis of the current administrative functions dedicated to maintaining the Liberty system. It should also include the need to retain both paper and electronic copies of financial documents.	IP	G
12	The Controller's Office should provide direction to agencies for the maintenance of financial documents in collaboration with the City Records Manager to avoid duplication of effort and other inefficiencies.	IP	G
13	The City Records Manager should provide guidance to agencies in regards to destruction of electronic records.	IP	G
14	The Denver Department of Human Services should fully utilize the E-Master Case File's file tracking capability.	IP	CE

## DSD Inmate Trust Fund

**Scope:** The audit of the Denver Sheriff Department Inmate Trust fund and Inmate Welfare Recreation fund (PeopleSoft fund/org. 56951/3532000) covered the period of January 1, 2007 through December 31, 2007. The scope of the audit was focused on determining whether the funds' financial statements were fairly stated in accordance with City rules and regulations and adequate internal control and accounting processes were in place.

**Objective:** The objective of the audit was to determine whether the Denver Sheriff Department properly collected and administered inmates' funds, expended profits for the benefits of inmates, and whether internal controls and accounting processes were adequate in compliance with City rules and regulations.

**Implemented – I    Not Implemented – NI    Disagreed – D    In-Progress – IP**

**Governance – G**

**Control Environment – CE**

**Compliance – C**

Rec #	Recommendation	Status	Rec Type
1	We recommend DSD reimburse the general fund for the commissary officer's and staff accountant's salaries due for 2006. Additionally, DSD should identify other employees who are involved in the operation and administration of the fund and devise a method of tracking their hours and allocating the appropriate salaries to the yearly general fund reimbursement.	IP	G
2	We recommend DSD institute policies and procedures which address proper proprietary fund accounting procedures. The IWRF's books and records should be maintained on a GAAP basis in order to accurately reflect the transactions and account balances of the fund. By maintaining appropriate books and records, the IWRF could reduce the workload of the external auditors and, consequently, save on audit fees charged the fund. We also recommend DSD review City Charter provisions which govern the Trust funds and fully disclose applicable provisions to the external auditors for future engagements.	IP	C
3	We recommend DSD perform a physical inventory of phone cards and pop and laundry tokens and establish inventory accounts for each category of merchandise. Further, once the inventory accounts are established, we recommend DSD implement policies and procedures to ensure daily tracking of inventory amounts, sales, and ending balances to mitigate the risk of inventory shrinkage. Regular spot audits should be conducted by the staff accountant to ensure balances are accurate and any shrinkage recorded.	IP	CE
4	We recommend DSD review their internal control structure over the IWRF and implement proper segregation of duties such as having the bank statements delivered to and reconciled by a senior accountant. Additionally, management should review all bank reconciliations to ensure accuracy and propriety of cash account balances.	IP	CE
5	We recommend DSD implement policies and procedures which require all deposits over \$500 be deposited by the following business day and deposits less than \$500 are deposited weekly in accordance with Fiscal Rule 2.6. Additionally, policies and procedures should be implemented to ensure there is supervisory review of all deposits and that all incoming checks are logged and date stamped.	IP	G
6	We recommend DSD implement policies and procedures to ensure timely issuance of stop payments on duplicate issued checks to inmates. Additionally, DSD management should identify and resolve any other instances involving duplicate checks being issued and cashed.	IP	CE

Rec #	Recommendation	Status	Rec Type
7	We recommend DSD perform a complete physical inventory of assets and correct the general ledger balance. Additionally, all assets should be tagged as IWRF assets and actual locations, as well as correct model and serial numbers, should be determined. DSD should work with Technology Services to devise a communication solution for notifying the department when assets are replaced, deleted, or moved. We also recommend DSD maintain a separate file of invoices for assets allowing for balances to be reconstructed and conduct a physical inventory at least annually.	IP	CE
8	We recommend DSD strengthen internal controls over unclaimed funds by identifying and reconciling unclaimed funds amounts in the "Prior to Keefe" account and requesting the subsequent reimbursement from the ITF. Additionally, unclaimed funds should be identified on a monthly basis, marked, and transferred to the IWRF.	IP	CE
9	Although DSD does not initiate or approve most purchase orders, the accounts payable function has the obligation to ensure all purchases and expenses have proper documentation, approvals, and are for the health, welfare, and benefit of the inmates. We recommend DSD review current policies and procedures and address these areas of weakness.	IP	G
10	We recommend DSD implement policies and procedures which require all incoming invoices to be logged, date stamped, and paid within the due dates. An inventory of office supplies should be maintained and expensed as consumed in accordance with proprietary fund accounting principles. Additionally, receiving logs and other proof of actual receipt of purchases should be required and maintained.	IP	G
11	We recommend DSD obtain the remaining records from Vend One and determine the extent of the underreported revenue and overcharges for tokens. We recommend DSD invoice and collect all amounts due from Vend One. Additionally, we recommend DSD work in conjunction with the City Attorney's Office to correct the Vend One contract language deficiencies in order to clearly outline the responsibilities of both parties.	IP	CE
12	We recommend DSD review the services provided by The Learning Source and determine whether there is overlap of funding sources and related expenditures. Additionally, we recommend DSD no longer fund Turnabout Inc. for services provided to Community Corrections inmates as this is in violation of City Charter provisions. We also recommend DSD follow the contract administration procedures as outlined in Executive Order No. 8 in order to avoid further contract issues.	D*	G

**D\* - Agency Statement of Disagreement to Recommendation:** The Life Skills Grant funded GED Classes for "sentenced misdemeanor inmates" per City Contract CE72021. The IWRF funded all other inmate GED classes including felons and pre-sentenced inmates. Currently, GED services are provided by The Learning Source through City Contract #CE91128 and there is not an overlap of funding sources. DSD will engage in an IWRF ordinance language change to allow for the job search/placement services of Turnabout for Community Corrections inmates. This service is critical to the success of the Community Correction Program.

# NEXT STEPS

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Our next quarterly Audit Follow-Up Status Report will be presented to the Audit Committee in the fourth quarter of 2011. Follow-up work will address audit recommendations identified in reports issued in 2010, which include the following audit reports:

- DIA – Travel and Expense
- Revenue Contracts
- Arrest Identification Processing
- Better Denver Bond Program Administration
- Centralized Payroll Operations
- DIA – Safety Culture
- Citywide Cash Handling Procedures
- Facilities Planning and Management
- Fixed Asset Management
- Parks and Recreation Safety Contract Administration
- Wastewater Enterprise Fund

Audits completed in the first six months of 2011 will begin follow up activities during the fourth quarter of 2011 and the first quarter of 2012. A list of completed 2011 audits and the number of recommendations are included in the table below:

2011 Audit Name	# of Recommendations
ARRA Funding	19
City Fleet Management	9
Denver Fire Department	4
Controllers Office	11
DIA Revenue Contract	11
OTC – Cable Franchise Agreement	8
OED – Small Business	15
DIA Passenger Facilities Charges	6
CSA Hearings Office	13
<b>Total:</b>	<b>96</b>

# ACKNOWLEDGEMENTS

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The Audit Services Division would like to extend its appreciation to City management and personnel for their time and dedication in ensuring that follow-up work is completed.

# EXHIBITS

## Exhibit A: Follow-Up Process Overview

