



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, May 18, 2017, 9:00 a.m.

Opening

Chairman Timothy M. O'Brien, CPA, Auditor, called the meeting to order.

Members Present

Florine Nath, Edward Scholz, Charles Scheibe, Leslie Mitchell, and Jack Blumenthal were present.

Also Present

Deputy Auditor Valerie G. Walling and Committee staff Edyie Thompson were also in attendance.

Approval of April 20, 2017 Minutes

The minutes were approved as written.

Audit Report Briefing: Golf Enterprise Fund Management

Audit Supervisor Cody Schulte, Lead Auditor Nancy Howe, Senior Auditor Marc Hoffman, and Senior Auditor Jessica Witcher presented the audit findings and recommendations. Scott Gilmore, Deputy Director, Department of Parks and Recreation; Scott Rethlake, Director of Golf, Department of Parks and Recreation; Sheila Urban, Financial Manager, Department of Parks and Recreation; Jeannine Halbert-Hsiung, Fiscal Administrator II, Department of Parks and Recreation were present to respond to the audit report.

Denver Golf agreed with all fourteen of the Audit Team's findings and recommendations. The recommendations and the Denver Golf responses from the audit report are summarized below. For the full text of the agency's written response to the recommendations, please see the report itself by visiting www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This report is published under the 2017 Audit Reports header and is titled "[Golf Enterprise Fund](#)." View the video recording of the audit report discussion under the [Audit](#)

Committee tab at www.denvergov.org/auditor. Click on the “Watch Audit Committee meetings” button at the top of the page. The most recent video will be listed first.

Recommendation 1.1

Developing a Current Strategic Plan— Denver Golf should internally develop a strategic plan, including a schedule for updating the strategic plan approximately every four years. At minimum, the strategic plan should include the following elements:

- Mission statement
- General (strategic, long-term) goals and objectives
- A description of how goals and objectives contribute to local government priority goals
- A description of interagency collaboration to achieve the agency’s goals and objectives
- A description of the strategies and resources required to achieve the agency’s goals and objectives
- A description of how the agency’s goals and objectives incorporate input from stakeholders
- A description of how the agency’s performance goals and priority goals relate to the general goals and objectives
- Identification of external factors that could significantly affect the achievement of the agency’s goals and objectives
- Program evaluations used to establish or review the agency’s goals and objectives

Auditee Response: Agree, Implementation Date – December 31, 2018

Recommendation 1.2

Succession and Contingency Planning— Denver Golf should define key positions, and within the strategic plan, include a section that addresses succession and contingency planning for key positions, considering recommendations from best practice guidance.

Auditee Response: Agree, Implementation Date – December 31, 2017

Recommendation 1.3

Negative Survey Responses and Follow Up— Denver Golf should document its procedure to address the trends noted within negative survey responses, as well as any lessons learned, into operational processes or future strategic planning efforts, as appropriate. Denver Golf should also consider a central repository for negative survey feedback and the actions taken to address customer concerns.

Auditee Response: Agree, Implementation Date – December 31, 2017

Recommendation 1.4

Financial Trending and Forecasting— Denver Golf should perform an evaluation of the Golf Enterprise Fund’s financial condition, which includes forecasting, trending, and financial ratio analysis, and identify a schedule for periodically updating this analysis. The utilization of Workday dashboard functionality should be considered as an opportunity to streamline this evaluation process.

Auditee Response: Agree, Implementation Date – December 31, 2017

Recommendation 2.1

Reconciliation and Financial Reporting Policies and Procedures— Denver Golf should develop formally-documented policies and procedures over periodic reconciliation and financial reporting processes for the Golf Enterprise Fund.

Auditee Response: Agree, Implementation Date – June 30, 2018

Recommendation 2.2

Segregation and Rotation of Duties— Denver Golf should develop internal controls surrounding the segregation and rotation of duties at pro shops, including (1) segregating the nightly drawer close from the morning drawer opening, (2) segregating responsibility for the daily bank deposit, (3) rotating the change fund custodian duties, and (4) rotating the monthly inventory count duties, according to established procedures. If it is not practical to enact these changes, Denver Golf should create and document compensating controls that can lower the risk to the City.

Auditee Response: Agree, Implementation Date – March 31, 2018

Recommendation 2.3

Improve Golf Lesson Revenue Policy and Procedure— Denver Golf should update the golf lesson policy to better segregate the responsibilities laid out in the policy. Additional prevention and monitoring control processes should also be added to strengthen the control environment around the golf lesson process.

Auditee Response: Agree, Implementation Date – September 30, 2017

Recommendation 2.4

Onboarding Checklist for New Employees— Denver Golf should develop and utilize an onboarding checklist to help train new employees and document their progress throughout the training.

Auditee Response: Agree, Implementation Date – March 31, 2018

Recommendation 2.5

Operations Manual— Denver Golf should include the merchandise inventory policies and procedures document in their Operations Manual and in the employee onboarding checklist.

Auditee Response: Agree, Implementation Date – June 30, 2017

Recommendation 2.6

Operations Manual Should Be Updated— Denver Golf should update the organization’s Operations Manual and set a schedule for periodic reviews and updating of the manual, as well as any relevant policies, procedures, or training documents.

Auditee Response: Agree, Implementation Date – September 30, 2017

Recommendation 2.7

Prioritizing Capital Improvement Projects— Denver Golf should develop criteria for prioritizing capital improvement projects, and ensure that project prioritization is well documented. Strategies for developing criteria should be aligned with the agency's strategic plan.

Auditee Response: Agree, Implementation Date – March 30, 2018

Recommendation 2.8

Review Capital and Controlled Asset List— Denver Golf should work with the Controller’s Office to identify which assets on the annual capital asset list are no longer present and in use, including removing items unable to be identified, and identifying unknown assets that should remain on the asset listing.

Auditee Response: Agree, Implementation Date – September 30, 2017

Recommendation 2.9

Capital and Controlled Asset Naming Convention— Denver Golf should establish a naming convention for capital asset descriptions.

Auditee Response: Agree, Implementation Date – March 31, 2018

Recommendation 2.10

Ensure Accurate Counts of Capital and Controlled Assets— Denver Golf should adhere to Fiscal Accountability Rule 4.3 by ensuring that it completes the annual capital asset physical count, including physically verifying each item on the Controller’s Office capital asset list.

Auditee Response: Agree, Implementation Date – June 30, 2017

Follow-Up Audit Report Briefing: Citywide Land and Infrastructure Capital Assets Audit

Audit Supervisor Cody Schulte and Senior Auditor Robert Persichitte presented the follow-up audit recommendations and findings. Scott Gilmore, Deputy Director of the Department of Parks and Recreation, was present to respond to the follow-up audit report. For the full text of the follow-up report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This [follow-up report is published](#) under the 2016 Audit Reports header below its corresponding original audit, dated March 2016.

The follow-up audit report was discussed. The findings summarized below, indicate that while the Controller's Office has made steps towards implementing the recommendation made in the Citywide Land and Infrastructure Capital Assets audit report, they have not fully implemented either recommendation. We found that the Department of Parks and Recreation has fully implemented all recommendations and adequately mitigated the risk identified during the original audit.

Recommendation 1.1—PARTIALLY IMPLEMENTED

The Controller's Office should update the Capital and Controlled Assets Fiscal Accountability Rule 4.2 and related procedures to distinguish between assets tracked in the City's financial system of record and those that are tracked by agencies outside of the system of record. The fiscal accountability rule and related procedures should also be expanded to include the rules and procedures applicable to assets not tracked in the system of record.

Recommendation 1.2—PARTIALLY IMPLEMENTED

In conjunction with the Department of Public Works Transportation Division, the Controller's Office should consider leveraging existing reported data to more accurately account for traffic signal disposals. Specifically, the Controller's Office should require reports from the Department of Public Works to include when the signal was placed into service, if available.

Recommendation 2.1—IMPLEMENTED

The Department of Parks and Recreation Executive Director should review and assess the requirements specified in City Charter, Executive Order 134, and its Gifts policy to clarify whether they relate to all land donations received by DPR. After this review, the Department of Parks and Recreation Executive Director should clarify processes where needed and communicate with Department personnel to reiterate the requirements.

Recommendation 2.2—IMPLEMENTED

The Department of Parks and Recreation Executive Director should review the draft Parks Designation Policy to ensure that it reflects the current park designation process, and incorporate any necessary changes to the process. Subsequently, the Department of Parks and Recreation Executive Director should take the necessary steps to formally adopt the Parks Designation Policy.

Audit Report Briefing: PeopleSoft Journal Entry

Audit Manager Kevin Sear, and Audit Supervisor Yvonne Harris-Lott, Denver Auditor's Office; and Executive Director Eric Adelman, Paragon Audit & Consulting Inc. presented the audit findings and recommendations. Beth Machann, Controller, Department of Finance, and Kelli Bennett, Director of Accounting & Financial Reporting, Department of Finance were present to respond to the audit report. For the full text of the report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This report is published under the 2017 Audit Reports header and is titled "Peoplesoft Journal Entry." View the video recording of the audit report discussion under the [Audit Committee](#) tab at www.denvergov.org/auditor. Click on the "Watch Audit Committee meetings" button at the top of the page. The most recent video will be listed first.

The audit report was discussed and the finding indicated that the Department of Finance appears to have adequate internal controls to identify fraudulent activity recorded through journal entries.

Recommendations

Based on results from the work performed, Paragon determined that the City has adequate internal controls within the journal entry process to help minimize the City's exposure to fraudulent activity. As a result, Paragon did not have any additional recommendations that would enhance the Department of Finance's internal control structure as it relates to identification of fraudulent activity and non-compliance with financial controls.

General Business

Deputy Auditor Valerie Walling, presented the Auditor's Office organizational chart. She pointed out the additions to the audit structure over the past six months, including the three Audit Managers and six Staff Auditors. She also reminded the committee of the upcoming meeting to discuss the CAFR on May 25, 2017 at the Wellington Webb Building, Room 1.B.6 in the Clerk & Recorder's Office, 1st floor.

The next meeting is on Thursday, June 15, 2017 at 9:00am in the Parr-Widener Room (#389) of the City and County Building, 3rd floor.

With no other business, the Committee adjourned at 10:30 a.m.

Prepared by Edyie Thompson, Audit Committee staff