



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, December 14, 2017, 9:00 a.m.

Opening

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

Members Present

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

Also Present

Deputy Auditor Valerie Walling and Committee staff Mollie Horne were also in attendance.

Approval of November 16, 2017 Minutes

The minutes were approved as written.

Audit Report Briefing: Continuity of Operations

Audit Supervisor Shannon Kuhn, Senior Auditor Karin Doughty, Senior Auditor Brian Cheli, Senior Auditor Olga Davis, and Staff Auditor Joah Flood presented the audit findings and recommendations.

Karen Niparko, Executive Director, Office of Human Resources; Chris Longshore, Director of Human Resources Technology and Innovation; Ryan Broughton, Executive Director, Office of Emergency Management and Homeland Security; and Matt Mueller, Deputy Director, Office of Emergency Management and Homeland Security were present to respond to the audit report on behalf of Denver Human Services.

For the full text of the report, including auditee responses, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports, then By Year. This report is published under the 2017 Audit Reports header and is titled "[Continuity of Operations](#)." 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.

Denver Office of Emergency Management and Homeland Security (OEM) agreed with all 11 of the Audit Team’s recommendations. The recommendations and the auditee responses from the audit report are summarized below.

Recommendation 1.1

Updates—The Executive Director of the Office of Emergency Management and Homeland Security should create an annual schedule to request required continuity of operations plan updates from City agencies and a process to track compliance with the requested plan updates. All supplied documentation should be retained with the appropriate approvals.

Auditee Response: Agree

Recommendation 1.2

Contract Management—The Executive Director of the Office of Emergency Management and Homeland Security should establish a process to review and update the contract with the continuity of operations software provider before the expiration of the current contract to prevent the potential loss of software services and access to agencies’ continuity plans.

Auditee Response: Agree

Recommendation 1.3

Guidance and Training—The Executive Director of the Office of Emergency Management and Homeland Security should provide additional guidance to agencies on their Continuity of Operations plans, including timelines for completing and updating plans for new and existing agencies and a process for reviewing and notifying agencies that are not in compliance with the timelines.

Auditee Response: Agree

Recommendation 1.4

Identify and Document Agencies—The Executive Director of the Office of Emergency Management and Homeland Security should identify and document which agencies, courts, boards, commissions, and other quasi-governmental agencies should be required to create and keep current a Continuity of Operations plan.

Auditee Response: Agree

Recommendation 1.5

Alternate Facilities—The Executive Director of the Office of Emergency Management and Homeland Security should confirm annually that all agencies have properly reviewed, updated, and confirmed their alternative facilities details and that the deconflict report provides the appropriate details to allow for the prioritization of assignment of alternative facilities.

Auditee Response: Agree

Recommendation 1.6

Training—The Executive Director of the Office of Emergency Management and Homeland Security should enhance the annual training to include a listing of training areas available and to obtain feedback from agencies to better understand their training needs in the development and revision of their continuity of operation plans.

Auditee Response: Agree

Recommendation 1.7

Testing, Training & Exercising—The Executive Director of the Office of Emergency Management and Homeland Security should annually perform integrated testing, training, and exercising of the Continuity of Government Plan and coordinate the testing of the Continuity of Operations Plans to validate the City’s continuity preparedness and operational capability. Problems noted during this testing should be identified, documented, and corrected in a timely manner.

Auditee Response: Agree

Recommendation 1.8

Testing Alert Notifications—The Executive Director of the Office of Human Resources should ensure the testing of the alert and notification system procedures on an annual basis for continuity planning personnel. Additionally, they should ensure quarterly testing of such procedures for personnel at the agency’s headquarters. The results of these tests should be documented and retained. The reasons for failures of the alert process should be identified and corrected in a timely manner.

Auditee Response: Agree

Recommendation 2.1

Unauthorized Users—The Executive Director of the Office of Emergency Management and Homeland Security, in coordination with all agencies, should conduct an annual review of all users with access to the cloud-based continuity planning software, remove any users who no longer need access, and update other users access to the lowest level necessary to carry out their job responsibilities. The results of this review should be documented and retained in accordance with the City’s document retention policy.

Auditee Response: Agree

Recommendation 2.2

Software Access Policy—The Executive Director of the Office of Emergency Management and Homeland Security should work with Technology Services to have the cloud-based continuity planning software user access managed by subject matter experts with knowledge of industry best practices. Technology Services should then develop, document, and implement policies and procedures for periodic user access reviews for the software.

Auditee Response: Agree

Recommendation 2.3

Software Evaluation and Replacement Process—The Executive Director of the Office of Emergency Management and Homeland Security should work with Technology Services to assist in the evaluation of the cloud-based planning software to align with the City’s Acceptable Use Policy.

Auditee Response: Agree

Audit Report Briefing: Short-Term Rental Enforcement

Audit Manager Katja Freeman, Audit Supervisor LaKeshia Allen Horner, Senior Auditor William Morales, and Staff Auditor Shaun Wysong presented the audit findings and recommendations.

Ashley Kilroy, Executive Director, Department of Excise and Licenses; Dominic Vaiana, Deputy Director – Operations, Department of Excise and Licenses; Steve Ellington, Treasurer; and Bob Dent, Tax Collections Manager, Department of Finance – Treasury Division were present to respond to the audit report on behalf of the Department of Excise and Licenses and the Department of Finance.

For the full text of the report, including auditee responses, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports, then By Year. This report is published under the 2017 Audit Reports header and is titled “[Short-Term Rental Enforcement](#).” 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 Department of Excise and Licenses and the Department of Finance agreed with six of the Audit Team’s recommendations and disagreed with two. The recommendations and the auditee responses from the audit report are summarized below.

Recommendation 1.1

Compliance with Applicable Laws—The Director of Excise and Licenses should evaluate current and future Department of Excise and Licenses short-term rental licensing and enforcement policies and procedures to ensure compliance with the Denver Revised Municipal Code and other applicable laws, including those related to proof of possession, insurance coverage, processes for issuance and denial, and administrative citations.

Auditee Response: Agree

Recommendation 1.2

Rules and Regulations—The Director of Excise and Licenses should review and update all Department of Excise and Licenses rules and regulations to reflect current STR enforcement practices, including those rules and regulations related to administrative citations.

Auditee Response: Disagree

Recommendation 1.3

Performance Evaluation—The Director of Excise and Licenses should develop and implement an approach for evaluating the effectiveness of its STR enforcement strategies and tactics, including a suite of measures to assess the efficiency and effectiveness of enforcement processes.

Auditee Response: Agree

Recommendation 1.4

Neighborhood Impact—The Director of Excise and Licenses should develop and implement an approach for tracking and analyzing data to evaluate the impact of STRs on the City’s neighborhoods, including the effect of STRs on housing affordability.

Auditee Response: Disagree

Recommendation 1.5

Data Reliability—The Director of Excise and Licenses should improve the reliability and quality of short-term rental enforcement data by developing policies and procedures to ensure that the data collected is complete, accurate, and valid.

Auditee Response: Agree

Recommendation 1.6

Contracting Practices—For future procurement of STR enforcement software services, the Director of Excise and Licenses should adhere to the requirements outlined in Executive Order No. 8B to ensure that the City selects the most cost-effective option for the best value.

Auditee Response: Agree

Recommendation 1.7

Business Case Analysis—For future procurement of short-term rental enforcement software services, the Director of Excise and Licenses should conduct a business case analysis to compare the operational effectiveness, suitability, cost, and risk associated with available alternatives. When considering alternatives, the Director should also consider mission threats and dependencies on other programs.

Auditee Response: Agree

Recommendation 1.8

Lodger's Tax Validation—The Treasurer should improve the Treasury Division's data validation policies and procedures to ensure that all persons holding an STR business license have obtained a Lodger's Tax license and identification number and are paying all applicable taxes.

Auditee Response: Agree

Update on Continuous Auditing and Data Analytics Function

Audit Manager Katja Freeman introduced Data Analytics & Methodology Specialist Sam Gallaher, Ph.D; Lead Auditor Brad Harwell; and Senior Auditor Robert Persichitte who comprise the core of the Continuous Auditing and Data Analytics team. Mr. Gallaher gave an overview of the team's work and what it entails.

Continuous auditing is an analytic tool used to conduct real-time analysis of information usually related to financial transactions or operation systems. Analyses can be scheduled daily, monthly, annually, etc. Risks can be analyzed—and controls tested—and tracked for change over time. This is an effective method for identifying new risks. The information gathered helps to inform audit teams in their work, and it aids in developing the Auditor's Office annual risk assessment.

The team uses Arbutus, an audit analytics software which analyzes data from selected City databases. Over 19 instances of Arbutus were installed for use throughout the office; 12 employees received a basic training, and four employees received advanced training on script writing. Additional training in Power BI, Stata, Python, and several other software systems is ongoing.

The team's main areas of focus for 2017 have been Salesforce, particularly data from the City's 311 call center; Alfresco, the City's contracting software; and procurement card transactions.

Executive Session: Audit Committee Self-Assessment & Risk Assessment

Before asking for a motion to continue in Executive Session, Auditor O'Brien reminded the audience that the next Audit Committee meeting will be held on Thursday, January 18, 2018 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3rd floor of the City & County Building at 1437 Bannock Street. The Auditor then entertained a motion to go into Executive Session. Jack Blumenthal moved to go into Executive Session. Ed Scholz seconded the motion, and the motion passed. The public portion of the meeting adjourned at 10:53 a.m.

The meeting continued in Executive Session wherein the Committee was provided its annual self-assessment and an outline of its duties and obligations. The Committee also held the standard annual risk assessment discussion with Chris Telli of BKD, the City's external audit firm.

With no other business, the Committee adjourned at 11:15 a.m.

Prepared by Mollie Horne, Audit Committee staff