



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, April 19, 2018, 9:00 a.m.

Opening

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

Members Present

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

Also Present

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

Approval of March 15, 2018 Minutes

The minutes were approved as written.

Audit Report Briefing: Capital Assets: Buildings and Equipment

Audit Supervisor Cody Schulte, Lead Auditor Anna Hansen, Senior Auditor Marc Hoffman, Senior Auditor Ivy Anderson, and Staff Auditor Brandon Stolba presented the audit findings and recommendations.

Beth Machann, Controller; Kelli Bennett, Director of Accounting and Financial Reporting; and Jessica Chandler, Accounting Manager were present to respond to the audit report on behalf of the Controller's Office, the Departments of Safety, Parks and Recreation, Public Works, and General Services; Denver Arts and Venues; and the Wastewater Management Division.

For the full text of the report, including the agency 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 2018 Audit Reports header and is titled "[Capital Assets: Buildings and Equipment](#)." View the video recording of the 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 involved agencies agreed with all eight of the Audit Team’s recommendations. The recommendations and the agency responses from the audit report are summarized below.

Recommendation 1.1

Establish and Assign Locations – The Departments of Safety, Parks and Recreation, Public Works, General Services, Denver Arts and Venues, and the Wastewater Management Division should work with the Controller’s Office to establish new Workday locations as necessary, document a review of the agency’s asset list to identify assets that need a more precise location, and assign assets a more precise location in Workday.

Auditee Responses (from 6 agencies): Agree

Recommendation 1.2

Correct Errors Found During Testing – The Departments of Safety, Parks and Recreation, Public Works, General Services, Denver Arts and Venues, and the Wastewater Management Division should correct the errors and data inconsistencies identified in the audit’s detailed testing, as found in Appendix B of the report.

Auditee Responses (from 6 agencies): Agree

Recommendation 1.3

Clean Up Old Data Issues – The Departments of Safety, Parks and Recreation, Public Works, General Services, Denver Arts and Venues, and the Wastewater Management Division should develop and document a plan of action for the 2018 asset inventory count that will instruct personnel to detect and correct the types of errors identified in this audit, including blank identification numbers, wrong locations, and inaccurate or insufficient asset descriptions.

Auditee Responses (from 2 agencies): Agree

Recommendation 1.4

Develop Internal Capital Asset Policies and Procedures – In consultation with the Controller’s Office, the Departments of Safety, Parks and Recreation, Public Works, General Services, Denver Arts and Venues, and the Wastewater Management Division should develop internal capital asset policies and procedures. Policies and procedures should specify a strategy for conducting an efficient and effective inventory of their capital assets, such as selecting an inventory count approach, utilizing subsidiary inventory systems, utilizing secondary reviews or spot checks, verifying the accuracy of information in the capital asset list, developing internal training, and using performance metrics and goals for individuals involved in the annual inventory process.

Auditee Responses (from 6 agencies): Agree

Recommendation 1.5

Develop Plan to Monitor Internal Controls – The Controller’s Office should develop a plan to monitor internal controls to ensure that agencies are giving due process to the asset inventory counts, such as:

- Having a Controller’s Office representative sign the annual Asset Certification Form to indicate internal review;
- Performing spot checks of assets, potentially using GPS-tagged photos for existence verification.

Auditee Response: Agree

Recommendation 1.6

Update Fiscal Accountability Rules and Procedures – The Controller’s Office should continue to update relevant Fiscal Accountability Rules and associated procedures to address the following:

- Making changes due to the Workday conversion, including updating procedures and step-by-step guidance;
- Requiring agencies, in consultation with the Controller’s Office, to determine whether they need supplemental asset procedures, which could include a step-by-step guide for conducting efficient and effective capital inventory counts. Policies and procedures should incorporate GAO’s best practices of inventory, such as selecting an approach, strategy, and frequency for different types of assets; utilizing subsidiary inventory systems and photos to verify existence during the annual count; performing spot checks of asset data in Workday; incorporating “floor-to-book” and “book-to-floor” tests; utilizing performance metrics; and developing agency-specific training; and
- Mandating training requirements for all agency personnel involved in annual capital asset inventory counts.

Auditee Response: Agree

Recommendation 1.7

Develop Training Regarding Capital Assets – Once the FARs are updated, the Controller’s Office should develop asset training and make it available to all City personnel on City U. Topics for training should include, but are not limited to, allowable costs for capitalization, how to book partially donated assets, manual entry of assets (outside of the Workday procure-to-pay process), assigning costs of improvements to pre-existing assets, and how to split costs over multiple capital projects/assets.

Auditee Response: Agree

Recommendation 1.8

Update Agency-Specific Asset List and Asset Certification Form – The Controller’s Office should update the Asset Certification Form to require that agencies indicate which assets they spot-checked.

Auditee Response: Agree

Audit Report Briefing: Aramark Concession Revenues

Audit Manager Kevin Sear, Lead Auditor Rob Farol, and Lead Auditor Nancy Howe presented the audit findings and recommendations.

Mark Heiser, Chief Operating Officer, Denver Arts & Venues; Frank Delmonte, Chief Financial Officer, Denver Arts & Venues; and Tad Bowman, Venue Director, Red Rocks & Denver Coliseum were present to respond to the audit report on behalf of Denver Arts & Venues.

For the full text of the report, including the agency 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 2018 Audit Reports header and is titled “[Aramark Concession Revenues](#).” View the video recording of the 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 Arts & Venues agreed with all six of the Audit Team’s recommendations. The recommendations and the agency responses from the audit report are summarized below.

Recommendation 1.1

Contract Monitoring Program – Denver Arts & Venues should strengthen its existing contract monitoring program for the concession agreement with Aramark that follows Executive Order 8. This program should immediately establish and implement policies and procedures for monitoring contracts including the following:

- Identify and assign a designee(s) within Arts & Venues to manage the contract monitoring program; and
- Develop procedures to identify and address Aramark’s noncompliance with contract terms.

Auditee Response: Agree

Recommendation 1.2

System of Controls Review – Denver Arts & Venues should request Aramark to perform a Service Organization Control 1, Type II report covering the company’s system of controls over services provided to the City.

Auditee Response: Agree

Recommendation 1.3

Inventory to Sales Reconciliations – On a monthly basis, Denver Arts & Venues should request a reconciliation of inventory to sales for the events and nonevents in that month. This reconciliation should include a summary of all inventory movements such as transfers to and from the concession stand, management adjustments, spoilage, and employee meals compared to sales for the period. Arts & Venues should review and resolve any discrepancies that impact the accuracy of gross sales, gross receipts, and gross profit with Aramark on a monthly basis. Where applicable, the appropriate adjustments should be made to payments between the City and Aramark.

Auditee Response: Agree

Recommendation 1.4

Monthly Review of Spoilage Costs – Denver Arts & Venues should obtain monthly documentation from Aramark that details total spoilage costs (as defined in the agreement). This detail should also include the spoilage percentage, amount of spoilage that exceeds the 0.5 percent threshold, and, if applicable, the breakout of spoilage costs to be shared by Arts & Venues and Aramark.

Auditee Response: Agree

Recommendation 1.5

Assess Spoilage Amount for Prior Contract Period (November 1, 2012 – October 31, 2017) – Denver Arts & Venues should identify and quantify the spoilage amount over the 0.5 percent threshold as identified in the agreement for the period from November 1, 2012 through October 31, 2017. Arts & Venues should also review and agree upon the balance that should be returned to the City in compliance with the agreement terms.

Auditee Response: Agree

Recommendation 2.1

Obtain and Retain Evidence of the Review and Approval of Incentive Criteria Completion – Denver Arts & Venues should develop and document a procedure to ensure its representative and an Aramark representative document their agreement that Aramark has satisfied the established incentive criteria each year and then retain the documentation.

Auditee Response: Agree

The next Audit Committee meeting will be held on Thursday, May 17, 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.

At the conclusion of the report briefing, Mollie Horne reminded the Audit Committee of a special upcoming meeting on May 24 to discuss the CAFR with internal City personnel, as well as an Audit Committee tour of the airport slated for Friday, April 20.

With no other business, the Committee adjourned at 10:17 a.m.

Prepared by Mollie Horne, Audit Committee staff