

Accountability Update

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Dennis Gallagher

Exciting Times in the Auditor's Office

By Auditor Dennis Gallagher

These are exciting times in the Auditor's office with the promise of beneficial changes coming to the Auditor's Office and the City and County of Denver. As these are implemented, the citizens will see a more accountable, efficient and effective government.

What are those changes and when will they occur? I'll get to that, but first a little history – you know I love history – to put them in context.

Denver citizens are fortunate to live in a city and county with a rather unique form of government that includes an independently elected Auditor—something very few other cities have.

In the early years and territorial times, the City operated under various forms of government. In 1902 voters approved "home rule" for Denver. This amendment to the state constitution created a combined City & County of Denver, a self-governing community with both municipal and county powers.

As a result of this, in 1904 Denver residents approved their own charter, providing for a City Council, a "strong-Mayor" form

of government and an independently elected Auditor; the Auditor being a "check and balance" on the other two branches of government to ensure no single person or group dominated City government. All three branches worked together for the betterment of the City.

Over the years, Denver grew, City government grew and the role of the Auditor (as well as the auditing profession) evolved. Meanwhile, a similar evolution had occurred on the Administration side. As a result, the City's financial structure often worked at counter purposes and was not as efficient as it could be and should be.

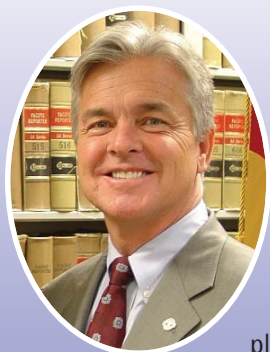
In 2006, Denver voters again changed the Charter to improve and streamline the City's financial structure while enhancing the all-important check and balance watchdog role of the Auditor. This Charter change will officially take place on January 1, 2008; however, to insure an orderly and seamless transition, elements of the transition are already occurring.

The Auditor has been the general accountant for the City and as such maintained the City's financial records, paid the City's bills and payroll. Those functions will now become the responsibility of the Controller and a newly created position of Chief Financial Officer for the City. In fact, the accounting and payroll functions

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Partnering with You in Crime Prevention

By DA Mitch Morrissey



Mitch Morrissey

The mission of the Denver District Attorney's Office is to passionately advocate for victims of crime while respecting the rights of the accused, and in doing so, achieve justice each day, case by case. But our mission also includes trying to prevent you from becoming of victim of crime. Here are a few of the ways we are accomplishing this:

I continue to work on expanding the use of DNA technology in the criminal justice system. By using DNA technology in new and innovative ways, we have been able to solve old crimes and prevent new crimes from occurring.

Together with Denver Police Detectives and the Denver

Police Crime Lab, I helped create and sustain a Cold Case Project that continues to solve murders and sexual assaults from years ago. We recently received a \$1.5 million dollar federal grant to expand this project! Just as exciting is our DNA Burglary Project in which prolific burglars have been caught and sentenced to lengthy prison terms. Using DNA to solve these burglary crimes has reduced property crime rates by almost 30-percent and has saved Denver millions of dollars!

While this work is important, my job is not complete unless I also work to help *you* protect yourself and provide tools to help prevent crime. This is especially important with older adults who may be more vulnerable.

One of the ways we work toward this goal is our CASE Project, Communities Against Senior Exploitation. We combat telemarketing and fraud through faith-base partnerships with

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Exciting Times in the Auditor's Office

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have already transitioned (in June of 2007) to the Controller. The Chief Financial Officer will officially assume Charter responsibility and authority for those functions on January 1, 2008.

As a result of this, I will now among other functions, be able to audit the checkbook and oversee the external audit of the City's financial records. Prior to this I would have been in effect "auditing myself", which compromises the independence and objectivity necessary in auditing standards.

The Office of the Auditor is also now able to focus on enhanced Audit Services, including a greatly expanded and more robust Performance Audit capability.

Under the new charter, the Auditor is responsible for:

- examining and evaluating the operations of City agencies for the purpose of ensuring the proper and efficient use of City resources
- auditing compliance with City contracts
- providing other audit services and information to City Council, the Mayor and the public to improve all aspects of Denver's government
- reviewing and approving all contracts and grants with the City
- monitoring the City's financial transactions
- approving all separation payments
- ensuring compliance with the City's prevailing wage ordinance

The charter change also establishes – for the first time – a truly independent Audit Committee. While the City has had an audit committee, it has not been independent. This new Committee replaces the old one. As the Auditor, I will chair this committee which will among other things, engage and oversee the work of the external auditor in preparing the annual audit of the City's financial records – the Comprehensive Annual Financial Report (CAFR).

Audit Services and Expanded Performance Audit Capability

The new Audit Services division will continue to conduct independent compliance, financial and other audits but will have a greatly expanded performance audit capability. Three new performance audit teams will be added to the office over the next three years. This will allow us to examine more comprehensively and in greater detail the workings of City government to reduce costs, improve the quality of services and improve efficiency, responsiveness and effectiveness of every aspect of the City.

As you may know, I have been a strong advocate of expanded performance audit capability since I was first elected, and created the first-ever performance audit team in the Denver Auditor's office during my first term. There is no better tool to provide management and the citizenry the information and recommendations needed to improve City services and the efficient use of City resources than a performance audit. Our audits provide useful and objective information to the City's management team, City Council, the Audit Committee and the citizens.

Performance audits are at the forefront of the evolution of the auditing world. I am excited our authority to conduct performance audits is now clearly spelled out in the Charter. With the expanded performance audit capacity, our Office and Denver are on the leading edge of that evolution.

Our audits have always been done in conformity with generally accepted professional standards issued by the Comptroller General of the United States in *Government Auditing Standards*. (Accordingly, such standards require a peer review every three years and I am pleased to report we received the highest rating of compliance with those standards in 2003 and 2006). Moreover, now there is specific language in the Charter with regard to this. This ensures not only the standards by which audits will be conducted, but the compete independence of the Auditor. This Charter-ensured independence and standards is a safeguard for the citizens in promoting honest and fully-accountable government.

Budget Independence

Another advantage to the Charter change is giving the Auditor's Office budget independence. While our budget must be prepared in cooperation and coordination with the Mayor's budget, we go before City Council on our own for approval of our budget, thus ensuring we will have the resources necessary to fully do our job on behalf of the citizens of Denver. Our independence and capacity to perform our oversight role cannot be compromised by having insufficient resources to do our job on behalf of the citizens.

Continued Role in Prevailing Wage and Contracts

We continue to enforce the City's Prevailing Wage ordinance and will be adding two additional Prevailing Wage inspectors over the next two years to meet the needs of greatly expanding City construction at DIA and in the City. You can expect updates on Prevailing Wage issues and our plans in the future.

I am also pleased to report we will continue to review and monitor all City contracts regardless of scope, size or dollar amount and all those contracts will continue to require my countersignature before becoming valid. This is a critical role we perform in ensuring accountability and the appropriate use of City resources.

What's Next?

As we move into the New Year, our Office is developing other new functions and enhancements that citizens and City government will find useful and valuable. I will report to you about those in our next Update.



Meet Your New City Council Members



Auditor Gallagher and Chris Nevitt

Hello!

I am the newly elected Denver City Councilman for District 7 (South Denver). Auditor Gallagher and I have been friends since Dennis Gallagher's own service on City Council. I worked hard on Mr. Gallagher's run for Auditor in 2003. In 2007, Auditor Gallagher

returned the favor with his help and support of my own run for City Council. I look forward to my continuing friendship with Auditor Gallagher and to working more closely together in the years to come to promote and protect the interests of Denver's hard-working residents.

I grew up in an American Foreign Service family and spent my childhood traveling the world. I earned a PhD in political economy and taught at the university level for several years. In 2002, I joined the Denver Area Labor Federation and helped found and run the Front Range Economic Strategy Center (FRESC), a research and policy organization focused on promoting higher quality jobs and more affordable housing in the Denver economy while rebuilding the historic partnership between unions and the larger progressive community.

As District 7 Councilman, I am focused on promoting responsible economic development while protecting existing neighborhoods; partnering with teachers, parents, and DPS to improve the quality and performance of our schools; protecting public safety through improved graffiti control and gang prosecution; and making Denver a national leader in sustainability.

Councilman Chris Nevitt

Friends and Neighbors,

I am honored and proud to represent District 3 in West Denver where I was born and raised. My wife and I are now raising our five month old daughter in the very neighborhood where I grew up. West Denver is a proud community with working class roots and our strengths are our hard working nature and diverse cultural backgrounds.

I am pleased to say that our District 3 office has been working diligently since July 16 to create better access to city services, organize a grassroots civic participation and leadership development program, partner with residents, community organizations and the police to crack down on crime and graffiti, and collaborate to bring economic development opportunities to our neighborhoods.

I have the honor to work with our City Auditor to continue to maintain accountability and transparency to Denver's hard working families. Denver is a world class city and I hope to use all of my time and energy in the coming years to help Denver grow responsibly for all residents to be proud of and enjoy. I look forward to the hard work and collaboration necessary to make this happen for the hard working families of West Denver and beyond.

Paz y Dignidad,

Councilman Paul D. López



Paul Lopez



Carla Madison

Greetings from City Council District 8! I am delighted to have the privilege to represent this diverse area and to be a part of the body that works to make Denver an even better place to live. I am a Denver native who has lived in my home across from City Park for the past 16 years. My early background as a forester, firefighter, cartographer and air quality researcher and my latter career as a physical therapist give me a unique perspective on the environment and healthcare. My seven years as a neighborhood advocate

working in preservation and zoning help inform the decisions I now make every day. I have a great love for and have spent many years working in the arts as a costumer, seamstress and designer. I feel my advocacy for the Arts and Architecture is also an important part of what I bring to the table. I have a wonderful supportive husband and two great dogs. I love my new office that we just relocated to the Five Points area and I look forward to hearing from you all on future issues as we wrestle with the two sides of everything aiming to achieve a balance that we can all live with.

Thank you!

Councilwoman Carla Madison

New Beginnings for the Office of the Clerk and Recorder

By Stephanie O'Malley, Denver's Elected Clerk and Recorder



Stephanie O'Malley

For the first time in Denver's history, the Office of the Clerk and Recorder is an independent city agency which is now under the leadership and direction of Denver's newly elected Clerk and Recorder, Stephanie O'Malley. Ms. O'Malley was officially sworn into office July 16, 2007 and began her tenure as the city official entrusted with responsibility to lead and oversee Denver's agency whose principal function is to collect, preserve, and disseminate information that reflects and verifies ownership,

transfer, encumbrance, and foreclosure rights of all real property in the City and County of Denver. In light of a major recent revision to Denver's City Charter, Ms. O'Malley additionally now serves as the city's lead election official. Recognizing the need to restore the confidence of Denver's voting public; this is a responsibility that she takes very seriously.

Since being sworn into office, Clerk O'Malley has been focused on re-building the department's fundamental structure. With attention on providing excellent services to the public, Clerk O'Malley has revised personnel and budgetary considerations to enhance operational efficiencies. Recognizing the need to significantly increase accountability from each staff member within the office of the Clerk and Recorder, Clerk O'Malley has re-structured personnel in the office so that each division is properly led by individuals who have major responsibility to hold staff members within the office of the Clerk and Recorder accountable for productivity and work responsibilities. The focus on accountability began with her appointing Helen Gonzales as the Deputy Clerk and Recorder and Michael Scarpello as Denver's new Elections Director. At the core of Clerk O'Malley's decision to appoint these two individuals is her commitment to have leaders in the department who possess work ethics that make the department strong, efficient, and representative of an organization that is pleasing to Denver's tax paying citizens. Ms. Gonzales is a 23 year Denver City and County employee who formerly served as both the Director and Deputy Director of Denver's Department of Excise and Licenses. Mr. Scarpello is the former Elections Manager for the city of Douglas County, Nebraska. This county includes 305,000 registered voters.

There is significant work to be accomplished in the office of the Clerk and Recorder. On an ongoing basis, the office of the Public Trustee continues to process an exponential number of foreclosure actions that have occurred as a result of a record number of Denver residents losing their homes. Since January 2007, the Public Trustee's office has processed a total of over six thousand foreclosure actions. It is forecast by year's end that the department will process more than seven thousand foreclosure actions. The work of the Public Trustee's office could not have been accomplished without the assistance of temporary staff. Seeing their presence as necessary in order to keep pace with processing foreclosure actions, Clerk O'Malley successfully fought hard during the 2008 budget discussions to keep these temporary workers during the 2008 calendar year. Today, the office of the Public Trustee is in compliance with statutory imposed timeframes that relate to efficiently processing foreclosure actions. Similarly, the office of the Public Trustee in collaboration with the Recording division recently cured

a backlog of releases of Deeds of Trusts. The Recording division is current with recording all documents submitted to the office of the Clerk and Recorder for recording purposes. These successes are an example of the great things that are yet to come under the continued leadership of Clerk O'Malley.

On the election front, the office of the Clerk and Recorder has been extremely busy. In the midst of conducting the 2007 Coordinated and Regular Biennial Election, the elections division, too, has been undergoing significant organizational re-tooling. Under the watchful eye of Clerk O'Malley, Elections Director Michael Scarpello has begun to use his huge mount of elections management experience and energy to implement significant changes in the elections division. After only 1 day on the job, Mr. Scarpello began his stint as the Elections Director right in the midst of 2008 budget discussions. Having engaged in this responsibility in his former capacity as the elections manager in Douglas County, Nebraska, Mr. Scarpello jumped right into these critical discussions and offered valuable considerations that were instrumental to build a 2008 elections budget that will afford the city of Denver opportunity to appropriately conduct the 2008 Primary and Presidential elections. Mr. Scarpello has additionally conducted a top to bottom review of the operational and organizational structure of the elections division. His review has lent to making changes that are designed to improve the manner by which elections have traditionally been run in Denver.

With a goal of identifying the best elections model to use during the 2008 Primary and Presidential elections, in September Clerk O'Malley and Mr. Scarpello convened the 2008 Elections Model Advisory Committee. The committee was comprised of a host of individuals including representatives from the Mayor's office, City Council, the office of the Auditor, the State Legislature, the Finance Department, the Democrat and Republican parties, the disabled community, the senior community, Common Cause, America Votes, the Latina Initiative, and a representative who has dutifully served as an election judge. The objectives of the committee were to make recommendations regarding voting locations and voting systems for use in 2008. After meeting for a total of six sessions, the committee recommended that Denver employ an elections model for 2008 that includes combined precinct polling places and that votes be cast on paper ballots. Additionally, the proposed recommendation is to have electronic voting machines available in order to be compliant with the Help America Vote Act and to accommodate members of the disabled community. The committee further recommended that in the event that the recommended model is not viable, an alternative model consisting of combined precinct polling places using a combination of Edge and Advantage electronic voting equipment be deployed. Clerk O'Malley and Mr. Scarpello intend to make a final decision regarding the recommendation near late December.

Stephanie O'Malley looks forward to making progress and realizing successes in the office of the Clerk and Recorder. Having the most transparent office in the Wellington E. Webb Municipal Office building (her work space literally includes a series of windows which affords the public to look right into her office), Clerk O'Malley remains committed to the challenge of having the public hold her accountable for the work expected from Denver's first elected Clerk and Recorder.

Comptroller General of the USA meets Auditor Gallagher



Auditor Gallagher (right) welcomes Comptroller General of the USA, David M. Walker on an October 10, 2007 visit to the Denver Auditor's Office.



Comptroller General of the USA, David M. Walker

Audit Committee Established By Charter

Another exciting improvement resulting from the 2006 Charter Change is the establishment of an improved and *independent* Audit Committee.

The City has had an Audit Committee—established by executive order and under the jurisdiction of the Mayor—but it has not been truly independent and independence is critical to an audit committee.

The new Audit Committee will be responsible for selecting the external auditor and overseeing the production of the City's annual external audit. This audit of the City's financial records – the Comprehensive Annual Financial Report – is critical to an accurate assessment of the City's financial condition. In this role, the Audit Committee must be completely independent of the Administration so that it can be the ultimate monitor of the financial reporting process and provide vital independent review and oversight of the City's financial reporting processes, internal controls and independent auditors. It also provides a forum separate from the Administration in which auditors and other interested parties can candidly discuss concerns.

The Audit Committee will also be the venue for the public release of audits and other audit services provided by the Auditor's Office. This will allow a more open and accessible way for the public, members of City Council and the Administration to be fully informed of findings and recommendations coming from the Auditor's Office.

The new Audit Committee will have seven members including the Auditor, who will chair the committee. Two members will be appointed by the Auditor, two by the Mayor and two by City Council. With the exception of the Auditor, none of the members may be City employees or elected or appointed City officials. This is done to ensure the independence of the Committee with regard to all audit matters. The Audit Committee will meet once a month with the public meetings every other month televised on Channel 8, the City's television outlet.

Auditor Gallagher Introduces New Director of Audit Services for the City

By Dennis Gallagher



Kip Memmott

Auditor Dennis Gallagher is pleased to introduce Kip Memmott who is now serving the City and County of Denver as the Director of Audit Services.

Kip has over twelve years of auditing, consulting and policy analysis experience at the federal, state, local government and private sector levels through his work activities as the Internal Audit Manager with the County of San Diego, California, a Senior Performance Auditor with the State of Arizona's Office of the Auditor General

as well as through his experience as a Senior Consultant with KPMG LLP and as an intern for the U.S. General Accountability Office (GAO) and the Arizona State Legislature.

Kip holds a Bachelor of Arts degree from the University of Utah and a Master of Arts degree with a certificate in Public History (*Public Administration emphasis*) from Arizona State University. In addition to his academic and professional experience, he is a Certified Government Auditing Professional. Kip has been formally recognized several times for his excellent work performance. He was named the County of San Diego Auditor and Controller Department's *Employee of the Year* in 2002 and 2006 and a project he managed examining the State of Arizona's behavioral health system received an *Impact Award* from the National Conference of State Legislatures. He was instrumental in

reengineering the internal audit function for the County of San Diego, which received the highest possible rating of compliance with professional auditing standards from an external peer review conducted in 2006.

Kip has several significant goals and plans for the Division that, once accomplished, will help to ensure that the vision he espouses is accomplished. Work on each of these goals is underway. Specific goals include:

- Automating the Audit Project Management Process
- Improving Report Products
- Implementing a Suite of Audit Advisory Services
- Enhancing the Division's Information Technology Audit Performance
- Audit and Fraud Detection Capabilities
- Utilizing Tangible Performance Measures to Assess On-Going Performance
- Establishing Collaborative Relationships with Elected Officials and Operational Management

You can reach Kip at kip.memmott@denvergov.org or 720.913.5027.

Partnering With You in Crime Prevention

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prosecutors and police. This program, created by the Denver DA's Office, is now used across the country. I have also joined with Auditor Dennis Gallagher and several Denver City Council members to sponsor "Senior Resource Day" events, providing safety, health and other help to seniors.

We also offer a helpful seminar called "Power Against Fraud" to learn more about protecting yourself and we provide regular "Fraud Alerts" advising of the latest scams.

Crime *prevention* is just as important as prosecution. I am committed to both. You can help by learning how to reduce your risk of becoming victim. Check out our website for how to protect against identity theft (www.DenverDA.org) and consider signing up for our "Fraud Alerts" by contacting Robin Finegan at 720-913-9178 or rff@DenverDA.org

Vision

To improve the accountability of the City & County of Denver's use of resources provided by taxpayers.

Mission

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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