

# 2022 Audit Plan



*Timothy M. O'Brien, CPA, Denver Auditor*

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# Auditor's Letter

**I AM PLEASED TO PRESENT THE DENVER AUDITOR'S 2022 AUDIT PLAN** for the City and County of Denver. This year, we heard loud and clear from the community and leaders in the city about what's most important to Denver and I believe the additions and adjustments we made to the plan for the year ahead reflect the highest of priorities.

Our function as an independent agency assuring accountability for the people we serve could not be more important. The city continues to work through a historic pandemic and plans for recovery, creating a need for oversight and robust processes and procedures like never before.

This year and in the year ahead, we expect city spending, hiring, and projects to grow as Denver bounces back from the hardships of the COVID-19 pandemic. However, we are not out of the woods yet. There is still work to do to protect our community and serve our most vulnerable populations to the best of the city's abilities. Our audits can help ensure efficiency and effectiveness – and encourage equity – for programs and agencies across the city.

The independent audit function serves as a tool for good government, transparency, and accountability in the city. My office's professional assessment of city operations acts as a safeguard for taxpayer dollars and as a reminder for every city agency to expect proper scrutiny.

Our recommendations are intended to provide a path for city agencies to enhance their effectiveness and reduce the city's risk. When agencies take our work seriously and make expeditious changes, everyone wins.

As a certified public accountant, I am bound by a code of ethics and professional standards. In determining the Audit Plan, I bring the obligations of my professional license as well as the voters' trust.

This year's Audit Plan incorporates risk-based performance, financial, information technology, cybersecurity, contract compliance, and audit analytics techniques into our integrated auditing approach. My team of professionals adheres to the highest standards and they are leaders in the nation for local government auditing work. The Audit Plan delivers value and impact for Denver and will be conducted with the highest professional standards.

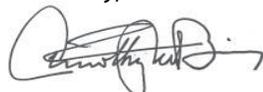
I am pleased to share the important work we have for the year ahead, which is based on an overall risk assessment. My team has been responsive to community input by adding an audit to examine concerns related to homeless encampments in the city, while maintaining our other goals regarding audits of services for people experiencing homelessness. Also new this year, we plan to add an audit of residential permitting and we will continue our construction and contract compliance work.

The Audit Plan is a flexible document that may change throughout the year because of unexpected circumstances and emerging risks. We saw examples of this need for flexibility throughout 2020 and 2021 as my office – and all city agencies – adjusted to the new needs and concerns surrounding the pandemic. In any year, changes could impact the Audit Plan due to the need for emergency audits, changes or delays in agency scheduling, or decreased risks because of changes and improvements within city organizations.

I look forward to the year ahead as we deliver independent, transparent, and professional oversight, thereby conserving the public's investment in the City and County of Denver. I am committed to providing ongoing information on how public dollars are spent and how government operates on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.

I thank the residents of Denver for their support of a comprehensive Audit Plan. Please feel free to contact me with questions at [auditor@denvergov.org](mailto:auditor@denvergov.org) or 720-913-5000.

Sincerely,



Denver Auditor Timothy M. O'Brien, CPA



# 2022 Planned Audits



## Homeless Encampments

*Citywide*

This audit will evaluate Denver’s oversight of encampments of people experiencing homelessness. This may include program costs, encampment cleanup processes and costs, and community impact.

## Mental Health Services

*Citywide*

This engagement will review the effectiveness and efficiency of the city’s mental health support services in Denver’s jail system and may include assessing continued support for people experiencing homelessness upon exiting the system.

## Cybersecurity

*Citywide*

This continued assessment program examines the city’s vulnerability to cybersecurity attacks and security breaches, using information from previous results and addressing newly identified potential risk areas.

## Police Department Operations

*Denver Police Department*

This audit will assess the efficiency and effectiveness of the Denver Police Department’s management and operations. This may include reviews of officers’ compliance with department requirements, programs and initiatives impacting public safety, and the security of systems.

## Affordable Housing

*Department of Housing  
Stability*

This audit will review how the department uses its funding and may also assess the efficiency and effectiveness of how the department creates and manages affordable housing projects.



# 2022 Planned Audits, continued

## City Shelters

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| <i>Department of Housing Stability</i> | This audit will assess the efficiency and effectiveness of the city's system for sheltering people experiencing homelessness. |
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## Diversity, Equity, and Inclusion

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| <i>Mayor's Office of Social Equity and Innovation</i> | This audit will review the city's approach to ensuring that stated diversity, equity, and inclusion goals are incorporated into city programs and directives. |
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## Campaign Finance

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| <i>Clerk and Recorder's Office</i> | This audit will review the internal controls and management associated with the city's processes and procedures for campaign finance. |
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## City Council Operations

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| <i>City Council</i> | This audit will review City Council operations and resources. |
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## Solid Waste Recycling

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| <i>Department of Transportation &amp; Infrastructure</i> | This audit will review the service delivery, efficiency, and effectiveness of the city's recycling and composting programs. |
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## Residential Permitting

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| <i>Department of Community Planning and Development</i> | This audit may assess the efficiency and effectiveness of the permitting process for residential dwellings. |
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## Network Access

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| <i>Technology Services</i> | This audit will review the change management and access controls that manage the citywide network. |
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## Vendor Management

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| <i>Technology Services</i> | This audit will review Technology Services' vendor management activities. This may include a review of vendor negotiations, monitoring practices, and best practices for vendor management. |
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## Airport Construction: Peña Boulevard

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| <i>Denver International Airport</i> | This audit will review Denver International Airport's construction management practices over the ongoing Peña Boulevard improvement project. |
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# 2022 Planned Audits, continued

## Construction Audits

### *Citywide*

This continued series of audits focuses on various risks in construction projects and practices. Selections may include projects at the airport, city capital construction projects, or bond projects. Audits may include a review of the rules and regulations around construction, internal controls, and project management practices.

## Airport Concessions Management

### *Denver International Airport*

This audit will review Denver International Airport's approach to concessions contracting.

## PROPworks Revenue System

### *Denver International Airport*

This audit will review the internal control environment around the PROPworks system, which the airport uses for multiple revenue streams. This may include an information technology general controls assessment.

## Materna Baggage System

### *Denver International Airport*

This audit will assess the implementation of the airport's Materna baggage system. This may include a review of information technology general controls, payment compliance, and associated risks.

## Business Technologies Operations

### *Denver International Airport*

This audit of the airport's Business Technologies Division may include assessing procurement, implementation, and operational controls over new technology acquisitions.

## Child Welfare Placement

### *Denver Human Services*

This audit will review Denver County's oversight of child protection and prevention services.

## Journal Entries

### *Department of Finance*

This audit will review the financial processes for journal entries. This review may assess how information is entered into Workday from outside systems, high-risk journal entries, and the validity of account balances.

## Financial Audits

### *Citywide*

These audits will review city agencies' accounting processes including assessing compliance with standards and internal control requirements. This may include reviews of specific transactions, accounts, and financial reporting practices.



# 2022 Planned Audits, continued

## Public Safety Systems and Applications

### *Department of Public Safety*

This audit will assess critical applications used by personnel in the Department of Public Safety. This may include a review of records management systems and information technology general controls, as well as the procurement of new applications and the department's collaboration with Technology Services.

## Denver Water

### *Denver Water*

This audit will review the city's legal relationship with Denver Water and various controls related to accounts established by Denver Charter and city ordinance.

## Scholarship Program: Voter-Approved Tax

### *Office of Children's Affairs*

This audit will review the college affordability tax scholarship program Denver voters approved in 2018.

## Scientific & Cultural Facilities District Tier 1

### *Denver Museum of Nature & Science*

This audit is part of a series exploring city oversight and the efficiency, effectiveness, and financial operations of Scientific & Cultural Facilities District Tier 1 recipients under their cooperative agreements with the city.

## Contracts and Agreements

### *Citywide*

As required under Denver Charter, this continued audit series will review selected city contracts and agreements to evaluate and ensure performance, value, and proper city oversight.

## Grant Audits

### *Citywide*

The continuation of this audit series will review city grants for compliance with grant terms and expenditures. This will include assessing grants specific to pandemic recovery relief as well as other grants throughout the city.

## 2022 Follow-Up Audits

### *Citywide*

All audits by the Auditor's Office provide recommendations for improvement, to which the audited agency must agree or disagree. For recommendations that were agreed to by the responsible entity, we complete a follow-up audit after the agreed-upon implementation date. Each follow-up audit will assess the status and quality of implementation for each recommendation.



# Plan Description



**The vision of the Audit Services Division** of the Denver Auditor's Office is to deliver value and impact for Denver by performing audits that follow the highest professional standards. Our mission is to deliver independent, transparent, and professional oversight — safeguarding and improving the public's investment in the City and County of Denver. Our work is performed on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.

The independent audit function is key to transparency and accountability in Denver's government. Denver's elected Auditor serves as a check and balance on the strong-mayor system. The Auditor and the Auditor's Office provide an important and valued function for Denver, a responsibility that requires a high level of expertise and professionalism. The 2022 Audit Plan reflects Auditor O'Brien's steadfast commitment to continuous improvement by enhancing the value, products, staffing, communications, and overall positive impact of the Denver Auditor's Office on behalf of Denver's residents, businesses, and visitors.

**Auditing under the Denver Charter** – The Denver Charter says the Auditor shall conduct:

- *Financial and performance audits of the City and County of Denver in accordance with generally accepted government auditing standards;*
- *Audits of individual financial transactions, contracts, and franchises; and*
- *Audits of financial and accounting systems and procedures, including records systems, revenue identification, and accounting and payment practices, for compliance with generally accepted accounting principles, best financial management practices, and any applicable laws and regulations governing the financial practices of the City and County of Denver.*

The 2022 Audit Plan ensures broad audit coverage throughout the city while also addressing specific performance, financial, contractual, information technology, and regulatory risks. According to the charter, the ultimate decision to perform any audit shall be at the sole discretion of the Auditor. Our approach to scheduling audits is flexible and subject to change throughout the year based on newly identified risks.



# Plan Description, continued



**Integrated Auditing** – Integrated audits incorporate elements of performance, financial, and information technology auditing. This produces a more effective outcome through a holistic audit approach with a focus on improving governance, compliance, performance, and operations.

Integrated auditing incorporates diverse approaches, including:

- **Performance Auditing** – We identify opportunities to improve the efficiency and effectiveness of city activities. Our performance audits also assess the viability or strength of the internal control environment of the city's agencies and programs. We conduct policy analyses and program evaluations and may assess the city's ability to mitigate risk. We may also select performance audits that align with the city's major strategic initiatives.
- **Financial Auditing** – The 2022 Audit Plan continues our focus on the overall financial management and fiscal activities of the city. These audits will assess the financial internal control environment, compliance with city polices, financial governance, accounting and reporting practices, and high-risk financial transactions.
- **Information Technology Auditing** – Our audits will continue to address identified information technology risks by focusing on the effectiveness of the city's cybersecurity defenses, data protection, data privacy, and management of critical systems and applications.
- **Contract Compliance Auditing** – The 2022 Audit Plan reflects a continued emphasis on auditing city contracts for compliance with contract terms and fulfillment of the scope of work.





# Plan Description, continued

**Data Analytics/Continuous Auditing** – As part of Auditor O'Brien's original vision for the Auditor's Office, the Audit Analytics Program expands the office's risk assessment and auditing capabilities and continues leading-edge audit practices to provide greater value and impact. Using data science tools, auditors sort through large numbers of transactions and entire data sets to identify the highest risks, instead of relying entirely on sampling.

- **Audit Analytics** – The Auditor's Office uses quantitative and qualitative risk-finding analytics of audit-related data and applies survey and sampling methodologies to support audits of city processes and internal controls. Audit analytics can be used to ensure data is accurate, consistent, and complete; to identify, analyze, and create visual representations of anomalies and patterns; to build statistical models; and to synthesize analytical results in audit reports.
- **Continuous Auditing** – Continuous auditing is an audit analytics method that allows auditors to directly connect with city data systems, use an entire data population rather than samples, and automate ongoing analyses of that data. These ongoing analyses of data systems are used to identify high-risk areas and test controls in the city's financial and operational systems in a timely fashion. The information gained from continuous auditing helps inform audits and the annual risk assessment. It can help audit teams improve efficiencies in planning and fieldwork by identifying trends and exceptions earlier than through traditional audit methods.

**Anti-Fraud Focus** – The city's management is responsible for establishing internal controls to detect and prevent fraud for each city entity. Although fraud detection is not a primary responsibility of the Auditor's Office, our audits consider the possibility that fraud, waste, or abuse may be occurring.

**Emphasis on Equity** – Equity is a priority consideration in every audit we do. One of our first steps in the audit process is to consider risk for inequity in the agencies, programs, and systems we examine. This is also in accordance with the charter-mandated generally accepted auditing standards, which specify that management of public resources should be done efficiently, effectively, and equitably.

**Audit Follow-up Program** – Audit follow-up activities are conducted for every audit to assess whether city personnel implemented the agreed-upon audit recommendations for improvement and impact.

The Auditor's Office regularly issues follow-up audit reports to the Audit Committee and the City and County of Denver's operational management on the status of audit findings and our recommendations for improved business practices.

Our office measures the audit recommendation acceptance rates and implementation rates as indicators of the degree to which the city is using information provided by our audit reports to mitigate identified risks and to enhance efficiency, effectiveness, and economy of operations.

**Focus on Flexibility, Transparency, and Responsiveness** – Although the Auditor's Office operates independently from other city entities, Auditor O'Brien and Auditor's Office leadership meet regularly throughout the year with City Council members, the mayor, other elected officials, city agency leaders, neighborhood groups, and civic leaders to solicit input regarding risks. Our objective is to improve services and stewardship of city resources.



# Audit Selection Process



## Determining What to Audit

Developing the annual Audit Plan is an ongoing process — conducted by assembling ideas from a variety of internal and external sources, examining a broad range of city activities and data, and then assessing risk factors in tandem with additional considerations. This approach results in a diverse list of agencies, programs, activities, and contracts that auditors examine to determine whether these are operating efficiently, effectively, and in accordance with both the law and any program or contract requirements. Some agencies could be audited more frequently than others depending on the assessed risks.

In developing a list of potential audits and other types of analyses, ideas come from a variety of sources:

- Assessments of operations and controls in previous internal and external audit reports, including independent audits of the city's Annual Comprehensive Financial Report, single audits, and audit management letters.
- Input from community members, elected officials, Audit Committee members, external auditors, and agency managers and staff.
- Consideration of current local events, financial conditions, major capital projects, and public policy issues.
- Consideration of risks identified in other government audits that could emerge in Denver.

A robust audit plan assesses a broad range of city activities and entities including:

- Organizational units within a city agency, such as a division or a department.
- Individual city programs and offices.
- Transaction cycles or processes that affect more than one city function or agency, such as contract procurement, purchasing, cash handling, fines, taxes, and assessments or key technology processes.
- Individual financial statement accounts or transactional activities, such as grant programs, construction projects in progress, tax-funded programs, and special revenue funds.
- City functions that operate like for-profit entities, such as Denver International Airport and other entities associated with enterprise funds.
- Contracts and agreements between the city and third parties.



# Audit Selection Process, continued

Our office identifies and prioritizes potential audits and other assessments using a risk-based approach by examining a variety of factors that may expose the city to fraud, misappropriation of funds, liability, or reputational harm. Accordingly, risk factors are assessed by reviewing:

- Significant changes that have occurred in the city.
- Time since the last audit of an area.
- Size of the agency, program, activity, or contract.
- Size of the budget.
- Compliance and regulations.
- Pending or recent legislation.
- Complexity of transactions.
- Fiscal sustainability.
- Critical information technology systems, including hardware and software.
- Management accountability.
- Quality of internal control systems.
- Age of programs, operations, or contracts.
- Public health and safety.
- Critical infrastructure.
- Short- and long-term strategic risks.
- Equity.
- Related litigation.
- Relevant case law.
- Emerging risk areas.

We periodically evaluate and modify risk factors as necessary.

After we finalize the Audit Plan, new information may come to light. As we experienced in 2020 and 2021, unanticipated events may occur, and initiatives, priorities, and risks within the city may change. The flexible nature of the Audit Plan as a living document provides the discretion to change course when it is in the best interest of the city.

The Auditor's Office extends its gratitude and appreciation to the Mayor's Office, City Council, Audit Committee, members of the city's agency leadership, and members of the public for providing input on the 2022 Audit Plan and for supporting the general mission of our office throughout the year.



# Auditor's Authority



**The Denver Auditor's Office provides independent oversight** of how tax dollars are spent to fund the city's many services, initiatives, and programs. Article V of the Denver Charter establishes this independence and provides for the Auditor's general authority and duties. The charter also establishes the Audit Committee, through which we report our audit findings.

**Our History** – Originally, the Auditor served as the general accountant for the city, maintaining the city's financial records and paying city expenses, including payroll. In November 2006, Denver voters approved an amendment to the city charter, completely changing the duties of the Auditor that had been in place since 1904. Based on this charter revision, accounting and payroll functions moved in June 2007 to the Controller's Office under the chief financial officer. This revision, plus other ordinances, authorized the Auditor to conduct audits of any entity that uses city dollars. Today, Denver's elected Auditor oversees one of the most structurally independent government audit functions in the country.

Several key components serve as the cornerstone for Denver's auditing framework. These elements provide the Auditor with the independence that results in the office's ability to conduct meaningful audits.

- **Elected Auditor** – The City and County of Denver has an elected Auditor who is independent from all other elected officials and operational management.
- **Audit Committee** – The Denver Charter establishes an independent Audit Committee, chaired by the Auditor, with six other members appointed by the mayor, members of City Council, and the Auditor.

- **Comprehensive Access** – The Denver Charter and city ordinance authorize the Auditor to have access to all officers, employees, records, and property maintained by the City and County of Denver and to all external entities, records, and personnel related to their business interactions with the city. The Auditor's Office has the authority to issue subpoenas to gain access to records from external agencies if documents needed for an audit are not produced voluntarily first.
- **Audit Response Requirements** – City ordinance requires that audited agencies formally respond to all audit findings and recommendations, establishing the Auditor's ability to work in conjunction with these agencies while maintaining independence.
- **Adherence to Professional Audit Standards** – The Auditor's Office conducts all audits in accordance with generally accepted government auditing standards published by the U. S. Comptroller General. These standards contain requirement and guidance on important topics such as ethics and independence.

