



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, February 16, 2017

Opening

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

Members Present

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

Also Present

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

Approval of January 19, 2017 Minutes

The minutes were approved as written.

Audit Report Briefing: Denver International Airport Rental Car Agreements

Audit Supervisor Sonia Montano, Lead Auditor Nancy Howe, Lead Auditor Pat Schafer, and Senior Auditor Tyler Kahn presented the audit findings and recommendations. Patrick Heck, Executive Vice President and DEN Chief Commercial Officer; Mookie Patel, Senior Vice President, Airline Affairs & Commercial Property; and Hugh Curran, Senior Vice President, Financial Management were present on behalf of Denver International Airport (DEN) to respond to the audit report.

DEN agreed with all twelve of the Audit Team's findings and recommendations. The recommendations and DEN's responses from the audit report are summarized below. For the full text of DEN'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 "Denver International Airport Rental Car Agreements." The video recording of the audit report discussion can be found at www.denvergov.org/auditor. Click on the Audit Committee tab, then the "Watch Audit Committee meetings" button at the top of the page. The most recent video will be listed first.

Recommendation 1.1

Enhance Oversight of Satellite Offices – The Senior Vice President (SVP), Airline Affairs & Commercial Property should clarify whether the Concession Agreement’s 20-mile radius clause is to be measured by driving distance or aerial distance, create a listing of all current satellite offices that are within a 20-mile radius of the Jeppesen Terminal, and develop procedures to identify when new satellite offices are established.

Auditee Response: Agree, Implementation Date – March 1, 2017

Recommendation 1.2

Identify Airport Customers – The SVP, Airline Affairs & Commercial Property should ensure that all rental car company customer contracts be designed to allow customers to designate on each agreement whether the customer is considered an airport customer.

Auditee Response: Agree, Implementation Date – June 1, 2017

Recommendation 1.3

Collect Fees for Airport Customers – The SVP, Airline Affairs & Commercial Property should identify which of the satellite offices have failed to remit concession and CFC fees for airport customers over the period from 2014 through 2016 and collect the amount due, including interest.

Auditee Response: Agree, Implementation Date – July 1, 2017

Recommendation 1.4

Provide Updated Rates – The SVP, Airline Affairs & Commercial Property should establish procedures to ensure that updated rental rates are delivered to all 12 rental car companies in a timely manner that is compliant with the Facilities and Ground Lease as well as the Properties Division’s policies and procedures.

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

Recommendation 1.5

Provide and Review MAG Amounts – The SVP, Airline Affairs & Commercial Property should implement procedures to ensure that both the correct MAG rates are provided to the rental car companies as well as to ensure all MAG payments received are in the correct amount.

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

Recommendation 1.6

Timely Submission of Statements – The SVP, Airline Affairs & Commercial Property should establish procedures to monitor the timeliness of the submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments.

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

Recommendation 1.7

Identify Key Controls – The SVP, Airline Affairs & Commercial Property should identify key controls for ensuring that rental car companies pay the accurate fee amounts as outlined in the rental car agreements, identify the staff responsible for associated duties, and update its policies and procedures accordingly.

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

Recommendation 1.8

Terminal Space – The SVP, Airline Affairs & Commercial Property should finalize and execute the contracts for counter space in the terminal that are currently in process.

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

Recommendation 1.9

Credit Memos – The SVP of Financial Management should implement internal controls to properly record credit memos and store support documentation.

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

Recommendation 1.10

Access Controls – The SVP of Financial Management should ensure that access reviews for creating and approving journal entries within DIA’s accounting system be implemented. Additionally, internal controls should be designed to introduce proper segregation of duties so users do not have the ability to approve a journal entry that they created.

Auditee Response: Agree, Implementation Date – February 28, 2017

Recommendation 1.11

Update Financial Policies and Procedures – The SVP of Financial Management should update the Finance Unit’s policies and procedures to ensure that they reflect current practices and provide sufficient clarity regarding staff responsible for key controls.

Auditee Response: Agree, Implementation Date – February 28, 2017

Recommendation 1.12

Clarify Properties Policies and Procedures – The SVP of Financial Management should collaborate with the SVP of Airline Affairs and Commercial to establish surrounding clarity of roles between the two groups where policies and procedures overlap.

Auditee Response: Agree, Implementation Date – February 28, 2017

General Business: Introduction of New Staff and Specialists

Deputy Auditor Valerie Walling introduced a number of recent additions to the Auditor’s Office, including several Staff Auditors and Senior Auditors who were in the audience. Ms. Walling

then introduced the Committee to two recently promoted staff members, Emily Jacobson and Sam Gallaher, who now serve the Auditor's Office in Specialist roles, using their advanced education and experience.

Emily Jacobson has served the Auditor's Office as a Communications Specialist since 2011. In her expanded role as the new Reporting and Research Specialist, she will assist audit teams in finding the most solid and recent criteria to support audit findings and will continue to collaborate with teams on enhancing the visual presentation and effectiveness of audit reports.

Sam Gallaher joined the Auditor's Office in 2015 as a Senior Auditor and soon started a Data Boot Camp. In his new role as a Data Analytics and Methodology Specialist, he will, like Ms. Jacobson, have an advisory role in assisting audit teams with methodologies, data collection, and analytics, in addition to spearheading the Office's continuous auditing program.

General Business: Distribution of 2017 Audit Committee Manual

Deputy Auditor Walling walked the Audit Committee through the contents of the updated Audit Committee Manual. Auditor O'Brien added that while the City Charter gives the Audit Committee certain responsibilities, he understands the Committee's desire to delegate some of those duties to the Auditor's Office itself. He is looking into proposed changes to the municipal Code that will streamline those duties and bring requirements in line with current times and oversight needs.

With no other public business, the Auditor called for a motion to move into Executive Session for the Committee's discussion with the External Auditors. Mr. Blumenthal moved to continue the meeting in Executive Session, and Ms. Nath seconded the motion. With no objections, the motion passed, and the public portion of the meeting adjourned at 10:07 a.m.

The next Audit Committee meeting will be held on Thursday, March 16, 2017 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.

Executive Session: Presentation of Preliminary Audit Letter

The Audit Committee met in Executive Session with both of the City's contracted External Auditors, BKD and Anton Collins Mitchell. Each firm discussed its plans for its forthcoming audit work and provided the Committee with formal outlines of its goals for the year. Specific areas of concern regarding City risks were raised by Committee members and addressed by BKD and Anton Collins Mitchell staff. Present on behalf of BKD were Chris Telli, Jodi Cates, Nikki Kubly, and Adam Russell. Present on behalf of Anton Collins Mitchell were Randy Watkins, who will be handling the Wastewater Management Division audit, and Jessica Friedly, who will be handling the deferred compensation plan audit.

With no other business, the Committee adjourned at 10:39 a.m.

Prepared by Mollie Horne, Audit Committee staff