



## **Independent Audit Committee**

### **City & County of Denver**

Meeting Minutes

Thursday, February 15, 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, and Edward Scholz were present. Jack Blumenthal was excused.

#### **Also Present**

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

#### **Approval of January 18, 2018 Minutes**

The minutes were approved as written.

#### **Audit Report Briefing: Denver International Airport Parking Revenue**

Audit Supervisor Sonia Montano, Lead Auditor Patrick Schafer, Senior Auditor Dave Hancock, and Senior Auditor Maria Durant presented the audit findings and recommendations.

Gisela Shanahan, Chief Financial Officer and Executive Vice President; Patrick Heck, Chief Commercial Officer; Dorothy Harris, Senior Vice-President, Parking and Transportation Systems; Herald Hensley, Director of Parking and Transportation Systems; and Michael Biel, Senior Vice President, Finance were present to respond to the audit report on behalf of Denver International Airport (DEN).

For the full text of the report, including auditee responses, please visit [www.denvergov.org/auditor](http://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 "[Denver International Airport Parking Revenue](#)." View the video recording of the audit report discussion under the Audit Committee tab at [www.denvergov.org/auditor](http://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.

DEN agreed with 25 of the Audit Team's recommendations and disagreed with one recommendation. The recommendations and the auditee responses from the audit report are summarized below.

**Recommendation 1.1**

**Monthly Budgets** – The Finance Manager of the Contract Compliance Group should ensure that personnel review monthly budgets in accordance with policies and procedures.

**Auditee Response:** Agree

**Recommendation 1.2**

**Staffing Levels** – The Director of Parking and Transportation Systems should develop written policies and procedures that include steps to assess whether staffing levels are in compliance with the contract and the staffing plan submitted by SP Plus Corporation. In addition, these procedures should include a specific process to assess deductions for noncompliance.

**Auditee Response:** Agree

**Recommendation 1.3**

**Nonperformance Deductions** – The Director of Parking and Transportation Systems should ensure monthly budgets are submitted on time and assess and collect nonperformance deductions.

**Auditee Response:** Disagree

**Recommendation 1.4**

**Leave Accruals** – The Finance Manager of the Contract Compliance Group should ensure overpayments of vacation leave paid in 2015 and 2016 should be collected from SP Plus Corporation.

**Auditee Response:** Agree

**Recommendation 1.5**

**Annual Audit Schedule** – The Manager of Finance within the Parking and Transportation Systems Section should develop a risk identification and analysis process for developing the annual audit schedule.

**Auditee Response:** Agree

**Recommendation 1.6**

**Monthly Reimbursement Reviews** – The Director of Parking and Transportation Systems should revise policies and procedures to ensure staff require and document legible, dated, and detailed information on monthly reimbursement reviews.

**Auditee Response:** Agree

**Recommendation 1.7**

**Contract Amendment** – As contract interpretation concerns arise, the Director of Parking and Transportation Systems should amend contract language that may be unclear or open for interpretation.

**Auditee Response:** Agree

**Recommendation 1.8**

**Parking Revenue Control System Replacement Process** – The Senior Vice President of Parking and Transportation Systems should ensure the approval steps are appropriately documented for the Parking Revenue Control System replacement and the process complies with the Capital Approval Process.

**Auditee Response:** Agree

**Recommendation 1.9**

**Vault Access** – The Manager of Public Parking should reevaluate SP Plus’s vault badge access list to ensure SP limits its list to cash management positions that require access to the vault and revise the policies and procedures to reinforce adherence to the requirement.

**Auditee Response:** Agree

**Recommendation 1.10**

**Ticket Issuance Machine inspections** – The Manager of Public Parking should develop policies and procedures to ensure SP conducts inspections of the ticket issuance machines three times a day in accordance with the contract.

**Auditee Response:** Agree

**Recommendation 2.1**

**Verification of Transportation Network Companies’ Self-Reported Data** – The Senior Vice President of Parking and Transportation Systems Section should implement a tracking system that will enable DEN to accurately verify the revenue reported by transportation network companies.

**Auditee Response:** Agree

**Recommendation 2.2**

**Off-Airport Parking Percentage-of-Revenue Payments** – The Manager of Ground Transportation should collect the 32 non-remitted payments from the Stonebridge Companies covering the period 2015 – June 2017, including interest at 18 percent per year.

**Auditee Response:** Agree

**Recommendation 2.3**

**Contract Compliance Group and Ground Transportation Communication** – The Manager of Ground Transportation should establish a system of communication between the Parking and Transportation Systems Section’s Contract Compliance Group that properly notifies DEN Ground Transportation when missing monthly percentage-of-revenue payments are identified.

**Auditee Response:** Agree

**Recommendation 2.4**

**Off-Airport Parking Operator Permit Compliance** – The Manager of Ground Transportation should gain a detailed understanding of the relevant terms included in the five off-airport parking operator permits, adequately communicate those terms to the five permittees, and monitor compliance on an ongoing basis.

**Auditee Response:** Agree

**Recommendation 2.5**

**Off-Airport Parking Operator Revenue Statements** – The Manager of Ground Transportation should ensure it receives from Stonebridge Companies, Canopy Airport Parking, and ParkDIA all audited annual revenue statements required under Section 3 and all certified monthly revenue statements required under Section 2 of the off-airport parking operator permits.

**Auditee Response:** Agree

**Recommendation 2.6**

**Park DIA Off-Airport Parking Operator Permit** – The Manager of Ground Transportation should execute a new off-airport parking operator permit with ParkDIA ensuring all sections of the permit are properly completed.

**Auditee Response:** Agree

**Recommendation 2.7**

**Off-Airport Parking Operator Permit Quality Control** – The Manager of Ground Transportation should develop a system of quality control whereby written agreements between DEN Ground Transportation and commercial operators are thoroughly reviewed prior to execution.

**Auditee Response:** Agree

**Recommendation 2.8**

**Courtesy Vehicle Inspections** – The Manager of Ground Transportation should develop procedures to ensure that each landside service agent is performing the minimum of four monthly courtesy vehicle inspections.

**Auditee Response:** Agree

**Recommendation 2.9**

**Source Documentation** – The Senior Vice President of Financial Management should implement internal controls to ensure that all off-airport parking operator revenue transactions are adequately supported by source documentation and that source documentation is retained and readily available for a period of time that complies with the airport’s document retention policy.

**Auditee Response:** Agree

**Recommendation 2.10**

**Past Due Interest Assessments** – The Senior Vice President of Financial Management should ensure that all invoices unpaid for more than 30 days and that have an interest assessment of \$5 or more be charged interest at a rate of 18 percent per year.

**Auditee Response:** Agree

**Recommendation 3.1**

**New Employee Parking System** – The Director of Parking and Transportation Systems should ensure a new employee parking system is obtained and that the system interfaces with DEN’s financial system.

**Auditee Response:** Agree

**Recommendation 3.2**

**Update Employee Data** – The Director of Parking and Transportation Systems should conduct quarterly updates to the employee parking system that include employment status and access for employees.

**Auditee Response:** Agree

**Recommendation 3.3**

**Assigned Lots** – The Director of Parking and Transportation Systems should ensure that the new employee parking system has the functionalities to ensure employees park in their assigned lots.

**Auditee Response:** Agree

**Recommendation 3.4**

**Update Employee Parking Policies and Procedures** – The Manager of Employee Parking should ensure Parking Permit Sales Office policies and procedures are updated to align with current practices.

**Auditee Response:** Agree

**Recommendation 3.5**

**Enhance Controls** – The Senior Vice President of Financial Management should enhance controls to ensure employee parking revenue deposits are processed in a timely manner and in accordance with policies and procedures.

**Auditee Response:** Agree

**Recommendation 3.6**

**Develop Bulk Sales Policies and Procedures** – The Senior Vice President of Financial Management should ensure policies and procedures for employee parking bulk sales invoicing are developed and the process is conducted in a timely manner.

**Auditee Response:** Agree

**Evaluation Report Briefing: Denver Elections Division Risk-Limiting Audit Process**

Audit Supervisor Cody Schulte, Lead Auditor Anna Hansen, Senior Auditor William Morales, and Staff Auditor Shaun Wysong presented the evaluation findings and recommendations.

Debra Johnson, Clerk & Recorder; Amber McReynolds, Elections Director; and Jimmy Flanagan, Senior Voting Systems Analyst were present to respond to the evaluation report on behalf of the Denver Elections Division.

For the full text of the report, including agency responses, please visit [www.denvergov.org/auditor](http://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 “[Denver Elections Division Risk-Limiting Audit Process](#).” View the video recording of the evaluation report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://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 Denver Elections Division agreed with all three of the Audit Team’s recommendations. The recommendations and the auditee responses from the evaluation report are summarized below.

**Recommendation 1.1**

**Automate Ballot Manifest Information** – The Denver Elections Division should consider working with a Salesforce professional to identify possible system upgrades or modules that would allow for a more automated approach to gathering, documenting, and reporting ballot manifest information. If this is not feasible, compensating controls should be considered to validate the accuracy and reliability of the information in the spreadsheets.

**Agency Response:** Agree

**Recommendation 1.2**

**Continue Working with Secretary of State to Address Multi-Page Ballot Efficiency** – The Denver Elections Division should continue to work with the Colorado Secretary of State’s Office to determine how to identify specific contests in multiple page ballots in order to produce optimal ballot sample sizes in the risk-limiting audit process.

**Agency Response:** Agree

### **Recommendation 1.3**

**Create RLA Performance Metrics** – The Denver Elections Division should consider creating risk-limiting audit performance metrics, such as time and cost per ballot retrieved and time and cost per ballot reviewed, to measure risk-limiting audit performance over time.

**Agency Response:** Agree

### **Assessment Briefing: An Agency of the City & County of Denver – Information Systems Cybersecurity Assessment**

Before proceeding with the public portion of the assessment, Auditor O'Brien reminded the audience that the next Audit Committee meeting will be held on Thursday, March 15, 2018 at 9:00 a.m. in the Parr-Widener Community Room (#389) on the 3<sup>rd</sup> floor of the City & County Building at 1437 Bannock Street.

Audit Manager Kevin Sear introduced the team from Cornerstone Partners that conducted the assessment: Bill Evert, Partner; Donald McLaughlin, Lead Consultant; and Brian Cather, Lead Consultant.

Scott Cardenas, Chief Information Officer and James Stoner, Information Security Manager were present to respond to the assessment on behalf of Technology Services.

The Cornerstone Partners team discussed the scope and methodologies for the assessment, and they also provided an overview of common social engineering techniques used by cyber attackers to gain unauthorized access to confidential information. The assessment and associated findings have been reported to the Agency and Technology Services, and the Agency has responded accordingly.

The Auditor then entertained a motion to go into Executive Session. Rudy Payan moved to go into Executive Session. Florine Nath seconded the motion, and the motion passed. The public portion of the meeting adjourned at 10:35 a.m.

For the full text of the public portion of the assessment, please visit [www.denvergov.org/auditor](http://www.denvergov.org/auditor). Click on the Audit Services tab, then Audit Reports, then By Year. This assessment is published under the 2018 Audit Reports header and is titled “[Information Systems Cybersecurity Assessment](#).” View the video recording of the audit report discussion under the [Audit Committee](#) tab at [www.denvergov.org/auditor](http://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.

### **Executive Session: Discussion of the Information Systems Cybersecurity Assessment**

The meeting continued in Executive Session wherein Cornerstone Partners provided a detailed briefing of the Cybersecurity assessment. The Committee discussed the assessment findings, and the briefing concluded.

**Executive Session: External Auditor Preliminary Audit Letter**

The Committee continued with the Executive Session in a meeting with members of the external audit firm for the CAFR, BKD LLP. Chris Telli introduced Jodie Cates, Nikki Kubly, and Lisa Horn, who conducted the External Auditor Preliminary Audit Letter presentation. The Audit Committee was able to discuss BKD's plans for the upcoming audit engagement and ask any pertinent questions.

With no other business, the Committee adjourned at 11:23 a.m.

Prepared by Mollie Horne, Audit Committee staff