



Independent Audit Committee

City & County of Denver

Meeting Minutes

Thursday, March 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, Jack Blumenthal, and Edward Scholz were present.

Also Present

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

Approval of February 15, 2018 Minutes

The minutes were approved as written.

Examination Report Briefing: Denver International Airport PetroPro Engineering, Inc. Contract

Audit Manager Dawn Wiseman and Audit Supervisor Sonia Montano introduced Paul Niedermuller and Allison Slife, both Principals with CliftonLarsonAllen who presented the examination report.

Patrick Heck, Chief Commercial Officer; Michael Biel, Senior Vice President Financial Management; Greg Hegarty, Senior Vice President Business Operations; George Karayiannakis, Senior Vice President Airline and Commercial Affairs; and Francisco Alonzo, Director Commercial Affairs were present to respond to the audit report on behalf of Denver International Airport.

For the full text of the report, including the airport's 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 "[Denver International](#)

Airport PetroPro Engineering, Inc. Contract.” 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 airport agreed with all four of CliftonLarsonAllen’s recommendations. The recommendations and the airport responses from the examination report are summarized below.

Recommendation 1

We recommend that DEN enhance the internal controls surrounding document retention to ensure compliance with policies. This can be accomplished by improving checklists and process flows surrounding documentation retention to ensure all documents are kept in accordance with policies.

Auditee Response: Agree

Recommendation 2

We recommend that DEN enhance the internal controls surrounding timely reconciling of its royalty revenues related to its oil and gas wells. This can be accomplished by fully implementing the new accounting system, Workday, so that timely recording and reconciling of this activity can take place.

Auditee Response: Agree

Recommendation 3

Based on the observations noted above related to the LOE, DEN should enhance its analysis of total costs incurred in operating the oil and gas wells on an ongoing basis to determine if there is a business case to keep operating in this manner. The net revenue earned on the selling of oil and gas well production less operating expenses incurred could be considered excessive and should be further analyzed to determine if it is a good use of DEN's resources to continue operations.

Auditee Response: Agree

Recommendation 4

Regarding the 17 negative cash flow tank batteries (26 wells), DEN should have a well-by-well review with PetroPro of the 20 wells in question with negative cash flows that are not shut-in or temporarily abandoned. This can help determine if they should be shut-in given the decline curves observed on these 20 wells that are included in the negative cash flow tank batteries.

Auditee Response: Agree

Follow-Up Audit Report Briefing: Denver International Airport Airline Agreements Audit

Audit Supervisor Sonia Montano and Senior Auditor Darrell Finke presented the follow-up audit recommendations and findings.

Patrick Heck, Chief Commercial Officer; Michael Biel, Senior Vice President Financial Management; George Karayiannakis, Senior Vice President Airline and Commercial Affairs; and Francisco Alonzo, Director Commercial Affairs were present to respond to the follow-up audit report on behalf of the airport. For the full text of the follow-up report, including auditee actions, please visit www.denvergov.org/auditor. Click on the Audit Services tab, then Audit Reports. This [follow-up report is published](#) under the 2016 Audit Reports header below its corresponding original audit, dated November 2016.

The follow-up audit report was discussed. The findings, summarized below, indicate that weaknesses in Denver International Airport's controls for managing airline agreements pose a risk to revenue collection.

Recommendation 1.1—NOT IMPLEMENTED

The SVP of Financial Management should establish criteria for writing off accrued interest penalties and develop appropriate policies and procedures, which should require documentation when decisions are made to adjust invoices in this manner.

Recommendation 1.2—DISAGREE (no action taken)

The SVP of Financial Management should ensure that the policies and procedures are revised to include a process for assessing the required interest for late Passenger Facility Charges payments.

Recommendation 1.3—NOT IMPLEMENTED

The SVP of Financial Management should ensure a procedure is developed to require airlines to provide documentation identifying the invoices and fees covered by payments submitted.

Recommendation 1.4—NOT IMPLEMENTED

The SVP of Financial Management should ensure that the Finance Unit's policies and procedures for managing airline space are updated to align with current practices, and add a process ensuring timely airline space change financial processing.

Recommendation 1.5—NOT IMPLEMENTED

The SVP of Financial Management should ensure that DEN Finance personnel are cross-trained on key roles and responsibilities so that operations are not impacted when personnel are unavailable or leave the organization.

Recommendation 1.6—IMPLEMENTED

The SVP of Airline Affairs and Commercial should ensure that the Properties Division's policies and procedures are updated to indicate a timeframe within which airline use and lease agreements should be updated to reflect periodic space changes.

Recommendation 1.7—PARTIALLY IMPLEMENTED

The SVP of Airline Affairs and Commercial should ensure policies and procedures are updated to establish a timeframe within which space changes should be processed to ensure timeliness for billing and collections.

Recommendation 1.8—PARTIALLY IMPLEMENTED

The SVP of Airline Affairs and Commercial should ensure the Property Division's policies and procedures include a process for conducting, documenting, and addressing concerns noted during on-site inspections of airline leased spaces.

Recommendation 1.9—NOT IMPLEMENTED

The SVP of Financial Management should ensure that the Finance Unit's policies and procedures include processes for the timely creation of invoices and the establishment of a due date for airline payments of non-preferential and customs gate utilization fees.

Recommendation 1.10—PARTIALLY IMPLEMENTED

The SVP of Airline Affairs and Commercial should develop a process for tracking airline departure equivalents required by the airline agreements and ensure procedures are included in Property Division's policies and procedures.

Recommendation 1.11—IMPLEMENTED

The SVP of Airline Affairs and Commercial should enhance controls related to monitoring liability insurance and surety bonds to ensure compliance with airline use and lease agreements.

Recommendation 1.12—IMPLEMENTED

The SVP of Financial Management should include the analysis of all airline rentals, fees, and charges on an annual basis (the Year-End Settlement) and specify the creation of associated reports in the Finance Division's policies and procedures.

Recommendation 1.13—DISAGREE (no action taken)

The Chief Financial Officer should update or amend the WJ Advisors scope of work to incorporate specific requirements for the Year-End Settlement process, including noting the annual settlement report as a required deliverable.

Recommendation 1.14—PARTIALLY IMPLEMENTED

The SVP of Financial Management should ensure the Finance Unit's policies and procedures are revised to include payment due dates and interest penalty enforcement dates that are consistent with those identified in the Code of Federal Regulations and airport rules and regulations.

At the conclusion of the follow-up report presentation, Auditor O'Brien asked if Denver International Airport would be willing to host a tour of the airport for the Audit Committee. Patrick Heck accepted the Auditor's request and said his team would be delighted to arrange a tour.

Transition to Executive Session

Before moving into Executive Session, Auditor O'Brien reminded the audience that the next Audit Committee meeting will be held on Thursday, April 19, 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.

The Auditor then entertained a motion to go into Executive Session. Jack Blumenthal moved to go into Executive Session. Edward Scholz seconded the motion, and the motion passed. The public portion of the meeting adjourned at 10:07 a.m.

Executive Session: External Auditor Presentation on Wastewater Management Services and Deferred Compensation Plan Annual Audits of Financial Statements

The meeting continued in Executive Session wherein Anton Collins Mitchell Partner Melissa Hooley and Anton Collins Mitchell Directory Tyra Litzau provided a detailed briefing of the firm's plans for its annual audits of Wastewater Management Services and the Deferred Compensation Plan. The Audit Committee was able to discuss ACM's plans for the upcoming audit engagement and ask any pertinent questions. The presentation concluded at 10:32 a.m.

With no other business, the Committee adjourned at 10:33 a.m.

Prepared by Mollie Horne, Audit Committee staff