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Cover photo courtesy of Denver International Airport.
September 19, 2019

AUDITOR’S LETTER

The objective of our audit of Denver International Airport’s accounts receivable was to assess the airport Finance Division’s management of accounts receivable as it relates to internal controls, systems, reporting, and staffing. I am pleased to present the results of this audit.

The audit revealed Denver International Airport’s deficient accounts receivable processes resulted in inefficiencies, loss of revenue, and inconsistent financial reporting—including an estimated over $1 million a year lost in uncollected interest on late payments and a lack of support for $4.5 million of the airport’s accounts receivable net of allowance for doubtful accounts in 2018. Further, poor planning by airport officials resulted in a failed implementation of new accounts receivable software and could result in another software implementation failure.

By strengthening financial reporting, policies and procedures, and long-term planning, the Finance Division can improve revenue collection and the accuracy of accounts, while ensuring its staff resources are appropriate and efficient in both the short term and long term. Our report lists several related recommendations.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor,” and was conducted in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the airport’s Finance Division and Accounts Receivable personnel who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Accounts Receivable
September 2019

Objective
To determine whether Denver International Airport has effective internal controls, systems, and personnel to ensure accounts receivable are properly accounted for, collected, and reported.

Background
In 2018, Denver International Airport remained the fifth busiest airport in the United States and 20th busiest in the world. The airport served about 64.5 million passengers in 2018.

Accounts receivable net of allowance for doubtful accounts increased from about $52 million in 2017 to about $67 million in 2018.

The airport’s Finance Division is responsible for managing cash receipts, processing revenue, and overseeing the creation and processing of invoices.

REPORT HIGHLIGHTS

Highlights
In our audit of Denver International Airport’s accounts receivable for 2017 through June 2019, we identified several areas in need of improvement within the airport’s Finance Division.

Denver International Airport’s Accounts Receivable Processes Have Inefficiencies Resulting in a Loss of Revenue

- Inherited problems continue despite changes in management and software.
- Duplicate and defunct accounts have not been removed, and a failure to properly charge interest on late payments has resulted in an average loss of an estimated over $1 million a year in revenue starting in 2018. Uncollectible debts are not being written off, and accounts receivable net of allowance for doubtful accounts lacked support for $4.5 million in 2018.
- The airport’s Finance Division did not create a change management plan for converting to Workday accounts receivable software from 2015 to 2017, and the division does not have one for the conversion to PROPworks software now underway.
- Weak policies and insufficient staffing limit the Finance Division’s ability to address inefficiencies.

For a copy of this report, visit www.denverauditor.org or contact the Auditor’s Office at (720) 913-5000.
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Denver International Airport’s Accounts Receivable Processes Have Inefficiencies Resulting in a Loss of Revenue

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BACKGROUND

The City and County of Denver owns and operates Denver International Airport, which provides more than $26 billion of economic benefit for the Denver metro area each year. The airport operates as an enterprise fund, which is a governmental organization that operates as a self-sustaining business. No money from the City’s general fund is used for the airport’s expenditures. In 2017 and 2018, Denver International Airport collected more than $1 billion in revenue each year.

Table 1 shows the airport’s operating revenues for 2016 through 2018, and Table 2 on the following page shows nonoperating revenues and total revenues for 2016 through 2018.

### Table 1. Denver International Airport Operating Revenues, 2016-2018 ($ in thousands)

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Facility Rentals</td>
<td>$198,407</td>
<td>$180,443</td>
<td>$196,065</td>
</tr>
<tr>
<td>Landing Fees</td>
<td>$150,850</td>
<td>$171,708</td>
<td>$161,981</td>
</tr>
<tr>
<td>Parking</td>
<td>$176,949</td>
<td>$176,006</td>
<td>$189,890</td>
</tr>
<tr>
<td>Concession</td>
<td>$67,408</td>
<td>$68,269</td>
<td>$83,297</td>
</tr>
<tr>
<td>Car Rental</td>
<td>$66,727</td>
<td>$71,806</td>
<td>$72,621</td>
</tr>
<tr>
<td>Hotel</td>
<td>$43,262</td>
<td>$47,412</td>
<td>$53,304</td>
</tr>
<tr>
<td>Aviation Fuel Tax</td>
<td>$18,892</td>
<td>$25,993</td>
<td>$25,039</td>
</tr>
<tr>
<td>Ground Transportation</td>
<td>$10,594</td>
<td>$12,449</td>
<td>$17,313</td>
</tr>
<tr>
<td>Other Sales and Charges</td>
<td>$9,440</td>
<td>$14,839</td>
<td>$8,850</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUE</strong></td>
<td><strong>$742,529</strong></td>
<td><strong>$768,925</strong></td>
<td><strong>$808,360</strong></td>
</tr>
</tbody>
</table>

*Source: Denver International Airport’s 2017 and 2018 Annual Financial Reports.*

As shown in Tables 1 and 2, the airport derives a significant portion of its revenues from customers. For example, airlines pay facility rental fees and landing fees, while revenue from concessions may include facility rental fees and a percentage of revenue collected.

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The airport has a variety of customers and, in most cases, the airport invoices customers for payment, resulting in accounts receivable. Table 3 on the next page shows Denver International Airport’s receivables for 2016 through 2018.

Accounts receivable represent money owed to an organization by customers for goods or services that have been delivered but not yet paid for. Meanwhile, the allowance for doubtful accounts represents the amount of money owed to an organization by customers that management believes will not be paid. This allowance is applied to accounts receivable to arrive at a net estimate of accounts receivable.

As reported in Denver International Airport’s financial statements as of December 31, 2018, accounts receivable net of allowance for doubtful accounts increased from about $52 million in 2017 to about $67 million in 2018.2

**Passenger Traffic** – Denver International Airport is the fifth-busiest airport in the United States, serving more than 64.5 million passengers each year.3 It is one of the busiest airline hubs, largely due to its central

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location in the United States. As passenger traffic continues to increase year after year, so have revenues.

**Finance Division Organizational Structure**

The airport’s Finance Division has a number of diverse responsibilities, including but not limited to managing accounts receivable.

As of February 2019, and as illustrated in Figure 1 on the following page, the Finance Division contained two key accounts receivable teams—one responsible for managing cash receipts and processing revenue and the other tasked with creating and processing invoices. Each team has a supervisor and two staff accountants, and one team has a cashier. Denver International Airport has approximately 45 different revenue streams and processes nearly 21,000 invoices each year.
As mentioned, the airport operates as an enterprise fund, and the Finance Division must comply with generally accepted accounting principles when recording accounts receivable and revenue transactions.\(^4\)

Over the past several years, the airport has used multiple accounting systems, including the Accounting Management System, PeopleSoft, and Workday. In August 2017, the City and County of Denver (including the airport) implemented a new financial system of record, called Workday, which includes an accounts receivable function. Since the implementation of Workday, the Finance Division has experienced difficulties in managing accounts receivable and, in late 2018, decided to transition accounts receivable functions to PROPworks, another system the airport uses.

PROPworks is an airport property and revenue management system that is used at airports of all size and scope.\(^5\) The system includes a billing function to manage tenant, property, and revenue-related information. The airport has used PROPworks on a limited basis for several years. In 2015-2016, the airport used PROPworks for invoicing concessions tenants. In 2017-2018, some airline billings were processed through PROPworks. Currently, the airport uses PROPworks to manage and bill customers renting space and to bill concessionaires based on a percentage of monthly revenues.

The airport’s use of PROPworks has increased over the past several years.

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\(^4\) Generally accepted accounting principles were developed by the accounting profession and the U.S. Securities and Exchange Commission. They are widely used as basic accounting standards by state and local governments.

and will increase with the transition of all customer billings. For example, the Workday accounts receivable function is unable to calculate and add interest to invoices for late payments, which is required in many of the airport’s customer contracts. PROPworks has the capability to calculate and bill for interest.
FINDING

Denver International Airport’s Accounts Receivable Processes Have Inefficiencies Resulting in a Loss of Revenue

Continuous changes in personnel and information systems in the airport’s Finance Division have failed to address inherited inefficiencies in the airport’s accounts receivable processes.

Because the Finance Division’s accounts receivable billing and receipting processes are not fully automated, they require frequent manual intervention by accounts receivable personnel, such as recording adjustments and performing reconciliations outside the system. As Finance Division management continues to not address process inefficiencies, the operational and financial consequences continue to grow—such as untimely billings, decreased collection efforts, lack of write-offs, inaccuracies in the calculations for the allowance for doubtful accounts, and inconsistencies in financial reporting.6

While past Finance Division management was unable to correct inefficiencies in its accounts receivable processes, it also failed to properly implement the Workday accounts receivable function. The Finance Division’s lack of a change management strategy for Workday—and the absence of one for its current implementation of PROPworks—puts the airport at risk for another failed system implementation.

Finally, the Finance Division’s gaps in policies and procedures and its limited workforce planning could impact the division’s progress in addressing inefficiencies.

Longstanding inefficiencies in accounts receivable processes, such as researching customer account discrepancies and manually applying wire payments to outstanding invoices, are time-consuming activities that detract from the Finance Division’s ability to make process improvements. Such improvements include updating policies and procedures, charging interest on overdue payments, and increasing third-party collection efforts.

6 The term “write-off” refers to the act of reducing the reported value of an uncollectible customer account to zero. Collection will still be pursued; however, the customer account is no longer included for financial reporting purposes.
Foregoing process improvements may result in a loss of revenue and an increased risk of financial reporting inconsistencies.

**Process Inefficiencies Have Gone Unaddressed**

We identified several process inefficiencies that have negative impacts on the airport’s accounts receivable.

**Researching Customer Account Discrepancies** – Current Finance Division management has devoted significant time and attention to researching customer account discrepancies as the result of previously misapplied payments, inaccurate information being transferred from one system to another, and duplicate customer accounts.

Many customer accounts are inaccurate from years of misapplied payments, because the Finance Division does not require customers to submit a remittance, instructing the airport on how its payments should be applied. For example, an airline’s $7.9 million payment for passenger facility charges should have been recorded as revenue earned. However, it was erroneously applied to the airline’s outstanding receivables.

This error also required valuable resources—such as significant time to research the airline’s account history, reverse the erroneously recorded transaction, and reinstate the correct receivable balances.

Customer account discrepancies have also resulted from incorrect customer transaction information being transferred from one system to another. For example, in the airport’s previous accounting system, named Accounting Management System, the invoice creation date reflected the last invoice print date. If an invoice was initially created and printed on January 1, 2017, the creation date would reflect January 1, 2017. However, if the customer requested a copy of the invoice to be printed on June 30, 2017, the invoice creation date would change from January 1, 2017, to June 30, 2017—thereby eliminating 180 days from the number of days the invoice was outstanding. These complexities have impacted the customer application process.

In August 2017, when the invoice creation date field migrated from the Accounting Management System into the City’s Workday accounts receivable module, incorrect invoice creation dates also migrated, as opposed to the original creation dates being carried over. Therefore, the number of days a customer invoice remained outstanding as of September 30, 2017, was reported to be 90 days, rather than 270 days.

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7 In this context, “remittance” refers to a set of instructions conveying how the customer’s payment should be applied to their accounts.

8 Passenger facility charges are fees paid to Denver International Airport that are collected by air carriers from passengers based on the itinerary of a passenger’s ticket.
Because it is the Finance Division’s policy to record an allowance for doubtful accounts when a customer account becomes more than 180 days past due, this would ultimately result in the understatement of the allowance for doubtful accounts or an overstatement of accounts receivable net, as well as an understatement of interest owed.

**Ineffective Controls over Customer Files** – Ineffective processes and systems over the consistency, reliability, and integrity of the airport’s customer master files have also resulted in customer account discrepancies. If information contained in the customer master file is incorrect, this will result in the creation of invoices for the wrong amount.

Because the airport does not have a centralized billing system, the same customer can have two different accounts under slightly different names. For example, the customer account name “U S GENERAL SERVICES ADMIN” originated from PROPworks, while the customer account name “GENERAL SERVICES ADMINISTRATION” originated from a separate system used for the airport’s telecommunications billing. Both names refer to the same customer. Because both systems interface with the City’s Workday accounts receivable module separately, there is no easy way to prevent the duplication of customer accounts when they are spelled differently.

Mergers and acquisitions in the airline industry have further complicated the Finance Division’s ability to maintain a complete and accurate customer master file. For example, the merger of United Airlines Corp. and Continental Airlines in 2013 led to the creation of United Continental Holdings Inc. Additionally, in 2015, American Airlines merged with U.S. Airways and kept the name “American Airlines.” However, as of 2019, the customer accounts for United, Continental, American, and U.S. Airways all remain as individual, separate accounts within the airport’s master file—resulting in duplicate and unnecessary accounts.

An additional complication is the volume of subsidiary businesses owned by major airline companies and concessionaires. For example, United owns and operates its own catering services under the customer account names “Chelsea Catering” and “United Airlines Inc. Catering.” However, because the master file does not have the ability to decipher between parent and subsidiary entities, Finance Division personnel must manually track this information outside the system, contributing to process inefficiencies.

At times, customers submit payments and the Finance Division must keep the funds in a citywide general ledger suspense account until it

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9 On June 27, 2019, United Continental Holdings Inc. reported it was changing its name to United Airlines Holdings Inc. effective immediately.
can identify which specific subsidiary company the payment should apply to. A suspense account is used to temporarily hold amounts in question until they can be researched and applied to the correct account.

All organizations should have their own unique set of internal controls. Internal controls are the processes used to make sure that the organizations objectives are met in the most efficient and effective way while still complying with all laws, regulations, and policies.\textsuperscript{10}

The Government Finance Officers Association’s revenue control policy states: “All aspects of cash receipting and accounts receivables should be subject to proper internal controls.”\textsuperscript{11} However, because of frequent changes in the airport’s information systems and accounts receivable billing and receipting processes, the Finance Division has been unable to maintain formal policies and procedures that establish controls over the completeness and accuracy of account customer information.

**Turnover in Finance Division Personnel** – Over the past several years, there has been turnover at all levels within the Finance Division management team. Because of these changes, current Finance Division management officials have inherited the airport’s decentralized accounts receivable information systems and master files. However, going forward, they are responsible for the design and implementation of effective internal controls to prevent errors from occurring in the billing of customer invoices and the application of customer payments. According to current Finance Division management officials, they have been working to address these inherited inefficiencies and will continue to do so as they look to transition to the reimplementation of PROPworks.

**Manual Application of Payments** – Because wire payments are deposited into a citywide general ledger suspense account instead of being automatically deposited into the agency’s assigned fund, manual intervention is needed by the airport’s Finance Division in order to process electronic wire payments in Workday. To transfer the wire payments out of the citywide general ledger suspense account, the Controller’s Office sends a daily email to a staff accountant in the Finance Division containing a list of wire transactions related to the airport’s operations. The staff accountant manually researches the list of wire transactions and matches the transactions to the correct customer account and invoice. Within Workday, a manual journal entry


adjustment is recorded to transfer money out of the citywide suspense account and into the airport’s enterprise fund accounts.

In order to streamline and automate this process, the Finance Division has requested the creation of a sweep bank account designated to process airport customer payment transactions. The airport’s Finance Division is still interested in obtaining approval from the City’s Department of Finance to create this account.

Additionally, because the City’s cashiering system can only apply customer payments to existing invoices for the exact amount, the system cannot automatically apply payments for multiple invoices or for partial payments. If a customer payment does not have a corresponding customer invoice for the exact amount, the payment is identified as an “ad hoc” payment and accounted for as a liability in the City’s general fund. To transfer the ad hoc payment from the City’s general fund to the airport’s enterprise fund accounts, a manual journal entry adjustment is initiated, reviewed, and approved in Workday.

Processing of physical checks requires staff to open envelopes, manually identify customers and payment types, enter the amount into the cashiering system, and prepare deposit slips for the bank. The manual process can create processing delays if a backlog occurs.

The Government Finance Officers Association recommends the use of lockbox services. Lockbox services expedite the collection of paper-based payments and provide timely payment information to update accounts receivable records. Lockbox services are usually provided by a third-party processor (such as a bank) that receives, opens, and processes payments for a government or business. For most governments, lockbox services should:

- Increase payment and posting accuracy,
- Improve cash flow by reducing processing time between the delivery of mail and the depositing of payments, and
- Increase staff productivity by freeing personnel from the labor-intensive process of manually handling mail, making daily deposits, and posting manual payments.\(^\text{12}\)

The Finance Division accounts receivable staff could benefit from the use of a lockbox service to reduce accounts receivable inefficiencies.

**Inaccurate Accounts and Interest Not Charged to Customers**

One issue brought to the attention of airport officials prior to the implementation of Workday that went unaddressed was the inability

to charge interest on late payments. Our audit confirmed the Finance Division does not charge interest or fees on late payments because the Workday accounts receivable module does not have the ability to automatically assess interest on overdue invoices.

Additionally, the Finance Division does not have a mechanism nor the resources to manually calculate and track interest on past-due customer invoices outside the system. According to management, the airport collected approximately $1.2 million of interest that accrued on late payments in 2016 and approximately $1.6 million in 2017. Therefore, starting in 2018, the airport is losing an estimated over $1 million a year of revenue by not charging and collecting interest from customers.

According to the Government Finance Officers Association’s policy on collecting delinquent revenues: “Notices of penalties, late fees, and interest charges on original bills and invoices provide the debtor with an incentive to pay promptly. … Debtors who know up front what will happen if they fail to pay their obligations in a timely manner are more likely to pay promptly.”

The Finance Division’s accounts receivable staff not only had issues with the functionality of automated interest calculations but also with errors and inaccuracies of billings on accounts. One of the accounts receivable staff members said it was a “good thing” the airport has not been charging late fees or interest, because staff cannot be sure all outstanding balances are accurate.

In our invoice testing, we randomly selected 60 receivable transactions from the population provided by the Finance Division as of December 31, 2018. We found 44 of the 60 transactions tested—or 73 percent—were paid late. Additionally, eleven of the accounts receivable transactions tested were not invoiced by the airport on time in accordance with the Finance Division’s standard operating procedures and customer contract terms.

In our test work on customer invoice adjustments, not all payments were posted on time because of accounts receivable staff concerns related to the accuracy of customer accounts. These inefficiencies are the cumulative result of the airport not requiring customers to submit a remittance at the time of payment, which would contain detailed instructions on how or where to apply the customer’s payment.

Our audit work found Finance Division personnel often are not sure which customer accounts or invoices the payments should apply to, because payments are submitted for many reasons—such as facility

rent, percentage of revenue, landing fees, and passenger facility charges. If customers do not pay the exact amount of an invoice or do not provide specifics on how to apply the payment, Finance Division personnel then must research how to apply the payment correctly.

In examining practices at other airports, we found that some have established controls to ensure remittance information with payments are provided. For example, one airport has set up several email accounts where customers can send remittance advices, emails, or Excel spreadsheets to inform the airport what invoices they want their payment to be applied to. In addition, customers send payments and invoices to a lockbox, and the bank records the invoice number into the daily lockbox file to allow an automatic match with their financial system, which does not require manual intervention.

If the airport’s Finance Division were to implement more defined requirements for customer remittances, efficiencies related to accounts receivable processes could improve. While Denver International Airport is highly successful financially—averaging more than $1 billion in revenue the last few years—even successful enterprises should not let process inefficiencies prevent them from maximizing revenue.

**Not Addressing Process Inefficiencies Has Resulted in Financial Reporting Inconsistencies**

By Finance Division management not addressing the airport’s accounts receivable process inefficiencies, operational and financial consequences will continue to grow. For example, we identified several financial reporting inconsistencies when analyzing the change in the airport’s year-over-year accounts receivable balances. We also noted there is no process to review all accounts receivable balances to determine their accuracy. These included different types of accounts receivable activity that were inconsistently classified for immaterial amounts that did not meet the threshold for reclassification during the current annual financial audit.

However, by resolving process inefficiencies, management and staff will be free to spend more time strengthening the Finance Division’s internal controls to detect, correct, and prevent financial reporting inconsistencies from occurring in the first place.

**Overstatement of Unrealized Insurance Recovery Receivable** – Finance Division management could not readily provide complete documentation to support a $4.5 million environmental insurance recovery receivable related to asbestos or other environmental contamination at or near the former Stapleton Airport.
Standards from the Governmental Accounting Standards Board, an independent organization that establishes accounting and financial reporting standards for U.S. state and local governments, speak to the situation. The organization’s standards say: “If the expected recoveries are not yet realized or realizable, they should reduce the measurement of the government’s pollution remediation liability. … If the expected recoveries are realized or realizable, they should be recognized separately from the liability as recovery assets (for example, cash or receivables).”14

The standard goes on to explain that an “insurance recovery generally is realizable when the insurer admits or acknowledges coverage.” However, the Finance Division was unable to provide a claim acknowledgment letter, and information provided by the airport’s legal team indicated that previously filed insurance claims had been denied.

Because Finance Division management could not provide support that the $4.5 million insurance recovery receivable was realized or realizable, the airport’s accounts receivable net of allowance for doubtful accounts was potentially overstated by $4.5 million as of December 31, 2018.

**Inconsistent Classification of Receivables** – Based on our review of the airport’s customer receivable detail as of December 31, 2018, we identified $48,104 in grant reimbursement requests submitted to the Transportation Security Administration that were classified in the airport’s year-end financial statements under accounts receivable net of allowance for doubtful accounts, rather than grants receivable.

Additionally, we found that the short-term portion of the airport’s notes receivable balance, in the amount of $765,059 as of December 31, 2018, was classified in the financial statements under prepaid expenses and other, rather than accounts receivable net of allowance for doubtful accounts.15

**Reversal of Prior Year Accrued Tax Receivable Not Recorded in Current Year** – In comparing the airport’s receivable account balances by fund as of December 31, 2017, and as of December 31, 2018, we identified an abnormal balance of $681,085 and asked for an explanation. After researching the abnormal balance, the Finance Division learned it resulted from a prior period accrual for a tax receivable that was not properly reversed in the current year, resulting in a $681,085 understatement of accounts receivable net of allowance for doubtful accounts.


15 Notes receivable represent principal and interest amounts due to the airport at a future date.
accounts and operating revenue for the year that ended December 31, 2018.

According to the Governmental Accounting Standards Board:
“Financial reporting is the means of communicating financial information to users. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability. ... Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent.”

The combined inconsistencies and mistakes identified by the audit indicate the airport’s financial information may not be as reliable as the Finance Division’s management claims. As stated by the Denver International Airport Chief Financial Officer in the 2018 financial report: “We believe that the Airport’s process of internal control adequately safeguards assets and provides reasonable assurance that financial transactions are recorded properly.” However, the aggregate effect of multiple instances of misstatements and misclassifications will grow into a larger issue if not addressed.

Finance Division management officials indicated that because of limited time and resources, they are able to focus only on receivable balances considered material to external auditors. However, by resolving the airport’s process inefficiencies, both management and staff will be free to spend more time generating reliable financial information and less time fixing the mistakes of the past.

**RECOMMENDATION 1.1**

**Require Submission of Customer Remittance** – The Senior Vice President of Financial Management should implement a remittance policy that requires customers to include specific payment details to ensure payments are applied accurately.

**Agency Response: Disagree**

**Auditor’s Addendum: See page 41 under Recommendation 1.1**

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RECOMMENDATION 1.2

Open Separate Bank Account and Use Lockbox Services – The Senior Vice President of Financial Management should consult with the City’s Department of Finance’s Cash, Risk, and Capital Funding Division to create a separate bank sweep account for the airport and evaluate the need for an airport lockbox, which would streamline its cash receipt and payment application functions.

Agency Response: Agree, Implementation Date – December 31, 2019

RECOMMENDATION 1.3

Reconcile Customer Accounts and Correctly Apply Customer Payments – The Chief Financial Officer should ensure customer accounts are fully reconciled and accurate prior to the transition to PROPworks.

Agency Response: Agree, Implementation Date – December 31, 2020

RECOMMENDATION 1.4

Clean Up Customer Master Files – The Senior Vice President of Financial Management should ensure the customer master files are cleaned up—including removing unnecessary accounts and combining duplicate accounts, thus establishing an ownership hierarchy. This cleanup should be completed prior to going live with the reimplementation of PROPworks and included within the change management plan.

Agency Response: Agree, Implementation Date – December 31, 2020
RECOMMENDATION 1.5

Configure PROPworks to Charge Interest and Fees on Late Payments – The Senior Vice President of Financial Management should work with the PROPworks consultant and project manager to ensure reimplementation of PROPworks is configured to assess interest on late payments and incorporate this functionality into a formal project strategy, timeline, and scope of work. Until the reimplementation of PROPworks is complete, financial management should develop an alternative automated or manual interest calculation mechanism to ensure late invoice payment interest is calculated and collected.

Agency Response: Disagree

Auditor’s Addendum: See pages 42-43 under Recommendation 1.5

RECOMMENDATION 1.6

Conduct Variance Analysis – The Senior Vice President of Financial Management should regularly perform and document a financial statement variance analysis at the individual account and fund level to identify unexpected variances and abnormal balances. In addition, variances and abnormalities should be investigated and corrections made as needed.

Agency Response: Agree, Implementation Date – Implemented

RECOMMENDATION 1.7

Reevaluate Classification of Receivables – The Senior Vice President of Financial Management should assess the underlying nature of the receivables accounts and identify the appropriate category for financial reporting purposes.

Agency Response: Agree, Implementation Date – Implemented

Collections of Past-Due Accounts and Write-Offs of Uncollectible Accounts Are Not Regularly Performed

Uncollectible customer accounts are not being actively pursued by the airport in accordance with the Finance Division’s policies and procedures for collections, which specify it is the practice of the airport to actively pursue collection of past-due accounts, regularly review the status of past-due accounts, and write off amounts determined to be uncollectible. Yet, in all 10 allowance items we tested, Finance Division
personnel could not provide documentation of past-due collection efforts, such as past-due notices, telephone calls, or referrals to the City’s collection services.

The Finance Division also does not write off uncollectible accounts on a regular basis. The Government Finance Officers Association’s revenue control policy states, “write-offs should be performed periodically to ensure that accounts receivable and allowance balances are not overstated. Efforts should be made to pursue the timely collection of delinquent accounts.”

However, in 2 out of the 10 allowance samples tested, evidence supports the need for the Finance Division to write off the account balance. Specifically, with Peninsula Airways Inc., we obtained and reviewed documentation showing the customer discontinued operations and petitioned for bankruptcy in August 2017 and that Denver International Airport is listed as an unsecured creditor. This indicates collection is highly unlikely, and the receivable should be written off. Also, Enron Broadband Services Inc. filed for bankruptcy in 2001 and no longer exists—meaning the receivable should be written off. Both account balances are included in the December 31, 2018 allowance for doubtful accounts at 100 percent.

With respect to collection activities on past-due accounts, the airport indicated that due to limited time and resources, officials are able to focus their attention only on customers having the largest outstanding balances. When asked why some of these accounts had not already been written off, officials explained that to prevent inefficiencies, they do not want to write off accounts if they might have to reinstate them later.

However, the audit revealed that uncollectible accounts are not being written off because neither a formal write-off policy nor a process to track customer accounts after they have been written off has been established by Finance Division management. Again, the Government Finance Officers Association says: “A policy should be established to provide for ‘write-offs’ of accounts receivable, including time frame(s), dollar thresholds and decision-making authority.”

We also learned the Finance Division does not refer delinquent accounts to a third-party collection service, such as the City

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and County of Denver Treasurer’s Asset Recovery Program. The Government Finance Officers Association’s guidelines explain that “delinquent accounts are sometimes referred to a private collection agency (or a law firm specializing in collections) when routine in-house collection efforts fail. Benefits of using a private collection agency include: experience in collecting delinquent accounts, access to state-of-the-art computer equipment, and reduced staffing requirements.”

By not actively pursuing collections, the airport is sending the wrong message to its customers—that on-time payment is not expected or required. This may result in a cumulation of delinquent accounts, for which the airport has to actively manage. Most importantly, by not enforcing the collection of their receivables, the airport is missing out on the opportunity to reinvest its resources.

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**RECOMMENDATION 1.8**

**Formalize Write-Off Policy** – The Senior Vice President of Financial Management should develop and formalize a write-off policy and procedure for uncollectible accounts and distribute it to all relevant personnel.

*Agency Response: Agree, Implementation Date – December 31, 2019*

**RECOMMENDATION 1.9**

**Track Write-Offs** – The Senior Vice President of Financial Management should develop a process to identify and track accounts that are written off.

*Agency Response: Agree, Implementation Date – Implemented*

**RECOMMENDATION 1.10**

**Enforce Policy** – The Senior Vice President of Financial Management should enforce the Finance Division’s collection policy efforts on past-due accounts.

*Agency Response: Agree, Implementation Date – December 31, 2019*

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RECOMMENDATION 1.11

Enhance Collection Efforts – The Senior Vice President of Financial Management should identify the accounts significantly past due and turn them over to a collection agency or use the City Treasurer’s Asset Recovery Program.

Agency Response: Agree, Implementation Date – December 31, 2019

Denver International Airport’s Allowance for Doubtful Accounts Is Inaccurate

As of December 31, 2018, Denver International Airport’s accounts receivable balance was $66.8 million, presented as the net of an allowance for doubtful accounts in the amount of $3.4 million. In reviewing the airport’s allowance for doubtful accounts as of December 31, 2018, we noted that underlying information used to determine the allowance for doubtful accounts is incomplete and inaccurate, the primary assumption is not supported by the Finance Division’s actual historical experience, and the actual calculation differs from the division’s policy.22

The City’s Fiscal Accountability Rule 4.1 describes an allowance as an “estimate of the accounts receivable, or portions of certain accounts receivable, that will not be collected. The estimate is based on past experiences and an analysis of current accounts receivable.”23 However, we found that the Finance Division’s methodology for the allowance for doubtful accounts is based on policy rather than a true analysis of the customer’s collectability based on historical experience.

According to Finance Division management, the previous accounts receivable supervisor in charge of the allowance for doubtful accounts calculation did not document work for other personnel to follow. As a result, division officials lack the historical data needed to develop an allowance methodology based on historical experience. Instead, management relies on a less accurate but more conservative approach for determining the allowance for doubtful accounts, a policy that does not reflect actual practice.

For example, many revenue contracts require customers to obtain a

22 According to the Finance Division’s allowance for doubtful accounts policy and procedures, a 100 percent reserve is recorded for customer receivables greater than 179 days old, minus any credits on accounts that are less than 180 days old.
23 City and County of Denver; Rule 4.1 – Accounts Receivable, Allowance for Doubtful Accounts, and Write-offs; Fiscal Accountability Rules (revised 2012); accessed July 17, 2019; https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_4_Assets/Rules/Rule_4_1_Accts_Rec_Allowance_for_Doubtful_Accts_and_Write_Offs.pdf.
surety, such as a performance bond, line of credit, or cash deposit. In all 16 sureties we tested, we noted the sureties’ amount was not established in a manner consistent with the Finance Division’s policies and procedures for the allowance for doubtful accounts. The policies and procedures do not address the treatment of sureties.

Although the Finance Division is using customer surety information to adjust its calculation for the allowance for doubtful accounts, there are no controls to verify the completeness and accuracy of the information. The Finance Division relies upon the airport’s Revenue Management group, which is responsible for customer contract administration, to maintain accurate records of each customer’s surety information.

In 10 of 16 sureties tested, the amount was not supported by an active agreement (e.g., a performance bond, line of credit, cash deposit, etc.), nor was it sufficient to cover the amount of the customer’s invoices more than 179 days past due. This resulted in an understatement of $2.5 million to the allowance for doubtful accounts and an overstatement of $2.5 million to the accounts receivable net of allowance for doubtful accounts as of December 31, 2018. Additionally, in three of 16 surety agreements tested, we noted the expiration date was not specified. The remaining accounts were noted as under review by management and not recorded within the allowance for doubtful accounts.

The Finance Division does not perform historical analysis comparing the estimated allowance for doubtful accounts to actual account write-offs. This is a best practice advised by the Journal of Accountancy, which is published by the American Institute of Certified Public Accountants.24

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RECOMMENDATION 1.12

Develop Allowance Methodology Based on Historical Experience – The Senior Vice President of Financial Management should document the methodology for estimating the allowance for doubtful accounts, including a policy for gathering, documenting, and maintaining historical information to support significant assumptions. The methodology should be based on an objective and unbiased determination of collectability using true historical experience. Significant management decisions that depart from the policy should be formally documented, evidenced by source documentation, and retained in accordance with the City’s record retention requirements.

Agency Response: Agree, Implementation Date – January 31, 2020

RECOMMENDATION 1.13

Conduct Ratio Analysis – The Senior Vice President of Financial Management should regularly perform an analysis to evaluate the accuracy of the allowance for doubtful accounts estimate, such as comparing the beginning-of-year allowance for doubtful accounts to actual write-offs of accounts receivable recorded during the year.

Agency Response: Agree, Implementation Date – December 31, 2019

Poor Planning Could Result in Another Failed Financial Software Implementation at Denver International Airport

In January 2019, the airport Finance Division began steps to convert its Workday accounts receivable function to PROPworks. Workday is the financial system of record that the City and County of Denver implemented for all City agencies and departments in August 2017. PROPworks is an airport-specific system used at the airport, and its accounts receivable functionality is being expanded by the airport. This is the airport’s second effort to change its accounts receivable system in three years. The first effort occurred from 2015 to 2017, when the City and the airport transitioned its financial systems to Workday from PeopleSoft (for the City) and the Accounting Management System (for the airport).

Georgia-based Sierra-Cedar Inc. was hired to develop the business process alignment for the airport in preparation for the Workday implementation. The effort involved more than 30 meetings and 100 airport and City personnel. The objective was to provide the airport with a detailed understanding of the readiness of the organization to undertake the Workday implementation. The process alignment
was scoped to cost a total of $950,000, which included each phase of the business process alignment project, from kickoff to stakeholder engagement to the development of an action plan.

Sierra-Cedar delivered the final report on the business process alignment to the airport in February 2016. The report summarized 84 specific differences, or gaps, between the airport’s and the City’s business processes and Workday’s standard processes. In addition, Sierra-Cedar analyzed those gaps and created detailed, actionable plans for the airport and Sierra-Cedar to close the gaps. Unfortunately, these gaps were not properly addressed, and Workday does not meet the airport’s accounts receivable needs, which contributed to the decision to transition the airport to PROPworks. In total, including the business process alignment, the City and County of Denver is under contract with Sierra-Cedar for a maximum cost of $10 million for the planning and implementation of Workday citywide.

Since January 2019 the PROPworks implementation has revealed some shortcomings that were similar to the Workday implementation and can be avoided.

The Finance Division Did Not Develop a Change Management Strategy – Finance Division officials do not have any written plans for the Workday implementation, outside of the work done by Sierra-Cedar for the business process alignment. Without a clear, collaborative, and unified change management strategy, leaders cannot integrate feedback and address it appropriately, according to the Journal of Accountancy.\(^2\) We found the Finance Division has not developed a change management strategy for the PROPworks implementation. According to airport officials, they will create an implementation plan, but the leadership team is still determining how it will be designed.

Due to the absence of a change management strategy for the Workday implementation, the airport did not identify and resolve important details of the system change.

The Prior Finance Division Management Leadership Did Not Take Ownership of the Workday Implementation – In interviewing Finance Division leadership, we found prior officials did not keep a copy of the business process alignment final report and did not take the time to address the issues. Current Finance Division leadership explained to our team that Workday was the City’s—but not the airport’s—“enterprise resource planning” system, or the primary system for business operations such as purchasing, sales, accounting, and human resources. In addition, a Finance Division official also said the City “forced the airport

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to go to a system it was unfamiliar with and did so without adequate testing by the Finance Division team."

The Prior Finance Division Leadership Did Not Track Business Process Alignment Action Items through to Completion – Our audit work revealed that the airport left several action items from the business process alignment unresolved when Workday was implemented, despite the fact that the airport received the business process alignment 18 months before Workday went live. For example, Sierra-Cedar’s final report revealed that Workday’s software could not automatically add interest to unpaid invoices in the system. Sierra-Cedar documented this issue in its report, and a prior Finance Division employee was assigned to the task, according to the final report.

However, as noted in the previous section of this report, this functionality gap was never resolved. In addition, Sierra-Cedar’s report said Workday could not email invoices directly to customers, but that issue was not resolved either. Nearly two years after Workday was implemented, the Finance Division still is not tracking interest on unpaid invoices and does not have the ability to automatically email invoices to customers from Workday.

In addition to not keeping a copy of the Sierra-Cedar report, the Finance Division and City’s staff assigned to resolve the gaps were not held accountable by airport leadership to complete their assigned tasks. We found in the report that 37 percent of the staff assigned to address deficiencies no longer work for the airport or the City, which could be one reason why the tasks were never tracked or completed. In addition, almost 14 percent of the tasks did not have someone specifically assigned to the task.

Because the Finance Division did not retain a copy of the final report, and our team could not find an update to the plan, there is no indication any changes in assignments to complete the tasks outlined in the report occurred.

The Finance Division Was Undergoing Changes in Management Structure – Finally, when the airport went live with Workday in August 2017, the Finance Division, including the accounts receivable teams, was undergoing significant changes in its management structure. Several personnel in the Finance Division leadership had been in their positions for less than one year when Workday was implemented.

As a result of these issues, the implementation of Workday’s accounts receivable functionality failed to meet the needs of the Finance Division.

According to the Government Finance Officers Association, software system changes do not often fail because of issues with software. System changes fail because the implementation failed.
system changes do not often fail because of issues with software. How humans implement the software is a far greater risk in almost all system implementation projects.26

Failed projects have several things in common, including:

- Inadequate staffing
- Taking short cuts
- Poor communication
- Unclear goals
- Inadequate quality assurance and testing
- No accountability
- Stakeholders left out of planning
- A lack of requirements
- A rush to fix problems

Therefore, it is important for organizations to plan thoroughly for a software change and to work with the software system’s vendor to ensure the organization uses all software system functions.27

Often, organizations only use a fraction of their system’s functionality because staff is unaware it can do more. In many cases, the software system has the necessary function, but getting it to work correctly may require additional time, effort, and collaboration with the vendor.

A Fully Developed Plan for the PROPworks Implementation Was Not in Place

In 2019, because of the implementation and functionality issues with Workday detailed above, the airport’s Finance Division decided Workday was not the solution for its accounts receivable needs. At the time of our audit, although PROPworks implementation had already begun, there was still no complete change management plan to guide the transition. Though the airport hired a PROPworks administrator in April 2019 to assist in implementing the software, the new system is not yet operating optimally.

We found several gaps in the ongoing implementation regarding change management practices:

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Lack of Formal and Scheduled Training Plan for All PROPworks Users –

The Finance Division’s accounts receivable billing team was trained on the current PROPworks system. However, the accounts receivable cash receipts team, which will also use PROPworks, has not received training. There is no plan for when this training will occur.

No Plans to Update or Regularly Review Policies and Procedures before PROPworks Implementation – In addition, airport Finance Division officials said they will not update or establish a regular review of policies and procedures until their work “stabilizes” when PROPworks is fully implemented at the end of 2020. However, when PROPworks is fully implemented, the time will have already passed for making changes that will not impact operations.

According to the National Institute for Standards and Technology, a federal agency that sets technology standards for governments and industry, organizations should develop, document, and disseminate policies and procedures for the change in software. Before considering a change of systems, organizations should determine the type of changes needed, document the changes, retain records, and coordinate oversight activities for the change.

If policies and procedures are updated, those documents can assist in training employees on the new system, according to the Government Finance Officers Association.

No Formal Plans for Future of Accounts Receivable Workforce after PROPworks Implementation – Lastly, when a system change is contemplated by leadership, not only do the system’s functionality and associated processes have to be considered and updated, but staffing requirements and workforce readiness also must be taken into account in the change management plan.

According to Harvard Business Review, during a system implementation process such as the one the airport is undergoing, a “gap analysis”—identifying where different skills, training, and knowledge will be needed to transition from the current state to the desired state of the financial system—is critical. At times, companies have been slow to react to changes in systems. Organizations can incorporate the following steps to proactively plan for their future workforce:

- Determine the skills and capabilities necessary, based on your company’s strategy;

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• Assess the current skills and capabilities of your workforce to identify gaps; and
• Develop and acquire the talent to close any gaps.³⁰

The Finance Division Needs a Change Management Plan for the PROPworks Implementation

According to the Journal of Accountancy, to successfully manage a system change, organization leaders must design, implement, and communicate their change strategy with the same focus and intent they spent conceiving the change. If they do not invest in the change effort and carefully coordinate change implementation, they run the risk the change will fail. There are several steps organizations should take to create a cohesive change management plan:

• Collaborate to craft a clear and unified change management strategy;
• Develop a cohesive and targeted communications strategy;
• Understand how the change will affect stakeholders and address them appropriately;
• Use pilot programs to test the change with a trial group; and
• Establish a timeline for the change implementation and communications.³¹

Because the Finance Division has many inefficiencies and problems to address in its accounting operations, including those related to accounts receivable that we detailed previously, airport staff has not properly invested the time to create a change management plan for PROPworks.

However, if airport management does not invest in change management and carefully coordinate the implementation, it risks the planned change failing. Consequently, PROPworks could become another failed implementation of accounts receivable software.


RECOMMENDATION 1.14

Develop Change Management Plan – The Chief Executive Officer should ensure a change management plan for the transition to PROPworks is developed.

Agency Response: Agree, Implementation Date – Implemented

Weak Policies and Potential Staffing Limitations Inhibit the Finance Division’s Ability to Address Inefficiencies

Government organizations rely on staff to carry out their missions while providing public services and meeting an organization’s goals and objectives. To accomplish the organization’s mission, staff needs the necessary tools and resources to complete its work. This includes an accurate and up-to-date set of established written controls staff can use for training and that management can measure to ensure staff compliance, efficient processes, and an accurate work product.

Additionally, when managing an airport, leaders must shift their focus from reacting to workforce resource gaps to developing a strategy that proactively plans for the current and future workforce gaps of the organization, according to the Airport Cooperative Research Program, a federal research program that develops solutions for shared challenges faced by the airport industry.

Our audit work revealed the Finance Division has several gaps in its accounts receivable policies and procedures, overall resources, and its workforce planning—which prevent it from addressing inefficiencies. While the ongoing PROPworks implementation between 2019 and 2020 will be an important trigger point to address these inefficiencies, the gaps we identified preceded this change in software systems. We identified shortcomings in the following areas:

- Incomplete and outdated policies and procedures;
- Inundated staff and insufficient numbers of staff; and
- An outdated workforce readiness plan.


The Finance Division Does Not Have Complete and Up-To-Date Policies and Procedures

According to the Government Finance Officers Association, accounts receivable policies and procedures should be evaluated by the department annually and updated periodically according to a predetermined schedule.35 Changes in policies and procedures that occur between reviews should be documented by the department in the policy as soon as possible after the change occurs. Furthermore, the City’s Fiscal Accountability Rules require that accounts receivable policies and procedures be reviewed at least annually to ensure compliance.36

As indicated in Figure 2 on the following page, our analysis revealed individual policies and procedures are outdated, do not contain detailed due dates or timelines, do not align with current practices, and do not meet the intent of prior audit recommendations.

Additionally, we found that policies and procedures have not been developed by division leaders for important work tasks, and several accounts receivable employees do not use or are not aware of policies and procedures to direct their daily work tasks.

The following is our analysis:

1. **Outdated Policies and Procedures** – As of June 2019, 11 out of 15 policies have not been updated by division leadership in the last 12 months, and 4 out of 13 policies created in 2017 have never been updated. In addition, we found that systems no longer in use (e.g., Accounting Management System and PeopleSoft) are referred to in 10 of the 15 policies.

2. **Lack of Definitive Due Dates and/or Timelines** – Ten out of 15 policies use the word “typically” to describe tasks and due dates. Although this open-ended language may be helpful for special circumstances, the lack of definition impedes staff and customer accountability.

3. **Current Business Practices Not Reflected** – Thirteen out of 15 policies and procedures do not reflect current business practices. For example, the policies and procedures for allowance for doubtful accounts and revenue accruals do not describe in detail the criteria and calculations used for determining these work products. In addition, we found the desk

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36 City and County of Denver; Rule 4.1 – Accounts Receivable, Allowance For Doubtful Accounts, and Write-Offs; Fiscal Accountability Rules (revised 2012); accessed May 7, 2019; https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_4_Assets/Rules/Rule_4_1_Accts_Receivables_Allowance_for_Doubtful_Accts_and_Write_Offs.pdf.
procedures created by individual teams or individual employees are not referenced in any of the policies and procedures provided to our team and, therefore, are not recognized as a policy or procedure to officially follow.

4. **Intent of Prior Audit Recommendations Not Met** – Nine of 15 policies and procedures do not meet the intent of prior audit

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**FIGURE 2. Analysis of Accounts Receivable Policies and Procedures for Denver International Airport’s Finance Division**

<table>
<thead>
<tr>
<th>Policies and procedures are out of date</th>
<th>Policies and procedures have no definitive due dates and timelines</th>
<th>Policies and procedures do not reflect current business practices</th>
<th>Policies and procedures do not reflect prior audit recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Badging and fingerprint billings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer employee parking billings</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable reconciliation</td>
<td></td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>Airline space and use charges</td>
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<tr>
<td>Car Rentals</td>
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<tr>
<td>Capital grant billings</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Law enforcement and security administration grant billings</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Landing revenue and receivables accounting</td>
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<tr>
<td>Off-airport operators revenue</td>
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<td></td>
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<tr>
<td>Other airline revenue (gate use)</td>
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<td></td>
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<tr>
<td>Collection of delinquent receivables</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Allowance for doubtful accounts</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Credit memos</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Revenue accruals</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Auditor’s Office analysis of policies and procedures.

Note: “N/A” indicates this policy and procedure did not have any prior audit recommendations associated with it.
recommendations from our office. For example, the airport Finance Division agreed to provide a standard for “timely” processing of airline space change payment processing in its airline space and use charges policy and procedure. Airline space changes are completed when airlines either change their rental space or add additional rented space at the airport property. Although these billings are generated five business days before the month due, there is no standard in place for the Finance Division to ensure timely airline space change financial processing.

Additionally, after reviewing each policy and procedure, we discovered the following overall gaps:

Policies and Procedures Not Developed for Important Work Tasks – We found that several tasks accounts receivable staff conduct do not have an associated policy and procedure. For example, there are no policies and procedures for:

- Retail and food and beverage billings
- Write-off policy in the allowance for doubtful accounts policy and procedure
- Daily reconciliations
- Applying payments on accounts

Policies and Procedures Not Used – Several accounts receivable staff members reported to our team they do not use policies and procedures as a reference or guide for their work activities. Staff members use experience and their own desk procedures they created. In addition, accounts receivable supervisors also stated the Finance Division does not update policies and procedures because of changes in operations and the current changes due to the conversion to PROPworks. Although policies and procedure are outdated, job descriptions for both managers and staff say policies and procedures need to be current and that staff needs to follow those policies and procedures.

There are three reasons policies and procedures are incomplete and outdated.

- There have been two large-scale financial system implementations at the airport in the last three years. In the time between implementations, accounts receivable personnel have created workarounds and new processes to do their jobs because of functionality issues with Workday and because of data inaccuracies. With so many changes, personnel do not

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Policies and procedures are not reviewed and updated on a regular basis.

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want to establish a regular review of policies and procedures until systems and processes “stabilize.”

• Staff and leadership are inundated with tasks not included in their job descriptions and do not make or have time to review and update policies and procedures. We will describe this issue in further detail later in the report.

• The Finance Division leadership has not established a regular review of policies and procedures. None of the 15 policies and procedures are updated annually. The last update to a procedure was in the fourth quarter of 2018, but that was not related to an annual review, the procedure just happened to be updated at that time.

Our benchmarking analysis showed that agencies that operate several large airport systems, including Los Angeles World Airports, the Greater Orlando (Florida) Aviation Authority, and the Metropolitan Washington (D.C.) Airports Authority conduct regular review of policies and procedures. For example, Los Angeles World Airports and the Greater Orlando Aviation Authority conduct annual reviews of their policies and procedures. In addition, the Metropolitan Washington Airports Authority reviews and updates policies and procedures on a monthly basis and when processes change.

By not having updated and regularly reviewed policies and procedures, accounts receivable staff has no single source of information it can reference for work processes and procedures. For example, accounts receivable staff has started to follow up with customers who have unpaid bills, but the collections policy and procedure was not revised when this step was added.

According to the Government Finance Officers Association, governments should establish a procedure that maximizes collections. In addition, the airport is not complying with the City’s Fiscal Accountability Rule 4.1. Consequently, airport staff runs the risk of not being trained and of being noncompliant with standards. Additionally, the Finance Division risks not being able to hold staff accountable to airport standards and rules.

**The Airport’s Finance Division Lacks Sufficient Personnel**

As mentioned in the background, 10 employees—including the Senior Vice President of Financial Management—constitute the airport’s accounts receivable staff. After we completed fieldwork, an additional employee (a senior accountant on the billing team) was hired.

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38 Our benchmarking analysis included airport and aviation authorities that operate multiple individual airports in their jurisdictions.
Our analysis revealed two gaps in accounts receivable’s staff resources. First, we found employees are inundated with day-to-day tasks that are not always in alignment with job responsibilities. Second, we found Finance Division personnel are so busy with accounting operations tasks that they have limited time to dedicate toward strategic tasks for the division.

**Staff Are Inundated with Time-Consuming Tasks**

We found that accounts receivable staff are inundated with time-consuming day-to-day tasks that are not always in alignment with job responsibilities. Finance Division accounts receivable staff work to complete their daily tasks; however, due to the customer accounts receivable reconciliation efforts, as well as the interface with the Revenue Management team to address billing issues, these tasks are often challenging to complete in a normal timeframe.

According to Finance Division staff, they do not have time to complete all assigned job duties. As a result, members of the Finance Division’s management have taken on various detail-level tasks relating to these projects. For example, high-level personnel are assisting with the cleanup of customer accounts, so that limits their time to focus on overall strategic tasks for the organization. According to Finance Division management, while these tasks may not be specifically in their job descriptions, they believe that helping at a detailed level in these areas provides some longer-term benefits to the team overall.

One employee has spent the last six months cleaning up one customer account. In addition, two other Finance Division employees work on account cleanup, but none of the employees has that task in their job description.

Further, because accounts receivable staff spends significant time creating and processing invoices, conducting cashier duties, performing reconciliations, and processing and applying payments, there is not enough time in the day or enough staff resources to focus on other accounts receivable tasks, such as collections. For example, only three employees’ job descriptions assign them to create invoices, but four employees conduct the task.

We found that two employees’ job descriptions say they are to conduct collections work. However, only one of those employees does collections. This employee spends about 25 percent of their time on this task. In addition, we have found that the Finance Division does not have a detailed procedure about this work in its policy. Although having an employee assigned to this task is critical, there is more collections work to complete than this employee has time to give,
which is why additional management positions in the Finance Division also complete account cleanup.

**Strategic and Leadership Tasks Receive Limited Time and Attention**

We also found in our review of job descriptions that accounts receivable employees have limited time to dedicate to leadership tasks, such as reviewing policies and procedures and conducting strategic planning, supervision, and officewide performance data collection and analysis. Instead, supervisors allocate most of their time to accounting operations tasks, as described in Figure 3. The Finance Division’s accounting operations tasks include accounts payable, fixed assets, account cleanup, invoice processing, system problem-solving, financial reporting, reconciliation, and review.

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**FIGURE 3.** Areas of Focus by Denver International Airport Finance Division Personnel in 2018

Source: Auditor’s Office analysis of accounts receivable employees’ self-reported personnel activities.

Note: “Leadership” includes any tasks related to leadership, supervision, and developing and updating policies and procedures. “Strategy and policy” includes strategic planning, process improvement, and staffing and workforce readiness activities. “Accounting Operations” includes any activities related to billing and cash receipts functions. “Administrative” is any office or research-related activities. “Financial systems decisions” are related to overall PROPworks and/or Workday systems management decisions.

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39 Staff areas of focus were based on self-reported personnel activities. Management personnel percentages were estimated based on interviews conducted with staff.
No Regular Review and Update of Policies and Procedures – As we described in the previous section, policies and procedures have not been regularly reviewed and updated by Finance Division leadership. Although job descriptions assign all airport accounts receivable managers to review and revise policies and procedures, we found that accounts receivable leadership does not regularly do this.

However, we found that no employees use policies and procedures to ensure their work is in compliance. By not having updated and regularly reviewed policies and procedures, airport management runs the risk of employees being inadequately trained and ill-prepared to implement tasks in line with expectations.

Limited Strategic Planning – We found that accounts receivable personnel should allocate more time to strategic planning. Our review of job descriptions revealed accounts receivable management employees are responsible for strategic planning. We found in our analysis that accounts receivable management does not have a formal and documented strategic plan. While Finance leadership created a PROPworks implementation timeline, it is not a strategic plan that details goals, objectives, and strategies to accomplish.

Further, airport accounts receivable managers are responsible for managing “the development and implementation of the airport’s goals, objectives, policies, and priorities that enable employees and the organization to be successful now and in the future.” Without the development of a strategic vision for the future of the accounts receivable function, management cannot adequately plan and reach its desired future state.

According to Finance Division management officials, 2018 was the first full year of Workday implementation, which required Finance Division leadership to provide guidance to the accounts receivable team and understand the new system and how it impacted the business needs of the airport. In addition, they were adjusting to the recent changes in leadership personnel.

Insufficient Time to Supervise Direct Reports – We also found accounts receivable supervisors are spread thin by the number and complexity of tasks assigned. Subsequently, airport supervisors have limited time to supervise their employees. During our audit, a supervisor spent a majority of time processing invoices, reviewing contracts, analyzing billings, and solving problems. The airport billing team had too much work to complete and not enough staff resources, so the supervisor had to help.

In June 2019, a new senior accountant was hired, which according to Finance officials, was a needed addition to a team that is working
at capacity with accounts receivable billings. According to accounts receivable personnel, due to the work tasks assigned to the team, the employees cannot dedicate as much time to supervision and leadership responsibilities.

The accounts receivable supervisor job description states supervisors are responsible for managing and coordinating “accounting and financial activities to improve processes, performance and facilitate studies and projects.” In addition, supervisors are also responsible for developing “goals, documenting performance, providing performance feedback, and formally evaluating the work of the employee.” As a result, accounts receivable staff operate with limited oversight and accountability for their day-to-day work tasks.

**Lack of Performance Data Collection and Analysis** – Our analysis revealed Finance Division management is not collecting and tracking officewide performance metrics. The airport’s Internal Audit team found that accounts receivable staff members consistently tracked performance metrics before the Workday implementation in August 2017, but they stopped doing so after they found functionality issues and inaccuracies in Workday.

Our audit work revealed that two accounts receivable staff members have collected their own performance data. There is, however, no tracking of performance metrics. This is, in part, due to the inaccuracy of data in airport accounts. For example, the various workarounds to record cash receipts and the multiple billing systems impact the timeliness of billing and recording of payments. Therefore, the data for performance metrics would be inaccurate.

In our review of job descriptions, Finance Division leadership are tasked with developing, reviewing, and approving performance standards established by supervisors and managers. In addition, they are charged with assisting “staff in the achievement of performance standards while identifying opportunities for continual improvement.” All leadership positions are responsible for developing goals and improving processes and performance.

Although accounts receivable personnel are not tracking officewide performance metrics, we found that governments do use metrics to measure performance. Performance metrics are often used by governments to collect information about operational activities, achievement of goals, or other environmental factors to better understand a situation and make informed decisions. In our research, we found Tampa (Florida) International Airport established performance metrics and collects data to track its progress toward goals. According to the Government Finance Officers Association, establishing and tracking performance metrics is an important way to create efficiencies...
in a numbers-driven industry, such as accounting.

Without the collection and tracking of accurate performance data, airport accounts receivable will not be able to improve its efficiency and functionality and lessen workloads on staff.

**The Finance Division Has Not Conducted a Staffing Analysis for the Accounts Receivable Section**

To determine the future of the airport’s workforce, an analysis is required to identify where the gaps exist. However, the Finance Division has not conducted a staffing analysis of the accounts receivable section.

According to the Airport Cooperative Research Program, airports face three workforce capacity challenges:

1. **Attracting new talent** – There are external labor market considerations, such as limited expertise in the labor market with airport experience.
2. **Training the current workforce** – There are significant challenges with educating the airport workforce with the skills needed.
3. **Long-term planning** – Workforce planning is needed to identify mission-critical occupations, conduct a gap analysis, and plan for the future of the airport workforce.40

The Airport Cooperative Research Program determined that the top five mission-critical occupations in airports include project planning, electricians, engineers, information technology professionals, and financial analysis and planning professionals. Although workforce planning can be a difficult task, governments have an obligation to staff and stakeholders to identify methods to answer this challenge.

We also looked at other airports and found that both the San Diego County Regional Airport and the Tampa International Airport use workforce planning and talent review as part of their annual strategy.

Without a staffing analysis, the airport’s accounts receivable section cannot ensure personnel needs are sufficient to fulfill its mission. Having the right amount of staff is critical to effectively manage the airport’s billing and collection of revenue.

**Transferring Inaccurate Accounts to Another System Worsens Inefficiencies**

While the Finance Division continues its transition to PROPworks, it still

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faces the challenge of inaccurate data in its receivable accounts.

Although the airport’s accounts receivable transition to PROPworks will solve some functionality issues, a system change will not resolve inaccurate data in accounts. The inaccurate data will move from one system to the next until the inaccuracies are all resolved. This will also worsen inefficiencies.

With the PROPworks system implementation occurring over the next year and a half, it is a time-sensitive matter for the Finance Division to resolve the inaccuracies within the airport’s customer accounts.

Leading practices recommend that governments use temporary staff, seasonal positions, or consider more use of overtime, instead of hiring additional full-time workers to meet organizational goals and objectives. Temporary staff can be hired on a contract or term-limited basis for a specific task. Such hires in the Finance Division would allow the employees conducting account cleanup to return to their normal job duties or be freed up to perform leadership or operational tasks they have no time for.

Limited Workforce Readiness Action Puts the Finance Division at Risk for Turnover and Knowledge Loss

Between 2016 and 2019, the airport’s Finance Division has experienced significant turnover and changes to the organization. In 2016, an accounts receivable supervisor left the organization unexpectedly. Staff told our audit team that at the time the supervisor left, they did not know what job duties that individual completed. In addition, for some tasks, the Senior Manager of Accounting who replaced that individual could not find past documentation or a policy and procedure that demonstrated how a task was completed in the past. Losing this employee to turnover not only impacted the efficiency of accounts receivable activities, it also meant a loss of knowledge and a loss of experience to the organization.

The Finance Division has also had several subsequent staffing changes to the organization since 2016, as shown in Figure 4 on the next page.

These changes represent a snapshot of turnover within one division at the airport, but what these examples do not tell is what turnover costs the organization over time. Ongoing turnover is costly, impacts short- and long-term performance, and can become increasingly difficult to

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 manage once it starts. According to Finance Division leadership, while turnover has been significant over the past five years, management continues to evaluate the team’s personnel needs and is looking at potential causes of turnover to help mitigate potential future loss of organizational knowledge.

The direct cost to replace a staff position can reach as high as 50 percent to 60 percent of an employee’s annual salary, with total costs associated with turnover ranging from 90 percent to 200 percent of annual salary.

Change in Business Systems Is a Trigger for Updating Workforce Readiness – A change in system is a trigger to reassess the organization’s processes and staffing, including workforce readiness. According to leading practices, organizations that have an integrated approach to succession and workforce readiness planning experience higher retention rates, increased employee morale, and an environment that stimulates innovation and organizational change. Additionally, it is critical for the organization to understand how the system change will affect stakeholders, including employees, and to address those appropriately.

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Our audit work revealed the Finance Division completed the City and County of Denver’s Workforce Readiness Action Plan in July 2018 by assessing two job classes in its organization: supervisors and staff accountants. The Workforce Readiness Action Plan supports talent development and works to mitigate the risk of critical knowledge loss. The priority is to cultivate a talent pool to potentially fill critical or key roles in anticipation of job vacancies, either through retirement or voluntary or involuntary separation.

According to the City’s Workforce Readiness Action Plan manual, workforce readiness planning needs to be updated regularly and adjustments need to be made on an ongoing basis by department leadership. However, we found that the Finance Division has not reviewed or updated its action plan since July 2018, before several staffing changes occurred and before the PROPworks implementation. We determined the workforce readiness action plan for accounts receivable staff is outdated.

Our team found the following airports conduct succession/workforce readiness planning:

- **Dallas-Fort Worth International Airport** – Develops succession plan annually. Managers are encouraged to meet frequently based on succession planning results.
- **Pittsburgh International Airport** – Conducts succession planning annually following performance reviews.
- **Tampa International Airport** – Conducts succession planning in tandem with talent review.

Although the Finance Division initially developed a workforce readiness plan, we found it did not make the time with all its other time-consuming tasks and system implementations to update and regularly review its workforce readiness action plan. Without further action, the Finance Division cannot proactively assess its staff, cross-train and develop employees to prevent loss of institutional knowledge, and incentivize that the knowledge current employees have is transferred to incoming staff.
RECOMMENDATION 1.15

**Review Policies and Procedures** – The Senior Vice President of Financial Management should develop a schedule to review accounts receivable policies and procedures annually and update them as changes occur to ensure all processes are documented as the division implements them.

*Agency Response: Agree, Implementation Date – December 31, 2019*

RECOMMENDATION 1.16

**Conduct Staffing Analysis** – The Chief Financial Officer should work with the airport’s Human Resources Division and the Budget Management Office, as needed, to ensure a short-term staffing analysis—as well as one following the implementation of PROPworks—is conducted of accounts receivable’s staff resources. The analysis should consider accounting’s roles and responsibilities and assess workload imbalance.

*Agency Response: Disagree*

*Auditor’s Addendum: See page 46-47 under Recommendation 1.16*

RECOMMENDATION 1.17

**Hire Temporary Staff** – The Senior Vice President of Financial Management should hire temporary staff to assist with accounting tasks as needed.

*Agency Response: Agree, Implementation Date – December 31, 2019*

RECOMMENDATION 1.18

**Update Workforce Readiness** – The Senior Vice President of Financial Management should work with the airport’s Human Resources Division to establish a review of the Finance Division’s workforce readiness action plan, as well as updates to the plan when trigger events occur including large staffing changes or changes in software systems. This review should include a discussion of cross-training and the development of employees in the accounts receivable teams.

*Agency Response: Agree, Implementation Date – December 31, 2019*
RECOMMENDATIONS

1.1 **Require Submission of Customer Remittance** – The Senior Vice President of Financial Management should implement a remittance policy that requires customers to include specific payment details to ensure payments are applied accurately.

**Agency Response: Disagree**

Agency Narrative: DEN Finance Accounts Receivable team requests, on an ongoing basis through email or phone call communications, that customers remit information with their payments indicating specific invoices or detail on monthly rents that they are paying. DEN Finance Accounts Receivable team has provided to DEN customers a centralized email location to communicate payment remittance information. The establishment of a remittance policy that requires customers to include specific payment details would necessitate that customer contracts be amended to include these provisions. This would involve DEN Revenue Management, DEN Contracts and DEN Legal to make these changes to hundreds customer contracts. The Senior Vice President of Financial Management can suggest this change be made to customer contracts but cannot establish this as a policy due to the need for final implementation by DEN Legal.

**Auditor’s Addendum:** As stated in the audit report, the airport’s Finance Division has devoted significant time and attention to researching customer account discrepancies as a result of previously misapplied payments. Many customer accounts are inaccurate from years of misapplied payments, which stems from unclear payment remittance requirements. Although the Finance Division indicates that steps have been taken to address the remittance concerns, not making this a requirement increases the risk that customer account discrepancies will continue to occur in the future, impacting the airport’s ability to accurately charge interest on past due invoices. Therefore, we encourage the Senior Vice President of Financial Management to work diligently with the airport’s revenue management, contracts, and legal divisions to establish a unified remittance policy. Once established, this policy should be formally communicated to all customers and incorporated into the airport’s standard operating procedures. For example, requesting the submission of remittance information with payment could be sent by email to all customers and clearly stated on the customer invoices.

1.2 **Open Separate Bank Account and Use Lockbox Services** – The Senior Vice President of Financial Management should consult with the City’s Department of Finance’s Cash, Risk, and Capital Funding Division to create a separate bank sweep account for the airport and evaluate the need for an airport lockbox, which would streamline its cash receipt and payment application functions.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DEN Finance Management has already discussed the need for a separate bank sweep account with members of the City’s Department of Finance Cash, Risk and Capital Funding Division in late 2018 and early 2019. At that time, the two teams did not come
to a definitive agreement on the need for the airport bank sweep account. However, an airport sweep account would streamline and improve how customer receipts such as wire payments are processed as they could be recorded directly to the customer receivable transactions in the accounts receivable system, rather than posted to a City general ledger suspense account, as is the current practice. DEN Finance Management will continue to engage with the City’s Department of Cash, Risk and Capital Funding to request that the sweep account be established and will also discuss the potential benefits of a lockbox arrangement with the intention of making a decision on whether or not it should also be established.

1.3 **Reconcile Customer Accounts and Correctly Apply Customer Payments** – The Chief Financial Officer should ensure customer accounts are fully reconciled and accurate prior to the transition to PROPworks.

**Agency Response: Agree, Implementation Date – December 31, 2020**

Agency Narrative: PROPworks re-implementation is estimated to take between 12-24 months to fully complete. The DEN Finance Accounts Receivable team, since September 2018, has been and will continue to work on reconciling customer accounts receivable balances. Reconciliation activities are a normal on-going task in any organization’s accounts receivable cycle, particularly in high transaction volume environments such as the airport. While the DEN Finance Accounts Receivable team will work to fully reconcile customer accounts, there will likely always be accounts that require additional investigation.

1.4 **Clean Up Customer Master Files** – The Senior Vice President of Financial Management should ensure the customer master files are cleaned up—including removing unnecessary accounts and combining duplicate accounts, thus establishing an ownership hierarchy. This cleanup should be completed prior to going live with the reimplementation of PROPworks and included within the change management plan.

**Agency Response: Agree, Implementation Date – December 31, 2020**

Agency Narrative: Customer master files may contain more than one customer ID, in cases where there are separate arrangements within the same master customer, which need to be tracked independently due to payment application requirements. Additionally, if two customers engage in an acquisition or merger scenario, separate master files may need to be maintained until such time as they can be combined legally for accounting purposes. However, DEN Finance will review the customer master files and determine which IDs should be combined going forward prior to the PROPworks re-implementation.

1.5 **Configure PROPworks to Charge Interest and Fees on Late Payments** – The Senior Vice President of Financial Management should work with the PROPworks consultant and project manager to ensure reimplementation of PROPworks is configured to assess interest on late payments and incorporate this functionality into a formal project strategy, timeline, and scope of work. Until the reimplementation of PROPworks is complete, financial management should develop an alternative automated or manual interest calculation mechanism to ensure late invoice payment interest is calculated and collected.
Agency Response: Disagree

Agency Narrative: DEN Finance Management agrees with the first part of the recommendation because PROPworks functionality includes the ability to charge interest on past due accounts receivable invoices, including the consideration of grace days when applicable due to contract terms. DEN Finance Management will be including this functionality as part of the overall re-implementation plan for PROPworks. However, DEN Finance Management disagrees with the second part of the recommendation because currently, Workday does not have a robust enough interest calculation option to handle complex customer agreements with grace days allowed on past due invoices. While DEN Finance Management recognizes that charging interest is allowed in customer contracts, and may help alleviate customers from paying late, the benefit of continually performing manual calculations of interest on past due invoices or developing an automated work-around to Workday may divert resources from the PROPworks re-implementation. Further, until the accounts receivable customer balances are substantially reconciled and ready to be moved into PROPworks as noted in this report, interest calculations on invoices that appear to be past due, but may have actually been paid, would potentially result in an overstatement of both interest income and accounts receivable.

Auditor’s Addendum: As reported by management in the audit report, the airport collected approximately $1.2 million of interest that accrued on late payments in 2016 and approximately $1.6 million in 2017. Therefore, by not charging and collecting interest from customers on past due invoices, the airport is foregoing more than $1 million in revenue annually. Based on a simple cost-benefit analysis, the benefit of generating an estimated $1 million in additional revenue from late fees far exceeds the cost of hiring one full-time employee or a third-party consultant to track and manually calculate interest on past-due customer accounts until the reimplementation of PROPworks is completed.

1.6 Conduct Variance Analysis – The Senior Vice President of Financial Management should regularly perform and document a financial statement variance analysis at the individual account and fund level to identify unexpected variances and abnormal balances. In addition, variances and abnormalities should be investigated and corrections made as needed.

Agency Response: Agree, Implementation Date – Implemented

Agency Narrative: DEN Financial Management will continue to perform variance analysis, at the fund level, as part of our normal monthly, quarterly and annual close activities as it pertains to the general ledger accounts which comprise the total accounts receivable balance reported in DEN’s Financial Statements. Also, DEN Finance Management performs a financial statement analytical variance review on both a quarterly and annual basis.

1.7 Reevaluate Classification of Receivables – The Senior Vice President of Financial Management should assess the underlying nature of the receivables accounts and identify the appropriate category for financial reporting purposes.

Agency Response: Agree, Implementation Date – Implemented
Agency Narrative: In conjunction with the City’s Annual Comprehensive Financial Statement audit performed by independent public accountants, DEN Finance Management reviews the classification of general ledger receivable accounts for consistency and compliance with financial statement reporting guidance. This is also an ongoing process as new accounting pronouncements are implemented.

1.8 **Formalize Write-Off Policy** – The Senior Vice President of Financial Management should develop and formalize a write-off policy and procedure for uncollectible accounts and distribute it to all relevant personnel.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DEN Finance Management will updated its write-off policy and procedure for uncollectible accounts to reflect current accounts receivable operational needs and distribute to personnel who are involved in the accounts receivable collection and management cycle.

1.9 **Track Write-Offs** – The Senior Vice President of Financial Management should develop a process to identify and track accounts that are written off.

**Agency Response: Agree, Implementation Date – Implemented**

Agency Narrative: Accounts receivable write-offs are currently tracked in Workday transactions journals. Reports can be run at any interval to identify accounts that are written off. Additionally, on a monthly basis DEN Accounts Receivable Management, in conjunction with other airport revenue management departments, review the outstanding accounts receivable and identify accounts that should be written off. This is documented on the accounts receivable aging reports available at those review meetings.

1.10 **Enforce Policy** – The Senior Vice President of Financial Management should enforce the Finance Division’s collection policy efforts on past-due accounts.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DEN Finance Management agrees that enforcement of the accounts receivable collection policy is important to ensure that past due customer balances are appropriately addressed. DEN Finance Management has been working on collections for over the past year on several customer accounts with outstanding balances. DEN Finance Management may determine that accounts receivable collections efforts need additional personnel support and will move accordingly to hire talent when needed to ensure the policy is enforced.

1.11 **Enhance Collection Efforts** – The Senior Vice President of Financial Management should identify the accounts significantly past due and turn them over to a collection agency or use the City Treasurer’s Asset Recovery Program.

**Agency Response: Agree, Implementation Date – December 31, 2019**
Agency Narrative: DEN Finance Management agrees that additional resources may be needed to collect significantly past due customer accounts receivable balances. Accounts Receivable Management will investigate the most cost-efficient options for collection of these accounts, including looking at approved collection agencies and/or use of the City Treasurer’s Asset Recovery Program.

1.12 **Develop Allowance Methodology Based on Historical Experience** – The Senior Vice President of Financial Management should document the methodology for estimating the allowance for doubtful accounts, including a policy for gathering, documenting, and maintaining historical information to support significant assumptions. The methodology should be based on an objective and unbiased determination of collectability using true historical experience. Significant management decisions that depart from the policy should be formally documented, evidenced by source documentation, and retained in accordance with the City’s record retention requirements.

**Agency Response: Agree, Implementation Date – January 31, 2020**

Agency Narrative: A methodology currently exists for estimating the accounts receivable allowance for doubtful accounts; however, DEN Finance Management recognizes that it could be strengthened. Historical accounts receivable collections data is an important element to consider when estimating an allowance for uncollectible accounts receivable. The available history, prior to 2018 on collections data is not easily obtained and difficult to analyze. As such, the DEN Accounts Receivable team are currently maintaining collections data and beginning to develop more robust and accurate statistics around collectability of accounts in the various aging “buckets” such as 0-30 days, 31-60 days, 61-90 days, 91+ days outstanding. DEN Finance Management anticipates that by fiscal year beginning January 1, 2020 this historical collections data will be adequate enough to update the current method for estimation of uncollectible accounts receivable.

1.13 **Conduct Ratio Analysis** – The Senior Vice President of Financial Management should regularly perform an analysis to evaluate the accuracy of the allowance for doubtful accounts estimate, such as comparing the beginning-of-year allowance for doubtful accounts to actual write-offs of accounts receivable recorded during the year.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DEN Finance Management agrees that ratio analysis can be helpful in determining if the allowance for doubtful accounts estimate is reasonable. However, rather than comparing the beginning of the year allowance to actual write-offs, DEN Finance Management believes that consideration of the actual dollar value of accounts written off, as compared to the bad debt expense reported for the year can more accurately assist in making sure that the allowance calculations are appropriate. Bad debt expense is generally an estimate that is reflected in the operating expenses in the Statement of Revenue, Expenses, and Changes in Net Position. Actual write-offs of uncollectible accounts are recorded against the allowance for doubtful accounts, which is reflected in the Statement of Net Position. Therefore, if the estimated bad debt expense and the actual write-offs are in the appropriate ratio, the allowance for doubtful accounts will be at reasonable level. DEN Finance
Management will look at this ratio on a quarterly basis, at a minimum, to help ensure that both the allowance for doubtful accounts and bad debt expense are reasonably presented.

1.14 **Develop Change Management Plan** – The Chief Executive Officer should ensure a change management plan for the transition to PROPworks is developed.

**Agency Response: Agree, Implementation Date – Implemented**

Agency Narrative: DEN Finance Management began developing a detailed change management plan for the re-implementation of PROPworks in early July 2019. After the completion of all financial statements, including the year-end audited financial statements, DEN Finance Management was able to dedicate resources to the change management plan. This plan was discussed with DEN Executive leadership and communicated to the Chief Executive Officer. As part of the strategic re-implementation plan, a systems administrator, tasked with managing the PROPworks re-implementation and future maintenance details was hired. In addition, a consultant specializing in the PROPworks system was hired on a contract basis to help in the development of the plan and ultimate implementation. The plan continues to be refined and updated as the re-implementation team meets and discusses. This will be an on-going effort until the system is fully re-implemented.

1.15 **Review Policies and Procedures** – The Senior Vice President of Financial Management should develop a schedule to review accounts receivable policies and procedures annually and update them as changes occur to ensure all processes are documented as the division implements them.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DEN Financial Management agrees that updating accounts receivable policies and procedures is an important internal control that ensures that the assets are safeguarded. Interim policies and procedures will be updated as needed while the accounts receivable transaction cycle is partially in Workday and partially in PROPworks. Once the accounts receivable transaction cycle is completely in PROPworks, these policies will be updated again to reflect the appropriate changes.

1.16 **Conduct Staffing Analysis** – The Chief Financial Officer should work with the airport’s Human Resources Division and the Budget Management Office, as needed, to ensure a short-term staffing analysis—as well as one following the implementation of PROPworks—is conducted of accounts receivable’s staff resources. The analysis should consider accounting’s roles and responsibilities and assess workload imbalance.

**Agency Response: Disagree**

Agency Narrative: DEN Finance Management agrees that periodic staffing analysis is important to ensure that various teams are adequately staffed to efficiently and effectively perform the workload. However, DEN Finance Management looks at staffing on an informal interim basis frequently as tasks and responsibilities of the various teams change and also evaluates the team during bi-annual strategic meetings. A formal assessment of the entire
DEN Finance teams, including accounting and budgeting functions may be done in 2020 as part of the citywide budgeting process, if deemed necessary by DEN Executive management. However, DEN Finance Management cannot ensure that a formal staffing analysis of just the Accounts Receivable team will be approved by DEN Executive Management. In the interim DEN Finance Management is adjusting personnel and positions as needed to address fluctuations in workload and will consider requesting additional resources to augment the current staffing levels if deemed necessary in the short-term.

Auditor’s Addendum: As stated in the audit report, the Denver International Airport Accounts Receivable team has been inundated with time-consuming tasks. In addition, the volume of tasks assigned and issues to resolve has required leadership and supervisory personnel to focus their attention on operational tasks rather than strategic and leadership tasks.

The audit team recognizes that informal staffing discussions have been conducted by Finance Division leadership. However, with the current staffing workload issues and a software reimplementation occurring over the next year and a half, a formal analysis of staffing could identify gaps that are not apparent to airport leadership now. According to best practice, staffing analyses not only are important during budget cycles, they are important anytime there will be a major adjustment to the workforce, such as a software system change.

In addition, a formal staffing analysis provides a quantitative assessment of the current state of the organization and compares that with what is needed today and in the future. Analyses such as these help organizations put data into workforce planning. Without this type of analysis, the airport cannot be sure its staffing levels will support its current and future workload.

1.17 Hire Temporary Staff – The Senior Vice President of Financial Management should hire temporary staff to assist with accounting tasks as needed.

Agency Response: Agree, Implementation Date – December 31, 2019

Agency Narrative: As discussed in the prior recommendation, DEN Finance Management will consider hiring contract-basis resources to assist where needed in the accounting department to help ensure that critical tasks are being performed.

1.18 Update Workforce Readiness – The Senior Vice President of Financial Management should work with the airport’s Human Resources Division to establish a review of the Finance Division’s workforce readiness action plan, as well as updates to the plan when trigger events occur including large staffing changes or changes in software systems. This review should include a discussion of cross-training and the development of employees in the accounts receivable teams.

Agency Response: Agree, Implementation Date – December 31, 2019

Agency Narrative: DEN Finance Management agrees that workforce readiness is important to ensure that critical processes are able to continue if a trigger event occurs such as large staffing changes or changes in software systems. DEN Management will review the current
workforce readiness action plan with DEN’s Human Resources partner to help identify gaps and/or updates needed to the plan. DEN Finance Management will also evaluate the plan with DEN’s Human Resources during the re-implementation of Propworks.
AGENCY RESPONSE TO AUDIT RECOMMENDATIONS

September 9, 2019

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Denver International Airport Accounts Receivable.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on August 15, 2019. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
Denver International Airport’s Accounts Receivable Processes Have Inefficiencies Resulting in a Loss of Revenue

RECOMMENDATION 1.1
Require Submission of Customer Remittance – The Senior Vice President of Financial Management should implement a remittance policy that requires customers to include specific payment details to ensure payments are applied accurately.

<table>
<thead>
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<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>N/A</td>
<td>Michael Biel SVP Financial Management 303-342-2158</td>
</tr>
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Narrative for Recommendation 1.1
DEN Finance Accounts Receivable team requests, on an ongoing basis through email or phone call communications, that customers remit information with their payments indicating specific invoices or detail on monthly rents that they are paying. DEN Finance Accounts Receivable team has provided to DEN customers a centralized email location to communicate payment remittance information. The establishment of a remittance policy that requires customers to include specific payment details would necessitate that customer contracts be amended to include these provisions. This would involve DEN Revenue Management, DEN Contracts and DEN Legal to make these changes to hundreds customer contracts. The Senior Vice President of Financial Management can suggest this change be made to
customer contracts but cannot establish this as a policy due to the need for final implementation by DEN Legal.

**RECOMMENDATION 1.2**
Open Separate Bank Account and Use Lockbox Services – The Senior Vice President of Financial Management should consult with the City’s Department of Finance’s Cash, Risk, and Capital Funding Division to create a separate bank sweep account for the airport and evaluate the need for an airport lockbox, which would streamline its cash receipt and payment application functions.

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</table>
| Agree                                 | December 31, 2019                                                                              | Michael Biel
SVP Financial Management
303-342-2158 |

**Narrative for Recommendation 1.2**
DEN Finance Management has already discussed the need for a separate bank sweep account with members of the City’s Department of Finance Cash, Risk and Capital Funding Division in late 2018 and early 2019. At that time, the two teams did not come to a definitive agreement on the need for the airport bank sweep account. However, an airport sweep account would streamline and improve how customer receipts such as wire payments are processed as they could be recorded directly to the customer receivable transactions in the accounts receivable system, rather than posted to a City general ledger suspense account, as is the current practice. DEN Finance Management will continue to engage with the City’s Department of Cash, Risk and Capital Funding to request that the sweep account be established and will also discuss the potential benefits of a lockbox arrangement with the intention of making a decision on whether or not it should also be established.

**RECOMMENDATION 1.3**
Reconcile Customer Accounts and Correctly Apply Customer Payments – The Chief Financial Officer should ensure customer accounts are fully reconciled and accurate prior to the transition to PROPworks.

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| Agree                                 | December 31, 2020                                                                              | Michael Biel
SVP Financial Management
303-342-2158 |

**Narrative for Recommendation 1.3**
PROPworks re-implementation is estimated to take between 12-24 months to fully complete. The DEN Finance Accounts Receivable team, since September 2018, has been and will continue to work on
reconciling customer accounts receivable balances. Reconciliation activities are a normal on-going task in any organization’s accounts receivable cycle, particularly in high transaction volume environments such as the airport. While the DEN Finance Accounts Receivable team will work to fully reconcile customer accounts, there will likely always be accounts that require additional investigation.

RECOMMENDATION 1.4
Clean Up Customer Master Files – The Senior Vice President of Financial Management should ensure the customer master files are cleaned up—including removing unnecessary accounts and combining duplicate accounts, thus establishing an ownership hierarchy. This clean up should be completed prior to going live with the reimplementing of PROPworks and included within the change management plan.

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| Agree                               | December 31, 2020                               | Michael Biel  
SVP Financial Management  
303-342-2158                                                   |

Narrative for Recommendation 1.4
Customer master files may contain more than one customer ID, in cases where there are separate arrangements within the same master customer, which need to be tracked independently due to payment application requirements. Additionally, if two customers engage in an acquisition or merger scenario, separate master files may need to be maintained until such time as they can be combined legally for accounting purposes. However, DEN Finance will review the customer master files and determine which IDs should be combined going forward prior to the PROPworks re-implementation.

RECOMMENDATION 1.5
Configure PROPworks to Charge Interest and Fees on Late Payments – The Senior Vice President of Financial Management should work with the PROPworks consultant and project manager to ensure implementation of PROPworks is configured to assess interest on late payments and incorporate this functionality into a formal project strategy, timeline, and scope of work. Until the reimplementation of PROPworks is complete, financial management should develop an alternative automated or manual interest calculation mechanism to ensure late invoice payment interest is calculated and collected.

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</thead>
</table>
| Disagree                            | N/A                                             | Michael Biel  
SVP Financial Management  
303-342-2158                                                   |
Narrative for Recommendation 1.5
DEN Finance Management agrees with the first part of the recommendation because PROPworks functionality includes the ability to charge interest on past due accounts receivable invoices, including the consideration of grace days when applicable due to contract terms. DEN Finance Management will be including this functionality as part of the overall re-implementation plan for PROPworks. However, DEN Finance Management disagrees with the second part of the recommendation because currently, Workday does not have a robust enough interest calculation option to handle complex customer agreements with grace days allowed on past due invoices. While DEN Finance Management recognizes that charging interest is allowed in customer contracts, and may help alleviate customers from paying late, the benefit of continually performing manual calculations of interest on past due invoices or developing an automated workaround to Workday may divert resources from the PROPworks re-implementation. Further, until the accounts receivable customer balances are substantially reconciled and ready to be moved into PROPworks as noted in this report, interest calculations on invoices that appear to be past due, but may have actually been paid, would potentially result in an overstatement of both interest income and accounts receivable.

RECOMMENDATION 1.6
Conduct Variance Analysis – The Senior Vice President of Financial Management should regularly perform and document a financial statement variance analysis at the individual account and fund level to identify unexpected variances and abnormal balances. In addition, variances and abnormalities should be investigated and corrections made as needed.

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| Agree                                  | Implemented                                                                     | Michael Biel  
SVP Financial Management  
303-342-2158 |

Narrative for Recommendation 1.6
DEN Financial Management will continue to perform variance analysis, at the fund level, as part of our normal monthly, quarterly and annual close activities as it pertains to the general ledger accounts which comprise the total accounts receivable balance reported in DEN’s Financial Statements. Also, DEN Finance Management performs a financial statement analytical variance review on both a quarterly and annual basis.
### RECOMMENDATION 1.7

**Reevaluate Classification of Receivables** – The Senior Vice President of Financial Management should assess the underlying nature of the receivables accounts and identify the appropriate category for financial reporting purposes.

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<tr>
<td>Agree</td>
<td>Implemented</td>
<td>Michael Biel SVP Financial Management 303-342-2158</td>
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**Narrative for Recommendation 1.7**

In conjunction with the City’s Annual Comprehensive Financial Statement audit performed by independent public accountants, DEN Finance Management reviews the classification of general ledger receivable accounts for consistency and compliance with financial statement reporting guidance. This is also an ongoing process as new accounting pronouncements are implemented.

### RECOMMENDATION 1.8

**Formalize Write-Off Policy** – The Senior Vice President of Financial Management should develop and formalize a write-off policy and procedure for uncollectible accounts and distribute it to all relevant personnel.

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<tr>
<td>Agree</td>
<td>December 31, 2019</td>
<td>Michael Biel SVP Financial Management 303-342-2158</td>
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**Narrative for Recommendation 1.8**

DEN Finance Management will update its write-off policy and procedure for uncollectible accounts to reflect current accounts receivable operational needs and distribute to personnel who are involved in the accounts receivable collection and management cycle.
RECOMMENDATION 1.9  
Track Write-Offs – The Senior Vice President of Financial Management should develop a process to identify and track accounts that are written off.

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<td>Michael Biel SVP Financial Management 303-342-2158</td>
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Narrative for Recommendation 1.9  
Accounts receivable write-offs are currently tracked in Workday transactions journals. Reports can be run at any interval to identify accounts that are written off. Additionally, on a monthly basis DEN Accounts Receivable Management, in conjunction with other airport revenue management departments, review the outstanding accounts receivable and identify accounts that should be written off. This is documented on the accounts receivable aging reports available at those review meetings.

RECOMMENDATION 1.10  
Enforce Policy – The Senior Vice President of Financial Management should enforce the Finance Division’s collection policy efforts on past-due accounts.

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Narrative for Recommendation 1.10  
DEN Finance Management agrees that enforcement of the accounts receivable collection policy is important to ensure that past due customer balances are appropriately addressed. DEN Finance Management has been working on collections for over the past year on several customer accounts with outstanding balances. DEN Finance Management may determine that accounts receivable collections efforts need additional personnel support and will move accordingly to hire talent when needed to ensure the policy is enforced.
**RECOMMENDATION 1.11**
Enhance Collection Efforts – The Senior Vice President of Financial Management should identify the accounts significantly past due and turn them over to a collection agency or use the City Treasurer’s Asset Recovery Program.

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<td>Michael Biel SVP Financial Management 303-342-2158</td>
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**Narrative for Recommendation 1.11**
DEN Finance Management agrees that additional resources may be needed to collect significantly past due customer accounts receivable balances. Accounts Receivable Management will investigate the most cost-efficient options for collection of these accounts, including looking at approved collection agencies and/or use of the City Treasurer’s Asset Recovery Program.

**RECOMMENDATION 1.12**
Develop Allowance Methodology Based on Historical Experience – The Senior Vice President of Financial Management should document the methodology for estimating the allowance for doubtful accounts, including a policy for gathering, documenting, and maintaining historical information to support significant assumptions. The methodology should be based on an objective and unbiased determination of collectability using true historical experience. Significant management decisions that depart from the policy should be formally documented, evidenced by source documentation, and retained in accordance with the City’s record retention requirements.

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<tr>
<td>Agree</td>
<td>January 31, 2020</td>
<td>Michael Biel SVP Financial Management 303-342-2158</td>
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**Narrative for Recommendation 1.12**
A methodology currently exists for estimating the accounts receivable allowance for doubtful accounts; however, DEN Finance Management recognizes that it could be strengthened. Historical accounts receivable collections data is an important element to consider when estimating an allowance for uncollectible accounts receivable. The available history, prior to 2018 on collections data is not easily obtained and difficult to analyze. As such, the DEN Accounts Receivable team are currently maintaining collections data and beginning to develop more robust and accurate statistics around
collectability of accounts in the various aging “buckets” such as 0-30 days, 31-60 days, 61-90 days, 91+ days outstanding. DEN Finance Management anticipates that by fiscal year beginning January 1, 2020 this historical collections data will be adequate enough to update the current method for estimation of uncollectible accounts receivable.

**RECOMMENDATION 1.13**

**Conduct Ratio Analysis** – The Senior Vice President of Financial Management should regularly perform an analysis to evaluate the accuracy of the allowance for doubtful accounts estimate, such as comparing the beginning-of-year allowance for doubtful accounts to actual write-offs of accounts receivable recorded during the year.

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| Agree                                 | December 31, 2019                                                                              | Michael Biel  
SVP Financial Management  
303-342-2158 |

**Narrative for Recommendation 1.13**

DEN Finance Management agrees that ratio analysis can be helpful in determining if the allowance for doubtful accounts estimate is reasonable. However, rather than comparing the beginning of the year allowance to actual write-offs, DEN Finance Management believes that consideration of the actual dollar value of accounts written off, as compared to the bad debt expense reported for the year, can more accurately assist in making sure that the allowance calculations are appropriate. Bad debt expense is generally an estimate that is reflected in the operating expenses in the Statement of Revenue, Expenses, and Changes in Net Position. Actual write-offs of uncollectible accounts are recorded against the allowance for doubtful accounts, which is reflected in the Statement of Net Position. Therefore, if the estimated bad debt expense and the actual write-offs are in the appropriate ratio, the allowance for doubtful accounts will be at reasonable level. DEN Finance Management will look at this ratio on a quarterly basis, at a minimum, to help ensure that both the allowance for doubtful accounts and bad debt expense are reasonably presented.

**RECOMMENDATION 1.14**

**Develop Change Management Plan** – The Chief Executive Officer should ensure a change management plan for the transition to PROWorks is developed.

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| Agree                                 | Implemented                                                                                   | Michael Biel  
SVP Financial Management  
303-342-2158 |
Narrative for Recommendation 1.14
DEN Finance Management began developing a detailed change management plan for the re-implementation of PROPworks in early July 2019. After the completion of all financial statements, including the year-end audited financial statements, DEN Finance Management was able to dedicate resources to the change management plan. This plan was discussed with DEN Executive leadership and communicated to the Chief Executive Officer. As part of the strategic re-implementation plan, a systems administrator, tasked with managing the PROPworks re-implementation and future maintenance details was hired. In addition, a consultant specializing in the PROPworks system was hired on a contract basis to help in the development of the plan and ultimate implementation. The plan continues to be refined and updated as the re-implementation team meets and discusses. This will be an on-going effort until the system is fully re-implemented.

<table>
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<tr>
<th>RECOMMENDATION 1.15</th>
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<tr>
<td><strong>Review Policies and Procedures</strong> – The Senior Vice President of Financial Management should develop a schedule to review accounts receivable policies and procedures annually and update them as changes occur to ensure all processes are documented as the division implements them.</td>
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| Agree                                | December 31, 2019                                               | Michael Biel  
SVP Financial Management  
303-342-2158                                                   |

Narrative for Recommendation 1.15
DEN Financial Management agrees that updating accounts receivable policies and procedures is an important internal control that ensures that the assets are safeguarded. Interim policies and procedures will be updated as needed while the accounts receivable transaction cycle is partially in Workday and partially in PROPworks. Once the accounts receivable transaction cycle is completely in PROPworks, these policies will be updated again to reflect the appropriate changes.
RECOMMENDATION 1.16

Conduct Staffing Analysis – The Chief Financial Officer should work with the airport’s Human Resources Division and the Budget Management Office, as needed, to ensure a short-term staffing analysis—as well as one following the implementation of PROPworks—is conducted of accounts receivable’s staff resources. The analysis should consider accounting’s roles and responsibilities and assess workload imbalance.

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| Disagree                              | N/A                                                                                  | Michael Biel  
SVP Financial Management  
303-342-2158                                                       |

Narrative for Recommendation 1.16
DEN Finance Management agrees that periodic staffing analysis is important to ensure that various teams are adequately staffed to efficiently and effectively perform the workload. However, DEN Finance Management looks at staffing on an informal interim basis frequently as tasks and responsibilities of the various teams change and also evaluates the team during bi-annual strategic meetings. A formal assessment of the entire DEN Finance teams, including accounting and budgeting functions may be done in 2020 as part of the citywide budgeting process, if deemed necessary by DEN Executive management. However, DEN Finance Management cannot ensure that a formal staffing analysis of just the Accounts Receivable team will be approved by DEN Executive Management. In the interim DEN Finance Management is adjusting personnel and positions as needed to address fluctuations in workload and will consider requesting additional resources to augment the current staffing levels if deemed necessary in the short-term.

RECOMMENDATION 1.17

Hire Temporary Staff – The Senior Vice President of Financial Management should hire temporary staff to assist with accounting tasks as needed.

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| Agree                                 | December 31, 2019                                                                    | Michael Biel  
SVP Financial Management  
303-342-2158                                                       |

Narrative for Recommendation 1.17
As discussed in the prior recommendation. DEN Finance Management will consider hiring contract-basis resources to assist where needed in the accounting department to help ensure that critical tasks are being performed.
RECOMMENDATION 1.18
Update Workforce Readiness – The Senior Vice President of Financial Management should work with the airport’s Human Resources Division to establish a review of the Finance Division’s workforce readiness action plan, as well as updates to the plan when trigger events occur including large staffing changes or changes in software systems. This review should include a discussion of cross-training and the development of employees in the accounts receivable teams.

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<td>Michael Biel SVP Financial Management 303-342-2168</td>
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</table>

Narrative for Recommendation 1.18
DEN Finance Management agrees that workforce readiness is important to ensure that critical processes are able to continue if a trigger event occurs such as large staffing changes or changes in software systems. DEN Management will review the current workforce readiness action plan with DEN’s Human Resources partner to help identify gaps and/or updates needed to the plan. DEN Finance Management will also evaluate the plan with DEN’s Human Resources during the re-implementation of Propworks.

Please contact Sonia Montano at (720) 913-5157 with any questions.

Sincerely,

Adam Giombetti
Deputy Chief Financial Officer

cc: Valerie Walling, Deputy Auditor, CPA, CMC®
    Sonia Montano, Internal Audit Supervisor, CGAP, CRMA
    Kevin Sear, CPA, CIA, CISA, CFE, CGMA, Audit Manager
OBJECTIVE

To determine whether Denver International Airport has effective controls, systems, and personnel to ensure accounts receivable are properly accounted for, collected, and reported.

SCOPE

During our examination of the effectiveness of Denver International Airport’s management of accounts receivable, we evaluated the processes conducted by Finance Division personnel in comparison to policies and procedures, job duties, and time management.

We also evaluated the efficiencies of accounts receivable processes as they relate to the financial systems and reviewed the steps taken to prepare for the implementation of the current financial system and preparation for implementation of the upcoming system for managing accounts receivable activities. In addition, we conducted testing of financial transactions and reporting entries.

The period of our analysis was January 1, 2017, through June 30, 2019.

METHODOLOGY

We used several methodologies to gather and analyze information related to the audit objective. The methodologies included but were not limited to:

- Interviewing and/or observing the following individuals:
  - Key personnel from the airport’s Finance Division, including Deputy Chief Financial Officer, Senior Vice President of Financial Management, Director of Accounting, Senior Manager of Accounting, Accounts Receivable Supervisors, Senior Accountants, Staff Accountants, and the Cashier
  - Personnel from the airport’s Revenue Management Division
  - Key personnel from other City agencies, including Denver Arts & Venues; the Finance Department’s Cash, Risk, and Capital Funding Division; the Controller’s Office; the Department of Human Resources; the Department of Public Works; and the Technology Services agency
  - PROPworks implementation consultant from AvAirPros
  - Personnel from benchmark airports and cities, including Atlanta; Dallas-Fort Worth; Houston; Knoxville, Tennessee; Los Angeles; Orlando, Florida; Pittsburgh; San Diego; San Francisco; Tampa, Florida; and Washington, D.C.

- Analyzing the following:
  - Denver International Airport’s 2016, 2017, and 2018 Annual Financial Reports
  - Annual Financial Report reported figures to Workday amounts
○ Denver International Airport’s 2018 customer receivable aging and reconciliation reports and conducted attribute testing of 60 randomly selected transactions. Attribute testing of the transactions included:
  - Verifying supporting documentation of the transaction amount
  - Approvals for the transaction
  - Proper recording into subledger and general ledger accounts
  - Timeliness of billings and recording of payments in accordance with customer contracts and Finance Division’s policies and procedures

• Reviewing criteria that included:
  ○ Denver International Airport’s policies and procedures, plans, and rules and regulations
  ○ City and County of Denver Fiscal Accountability Rules
  ○ Descriptions, business process alignments, and timelines for airport financial systems of record
  ○ The airport Finance Division and accounts receivable job descriptions
  ○ Leading practices from the Airport Cooperative Research Program, the American Institute of Certified Public Accountants, the U.S. Government Accountability Office, the Government Accounting Standards Board, the Government Finance Officers Association, the Harvard Business Review, the Journal of Accountancy, the National Institute of Standards and Technology, the Society of Human Resource Management, and the Work Institute

• Inquiring, observing, and evaluating whether agency receivable policies and procedures are complete, up-to-date, and reflective of current business practices. This includes billing, invoicing, payments including cash and wires, collections, collectability analysis, write-offs, reconciliation, and reporting

• Determining revenue streams to conduct attribute testing

• Selecting a sample of invoices from PROPworks, or other applicable billing systems, and testing attributes from billing to payments

• Estimating late payment interest lost during the transition period to PROPworks

• Obtaining the aging schedule as of December 31, 2018, and testing for arithmetical accuracy, and reconciling to the general ledger, and investigating any unusual reconciling items. Testing underlying information for completeness and accuracy

• Examining collectability analysis methodology, documentation, and calculation of the allowance for doubtful accounts for reasonableness, timeliness and accuracy

• Quantifying the effect of untimely billing and application of payments by performing a series of financial analyses over the airport’s accounts receivable balances such as an accounts receivable turnover ratio and day’s outstanding

• Developing a timeline of analyses, system requirements, decisions made regarding the Workday Accounts Receivable Module, PROPworks billing, and consolidation of revenue streams

• Reviewing the PROPworks contract and scope of work for upgrade and consolidation of revenue streams, including interfaces with the Workday Financials/Accounts Receivable Module
• Obtaining a list of systems that affect financial operations and reporting of revenues and receivables, and asking airport financial management officials if they have obtained Service Organization Controls reports and evaluating management’s review of the reports

• Examining organizational structure, job descriptions, and time management information for the airport’s Finance Division

• Analyzing staffing and workforce analyses undertaken by various agencies and departments

• Researching benchmark entities and City and County of Denver offices (e.g., the Controller’s Office) to identify staffing resources and the succession planning approach for the effective and accurate collection of accounts receivable
Office of the Auditor

The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver’s government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City’s finances and operations, including the reliability of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public’s investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.