AUDIT REPORT
Denver International Airport
Parking Revenue
February 2018

Office of the Auditor
Audit Services Division
City and County of Denver

Timothy M. O'Brien, CPA
Denver Auditor

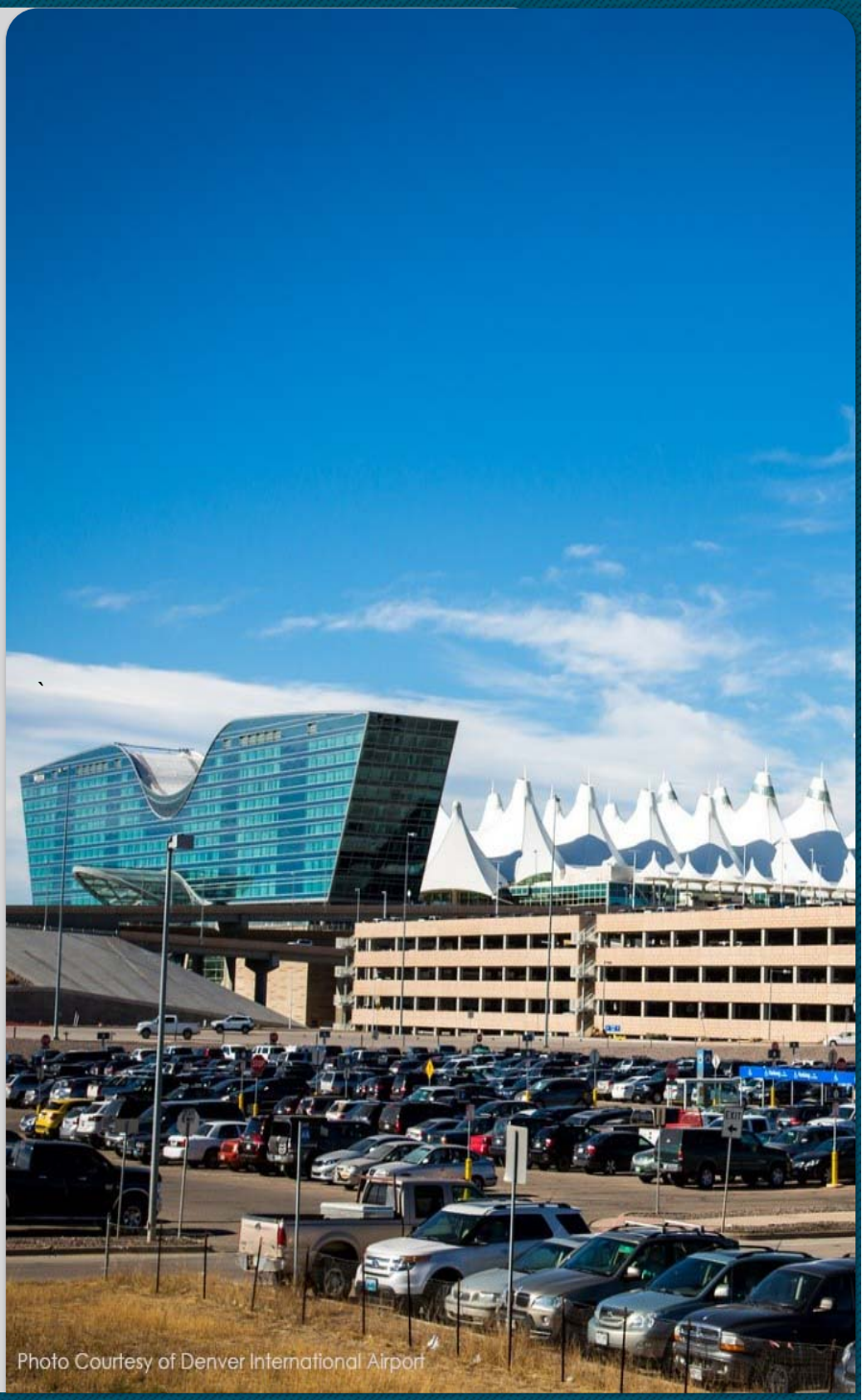

Photo Courtesy of Denver International Airport

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City and County of Denver

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Timothy M. O'Brien, CPA
Auditor

February 15, 2018

AUDITOR'S REPORT

We have completed an audit of parking revenue at Denver International Airport (DEN), managed by the Parking and Transportation Systems Section (Parking). The objective of the audit was to determine whether Parking has effective controls for managing and safeguarding public parking, employee parking, and ground transportation revenues. In addition, we also sought to determine whether Parking is meeting operational, financial, and contract compliance requirements.

In 2016, DEN generated over $187 million in parking revenue. Management of such a significant revenue stream makes it important for DEN to have sound controls to safeguard the revenue. As described in the attached report, our audit revealed that Parking needs to develop stronger internal controls for managing the requirements of parking agreements, ensuring that policies and procedures are up-to-date and followed, and that all parking revenue is managed properly. We also found that Parking needs to maintain proper documentation and transparency of records for the parking revenue control system upgrade and ensure the upgraded system can be integrated with the City's financial system. Additionally, this upgraded system should include a function to manage employee parking effectively.

Through stronger internal controls and contract monitoring, Parking will be able to improve its collection, safeguarding and accounting for parking revenue. 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 that 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend appreciation to DEN personnel who assisted and cooperated with us during the audit.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor

REPORT HIGHLIGHTS

Denver International Airport – Parking Revenue

February 2018

Objective

Our objective was to determine whether Denver International Airport's Parking and Transportation Systems Section (Parking) had effective controls for managing and safeguarding public parking, employee parking, and ground transportation revenues. In addition, we evaluated whether Parking was meeting operational, financial, and contractual requirements.

Background

Parking is composed of three sub-units: public parking, employee parking, and ground transportation. Combined, these three units generated $187 million in revenue in 2016. Parking is the airport's second largest revenue source, representing approximately 25 percent of the airport's total operating revenue in 2016.

Highlights

Our audit of parking revenue at Denver International Airport (DEN) identified weaknesses in the Parking and Transportation System Section's ability to effectively collect all revenue due. In 2016, DEN generated over $187 million in parking revenue; more than $170 million from public parking, approximately $11 million from ground transportation, and more than $6 million from employee parking. Management of a significant revenue stream requires sound controls to safeguard the revenue.

We found that weaknesses in Parking's oversight of the parking contractor, SP Plus, have resulted in noncompliance with agreement terms and missed opportunities for the City to recover certain costs for nonperformance. Additionally, management decisions on parking system improvements are not readily transparent, and physical controls to protect parking revenue and facilities need improvement.

Weaknesses in Parking's practices related to ground transportation include failing to verify self-reported information from transportation network companies Uber and Lyft, failing to provide adequate oversight of its five off-airport parking agreements, and failing to perform the minimum number of courtesy vehicle inspections. Additionally, weaknesses in the airport Finance Unit's practices related to ground transportation include failing to keep adequate records of all ground transportation revenue transactions and failing to assess interest on past due accounts.

Our assessment of Parking's management of employee parking found improvement is necessary in three key areas. First, the system used to manage employee parking is unable to properly track employee parking data and causes many inefficiencies. Second, the Parking Permit Sales Office's policies and procedures are not always followed, and some are outdated. Lastly, DEN Finance's financial controls are inadequate to properly manage employee parking invoicing and recording of revenue.

To enhance Parking's ability to collect all revenue due from its public parking, employee parking, and ground transportation operations, as well as comply with its written agreements, we offer 22 recommendations to Parking and four recommendations to the Finance Unit.

For a copy of this report, visit www.denvergov.org/auditor or contact the Auditor's Office at 720.913.5000.

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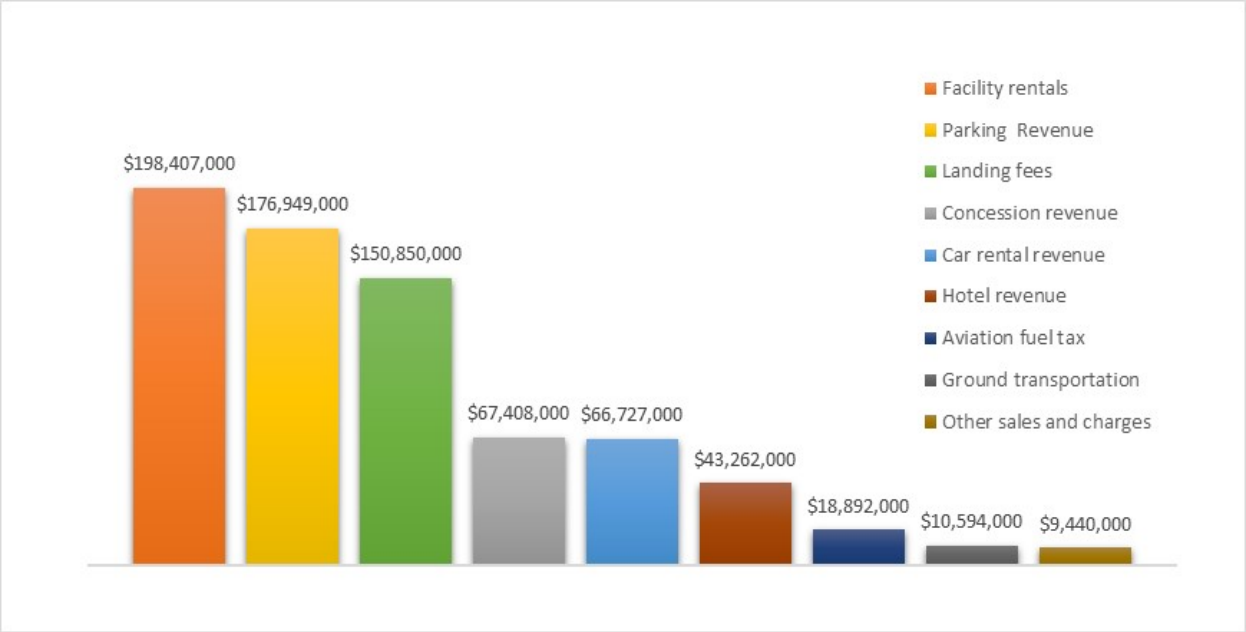
BACKGROUND

Overview of Denver International Airport

Denver International Airport (DEN) opened in 1995 and is the 18th busiest airport in the world and the sixth busiest airport in the United States. Owned by the City and County of Denver's (City) Aviation program, DEN served 58.3 million passengers in 2016, and total operating revenue during that year was more than $742 million—an increase of 8 percent since 2015.[1] Figure 1 details total airport operating revenues during 2016. In 2016, parking revenues were $187 million (including revenues from ground transportation) and were the second largest source of revenue for DEN.[2]

FIGURE 1. DEN Operating Revenue Sources – 2016



Source: City and County of Denver, Municipal Airport System, Annual Financial Report, December 31, 2016.

DEN's Parking and Transportation Systems Generated $187 Million in 2016

According to DEN's financial statements, parking revenue decreased from $188 million in 2015 to $187 million in 2016. According to airport officials, the decrease may be attributable to increased use of ride-sharing transportation network companies (such as Uber and Lyft), the Regional Transportation District's addition of the A Line train to the airport, and the opening of two private parking lots—one consisting of 8,000 spaces and another with 3,000 spaces—in the last two years.

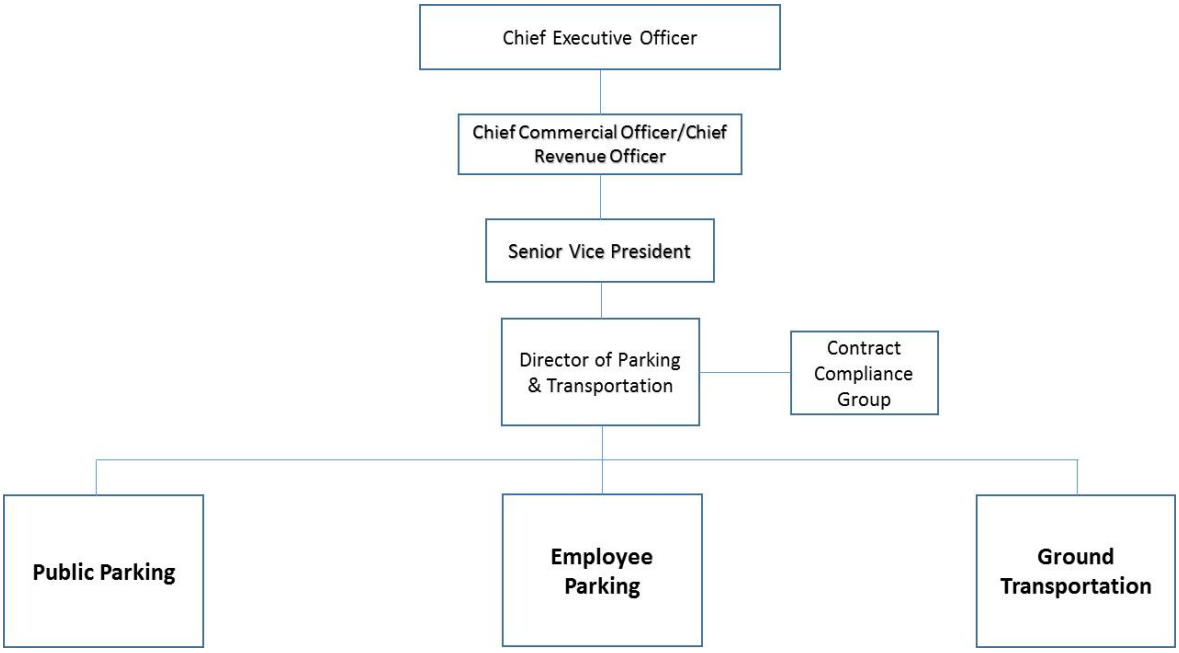
[1] About DEN, Denver International Airport website, accessed December 1, 2017, https://www.flydenver.com/about.

[2] For the purposes of this report, revenue is intended to mean receipts generated from the sale of services associated with Parking's main operations—public parking, ground transportation, and employee parking.

The Parking and Transportation Systems Section Oversees Parking and Commercial Transportation at DEN

The Parking and Transportation Systems Section (Parking) oversees the parking and commercial transportation activities at the airport. Parking is currently made up of 84 total employees and is composed of three units: Public Parking, Employee Parking, and Ground Transportation. Figure 2 depicts the organization's structure.

FIGURE 2. DEN Parking and Transportation Systems Organizational Chart



Source: Figure developed by the Auditor's Office based on organizational chart provided by the Parking and Transportation Section.

The Contract Compliance Group (CCG) oversees some of the day-to-day operations related to parking at the airport. The CCG is led by a finance manager who directs the group's activities such as contract compliance, monthly billing review, and audits of public parking, ground transportation, and employee parking operations.

Another key unit involved in processing parking revenue that is not depicted in Figure 2 above is the DEN Finance Unit. The DEN Finance Unit is separate from Parking, and its responsibilities include receiving and recording all revenue generated by Parking operations. Specifically, the DEN Finance Unit processes all receipts and ensures all billings are collected and reconciled.

DEN's Public Parking Facilities Are Managed by a Third-Party Contractor

DEN's Public Parking unit generated more than $176 million during 2016, according to DEN's 2016 audited financial statements. SP Plus Corporation (SP), a contractor, manages parking operations at the airport. SP collects and manages more than $4 billion in parking revenue each year. It manages approximately 3,600 locations, including more than 70 airport locations.[3] At DEN, SP

[3] "Investor Presentation." SP Plus Corporation. Quarter 3, 2017. Obtained on January 3, 2017 from http://ir.spplus.com/events.cfm.

employs more than 140 people. SP's services include collecting, depositing, and reporting all gross revenues. The company also provides customer service and credit card processing services. Parking personnel oversee the day-to-day operations of SP by reviewing reported revenues and expenses and ensuring compliance with contract terms. The current parking agreement for the management of public parking facilities began February 1, 2017, with an initial five-year term that ends on January 31, 2022. The previous agreement—a five-year, cost-plus contract—began in April 2008 and allowed for two consecutive extensions of 12 months each.[4] The City's liability for payment increased from $85 million to $90 million, which covers the life of the contract.

Table 1 shows the parking facilities managed under the contract. In 2017, the airport reported more than 45,000 parking spaces in both the public garages and surface parking lots.

TABLE 1. DEN Parking Space Areas

Parking Area	Parking Space Count	Cost for 24-hour parking
East and West Economy	9,248	$13
East and West Garage	16,686	$24
East and West Valet	642	$33
East and West Short Term	199	$96
Pikes Peak	8,947	$8
61st and Pena	800	$4
Mount Elbert	8,587	$8
Total	45,109	

Source: 2017 Parking Management Agreement between City and County of Denver and SP Plus Corporation.

DEN Uses a Parking Revenue Control System to Track and Calculate Parking Fees – SP and Parking work together to manage the parking revenue control system (PRCS) at the airport.[5] The system includes entry lane terminals, cashier terminals, video cameras, and associated software. The entry lane terminals issue magnetic tickets upon entry into the parking facility, which are used to calculate the total parking fee. Patrons can pay with cash, check, or credit card. Approximately 350,000 transactions are processed per month.

The system can be used to generate a variety of reports that allow Parking and SP to track daily activity, trends, and potential discrepancies. The airport issued a request for proposal in June 2017

[4] A cost-plus contract is one that reimburses the contractor for expenses plus a dollar amount, stated as a percentage of profit.
[5] The City of Denver signed a contract on August 20, 2013 with ACS Transport Solutions Incorporated (Xerox). The scope of services under the contract include maintaining and servicing the system's hardware and software.

to upgrade the system with improvements that will enhance flexibility and enable DEN to be more competitive with the parking options provided by comparable airports.

DEN Offers Numerous Ground Transportation Options

There are numerous ground transportation options available at the airport, including taxis, shuttles, limousines, and transportation network companies Uber and Lyft. In 2016, ground transportation activities generated more than $10 million, representing about 5.5 percent of the total $188 million in revenue generated by Parking.[6] Ground transportation revenue results from fees paid by commercial operators, such as taxis and limousines, when they enter airport property to drop off and pick up passengers.

In addition to commercial operators, ground transportation revenue also includes revenue from companies offering alternative parking options that are located along the airport's perimeter, referred to as "off-airport parking operators." In return for access to the airport's parking market, off-airport parking operators pay DEN a percentage of the revenue generated from their operations.

Commercial Operators – The term "commercial operator" is defined as any person or entity using DEN's roadways or operating motor vehicles at the airport for a profit. Ground transportation commercial operators operating at DEN include the following:

- **Limousine Operators** – Limousine operators provide luxurious passenger transportation to the public for hire on a prearranged, charter basis, using chauffeur-driven motor vehicles registered as luxury limousine operators with the Colorado Public Utilities Commission.[7]
- **Taxicab Operators** – Taxicab operators are companies operating at the airport under authority of the Colorado Public Utilities Commission and whose taxicabs drop off passengers, pick up passengers, or both.
- **Off-Airport Parking Operators** – These commercial operators manage off-airport parking of motor vehicles and transporting passengers between these facilities and the airport using an off-airport parking operator permit. Currently, there are five off-airport parking operators: The Parking Spot, USAirport Parking, ParkDIA, Canopy Airport Parking, and Stonebridge Companies.

  Stonebridge Companies is unique in the sense that its primary business is not providing off-airport parking. Rather, Stonebridge Companies is a hotel development and hospitality management company, with a portfolio of more than 45 hotels across the United States. Five of Stonebridge Companies' hotels, located near DEN, have entered into one off-airport parking operator permit with the airport. These five hotels are Holiday Inn Express-DIA, Best Western-DIA, Country Inn & Suites, Holiday Inn & Suites, and Days Inn-Denver International Airport. The Stonebridge

Commercial operators at the airport include limos, taxis, off-airport parking operators, transportation network companies, hotel, mountain, and commuter operators.

[6] Revenue totals taken from DEN's 2016 audited financial statements.

[7] The Colorado Public Utilities Commission (PUC) is Colorado's regulatory body that has full or partial regulatory authority over various industries, the transportation industry being one of them. The PUC's Transportation Section is composed of two units. The Rates and Authorities Unit strives to ensure the affordability and availability of motor carriers transporting passengers for hire. The Investigations and Compliance Unit enforces safety and operating rules.

Companies permit allows these five hotels to offer travelers an alternative to parking at the airport at a better price point.

- **Transportation Network Company Operators** – A "transportation network company" uses a digital network to connect riders and drivers for transportation purposes. A distinguishing factor of these companies is that they do not own, control, operate, or manage the personal vehicles used by the transportation network company drivers; the drivers use their personal vehicles. Currently, there are two such companies permitted to operate at DEN: Uber and Lyft.
- **Hotel Operators** – Hotel operators provide temporary or short-term lodging and transporting passengers to facilities used for temporary or short-term lodging. Hotel operators in this category differ from the five hotels that collectively use the Stonebridge Companies' off-airport parking permit in that Stonebridge hotels market its parking to DEN passengers. Other hotel operators, meanwhile, are providing only transportation to and from their lodging facilities for hotel patrons.
- **Mountain Operators** – Mountain operators transport passengers predominantly between mountain destinations and the airport, with or without a fee for service to passengers.
- **Commuter Operators** – Commuter operators provide scheduled service, on-demand, or charter transportation of passengers to and from DEN with or without a fee and do not qualify as any other category of commercial operator. A few examples include, Super Shuttles and buses transporting students to athletic events.

Commercial Operators Need a Permit to Conduct Business at DEN – Prior to conducting business at DEN, a commercial operator must first obtain a permit. There are two types of permits: a written standardized permit and a one-day permit. An airport permit is a nonexclusive, revocable privilege granted to a commercial operator to conduct certain business activities at the airport, including picking up and dropping off customers at the Jeppesen Terminal.

Commercial Operator Vehicles Must Have Automatic Vehicle Identification Tags to Track Their Business Operations at DEN – In addition to obtaining a permit, a commercial operator must also attach an automatic vehicle identification (AVI) tag to each vehicle that will be used on airport roadways.

AVI tags are integral to DEN's AVI system, GateKeeper, acting as transponders in commercial vehicles and signaling to a network of antennae located throughout the airport. GateKeeper allows DEN to monitor commercial vehicle traffic at the airport. The AVI GateKeeper system tracks the movements of commercial vehicles, records their dwell times, and opens the gates that secure lanes that are reserved for commercial operator use. A vehicle's dwell time is the time commercial operators spend at a scheduled stop without moving on airport premises. In the process, GateKeeper tracks billable events and accumulates charges based on each vehicle's traffic pattern using an established rate structure. Each month, DEN's Finance Unit utilizes billing data from the AVI GateKeeper system to invoice commercial operators for their activity.

Commercial Operators Pay a Fee to Operate at DEN – Commercial operators pay different fees based on permit type. These "access fees" vary depending on the type of permit, the passenger carrying capacity of the operator's vehicle, and the dwell time each vehicle remains at commercial loading and unloading zones. In addition to access fees, off-airport parking operators are assessed a fee of 8 percent of the permit-holder's gross revenue generated from its off-airport

parking operations, referred to as a "percentage-of-revenue fee." Table 2 breaks down the various fees.

TABLE 2. DEN Commercial Operator Fees – June 2017

Permit Type	Associated Fees
Limousine Operator	$2.37 for vehicles with maximum carrying capacities of up to 15 passengers for the first 10 minutes and $2.13 for each additional 10 minutes thereafter*
Taxicab Operator	$4.57 per trip**
Off-Airport Parking Operator	8% of gross revenue. No charge for first 15 minutes; however, $1.40 for vehicles with maximum carrying capacities of up to 15 passengers for each additional 10 minutes after the initial grace period*
TNC Operator	$2.60 per trip***
Hotel, Mountain, Commuter Operators	Same rate structure applies as listed above under limousine operator
One-Day Permit	$25 flat rate

Source: Data compiled from Ground Transportation Rules & Regulations 90 & 100.
Note: Asterisk (*) indicates that prices are increased for vehicles with larger passenger carrying capacities. The double asterisk (**) indicates that a trip is defined as a passenger pick-up only with no charge for passenger drop-offs. The triple asterisk (***) indicates that a trip is defined as either a drop-off or a pick-up.

Employee Parking at DEN Generated More Than $6 Million in Revenue in 2016

As previously mentioned, Parking also manages employee parking at the airport. There are several employee parking lots, including but not limited to the East and West City employee lots, the Airport Office Building garage, and the landside and airside lots. These employee parking lots account for approximately 7,200 parking spaces at the airport. The cost for employee parking varies from $0 to $100 per month. Some of the larger companies at the airport pay monthly parking for their employees, referred to as bulk sales. Employee parking fees are processed by the Parking Permit Sales Office. More than $6 million was collected for employee parking in 2016. Table 3 shows revenue collected from three of the larger employee parking lots.

TABLE 3. Parking Revenue for DEN Employee Parking Lots, 2015 – 2017

Employee Lot	2015	2016	January-June 2017
Airport Office Building	$72,250	$53,825	$22,725
Landside and Airside	$5,902,657	$6,326,872	$2,897,058
Total	$5,974,907	$6,380,697	$2,919,783

Source: DEN Parking and Transportation Section.
Note: Employee parking revenue also includes other categories such as Cargo Lot, Fitness Sales, and Miscellaneous, to mention a few, but only revenue for the three key parking lots was included in this table.

Employee Parking Management System – Parking utilizes a system called Maxx Net to manage employee parking, both for access and for payment. When an employee has been assigned to a specific employee lot, personnel in the Parking Permit Sales Office enter the employee's data into Maxx Net, assign a parking permit, and ensure the employee has system access to the proper

gates. An employee must swipe his or her employee badge to gain access to an assigned lot; the East and West City employee lots require access to several gates. For example, an employee who is assigned to the West City employee lot must be granted access to the West Garage entry gate, the West City employee lot, and the exit gates. Accordingly, Maxx Net captures multiple badge swipes for certain employees.

Maxx Net is also a point-of-sale system, which DEN uses to bill employees and companies for monthly parking fees. Large companies pay their parking fees directly to the airport's Finance Unit, while other employees and smaller companies pay their monthly parking by cash, credit, or check at the Parking Permit Sales Office in the Jeppesen Terminal.

OBJECTIVE

The objective of the audit was to determine whether Denver International Airport's (DEN's) controls for managing and safeguarding public parking, employee parking, and ground transportation revenues are efficient, adequate, and appropriate for the administration of airport parking facilities. The audit included an assessment of whether the Parking and Transportation Systems Section (Parking) is meeting operational, financial, and contract compliance requirements.

SCOPE

We assessed DEN's management and operations of its parking facilities, including the collection of revenue from public parking lots, employee parking lots, and ground transportation operations for the period January 2015 through June 2017. The audit included examining the operational, financial, and compliance controls of parking operations established and managed by a third-party operator and DEN to ensure these controls are accurate, reliable, and valid.

METHODOLOGY

During the audit, we performed the following steps to achieve the audit objective:

- Reviewing internal and external audit reports related to airport parking operations
- Reviewing annual and monthly expense and revenue budget reports for Parking and third-party contractor, SP Plus Corporation (SP)
- Interviewing key personnel from Parking, the Finance Unit, and SP
- Reviewing the standard operating procedures for Parking, the Finance Unit, and SP and comparing them to actual practices
- Conducting observations and walkthroughs of DEN's Parking Revenue Control System, which consists of Conduent for public parking, T2 and Maxx Net for employee parking, and GateKeeper for ground transportation
- Reviewing agreements related to public parking and ground transportation and conducting testing to ensure compliance with revenue-related terms
- Identifying and assessing the approval process for the proposed upgrade to the Parking Revenue Control System and determining whether the strategic goals and current limitations of the system support the decision
- Selecting samples to test the accuracy of public parking, ground transportation, and employee parking revenues collected by the Finance Unit
- Testing Parking's, SP's, and DEN Finance's financial controls for the collection and safeguarding of public parking revenues, employee parking revenues, and ground transportation revenues

- Reviewing Parking's contract administration practices for adequacy and alignment with the agreements with SP and all associated policies and procedures

FINDING 1

Denver International Airport's Parking and Transportation Section Does Not Provide Sufficient Oversight or Management of the Airport's Public Parking Operations

Public parking at Denver International Airport (DEN) generated more than $170 million in 2016. Management of such a significant revenue stream makes it even more important for DEN to implement and enforce sound controls to safeguard the revenue. We evaluated the operational, financial, and compliance responsibilities of DEN's public parking operations and identified weaknesses that impact the effectiveness of DEN's oversight of the contractor that manages parking operations. Overall, our audit identified short-comings in management and oversight of public parking revenue.

Based on our assessment, we found that DEN's parking operations can improve in two key areas. First, we noted that DEN's parking contractor, SP Plus Corporation (SP), has not complied with all contract terms. The Parking and Transportation Section's (Parking's) weak oversight has resulted in missed opportunities for the City to recover certain costs associated with nonperformance and poor documentation. Second, Parking needs to improve its management of both the parking revenue control system (PRCS) and the physical controls that protect parking assets. Parking and SP rely heavily on the parking system to oversee and manage operations and collect and verify revenue. Given the magnitude of DEN's public parking revenue, efforts to improve the system are crucial to ensure it is an effective parking management tool and that the revenue collected is accurate. We make several recommendations below to address weaknesses in oversight, emphasize the need to strengthen policies and procedures, and highlight ineffective processes.

Limited Oversight of Parking Contractor's Compliance with Parking Agreements Leads to Inefficiency

In evaluating Parking's handling of its two contracts with SP to manage parking at DEN, we identified inadequate oversight in several areas: contract monitoring; policies and procedures; recordkeeping and documentation; and contract interpretation.

Contract Monitoring Is Insufficient to Ensure Compliance

In assessing SP's compliance with requirements in both the 2008 and 2017 contracts, we found several areas where the contractor was not in compliance, many of which went undetected by Parking. These included areas of the agreement covering contractor reimbursements, staffing requirements, budget submittals, employee leave accruals, and quarterly incentive awards.

Monthly Reimbursements Exceed Approved Budgets – Both the 2008 and 2017 contracts require SP to submit monthly reimbursement documentation to Parking. Reimbursements should not exceed approved budgets, except for special items approved in advance. Parking's policies and procedures require staff in the Contract Compliance Group to verify and monitor monthly budget information to ensure SP is not reimbursed for more than the approved monthly budget.

> Reimbursements that exceeded the line item annual budgets for 2015 and 2016 total approximately $413,000.

Our review of the 2008 contract found that overall reimbursements were under budget by $1.5 million for 2015 and 2016. However, we identified instances where reimbursements of individual line items exceeded their respective budgeted line items by approximately $413,000 collectively.

For example:

- The assistant general manager salaries exceeded the approved monthly budget for three months in 2015 for a total of $33,160;
- The valet assistant supervisors line item exceeded the approved monthly budget for two months in 2016 for a total of $154,325; and
- The secret shopper line item exceeded the approved monthly budget for a month in 2015 by $174,445.

These significant deviations from the line-item approved budget indicate Parking did not monitor these items appropriately. According to Public Parking management, individual line items were not reviewed; only a comparison was made to ensure the monthly totals did not exceed the yearly budget. Consequently, various individual line item budgets have been exceeded. Therefore, the City is not controlling costs within the defined budget, and taxpayer money is being overspent.

During our review of the 2017 contract, we found that the May 2017 reimbursement request exceeded the monthly budget in various expenditure categories by more than $53,000. According to Parking staff, no special items were approved in advance to warrant going over budget. Since the contract only took effect in February 2017, we could not determine whether SP's cumulative monthly reimbursements exceed the annual budget.

Under both contracts, Parking did not follow established procedures for conducting monthly budget review and reconciliation of SP's expenses to ensure SP is complying with the contract. As a result, Parking cannot say whether SP is keeping costs under budget. The importance of following contract-monitoring procedures is underscored by the City's Executive Order 8, which outlines agency responsibilities for contract monitoring. Specifically, it states City agencies must "monitor performance under the contract throughout the life of the contract, including: ensuring that the terms of the contract are met, and to document contract monitoring and deliverables."

RECOMMENDATION 1.1

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

Agency Response: Agree, Implementation Date – Completed

Staffing Requirements Are Not Verified – Both the 2008 and 2017 parking agreements establish staffing requirements to ensure adequate staffing coverage. SP is required to submit a staffing plan to Parking detailing how it will meet shift-staffing requirements each month. We found during our review of both contracts that Parking did not verify whether SP was complying with established staffing requirements.

During our review of the 2008 contract, we found that SP's documentation for actual staffing could not be reconciled to the monthly staffing plan. The monthly staffing plan breaks down the staffing schedule into A, B, and C shifts. During our testing, we found reconciliation is difficult because the

actual staffing documentation does not show the same designated shifts that would enable comparison to the plan.

In evaluating the 2017 contract, we found two categories, lane supervisor and lead cashier, that had gaps in staffing coverage. In another instance, we noted that five employees were staffed when the staffing plan required nine.

When we asked Parking management about these instances, we were told Parking personnel do not review the approved monthly staffing plan against actual staffing for the month under review. They also do not assess compliance with the shift requirements stated in the parking agreements. However, we were informed that Parking personnel do review the staffing plans to ensure appropriate management staffing and to ensure staff levels during peak and holiday times. Additionally, Parking personnel monitor staffing incidents such as cashier shortages and record the information in a software program. The software, however, cannot generate reports of overall staffing deficiencies.

We found Parking also lacks policies and procedures specific enough to ensure compliance with required staffing levels. For example, some of the contract language about supervisory position staffing is vague. Specifically, the contract states, "supervisors may be required to be scheduled twenty-four hours per day." Based on this language, it is difficult to determine whether SP is following the staffing requirement for this category. More detailed policies and procedures could clarify how this requirement should be assessed and monitored.

Without clear policies and procedures for monitoring staffing requirements, Parking cannot assess the appropriate deductions for nonperformance. The contract allows Parking to assess $100 per hour for each employee SP fails to provide as required by the staffing plan. However, the Parking team has not enforced this, so staffing levels continue to be unmonitored. Due to the incompatibility of data entered in the monthly staffing plans and actual staffing documentation, we were unable to quantify the financial impact of SP's noncompliance with the staffing requirements.

Contract success is dependent on effective contract management and administration processes. An effective contract management policy includes developing a plan for how the contract will be administered; including contract goals, delivery terms and requirements, required documentation from the contractor, monitoring methods and how performance will be measured and accepted.[8]

RECOMMENDATION 1.2

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

Agency Response: Agree, Implementation Date – March 2018

[8] "The National Association of State Procurement Officials (NASPO) State and Local Government Procurement: A Practical Guide," NASPO, 2015, p 2-5, accessed January 10, 2018, https://www.naspo.org/Portals/16/CMGuide/NASPO-Contract_Administration_Best_Practices_Guide-f.pdf.

Monthly Budget Submittals Are Late – Our review of monthly budget submittals revealed that Parking failed to monitor SP's adherence to submission deadlines. Both the 2008 and 2017 contracts require SP to submit budgets by the 20th day of each month and include projected costs of maintaining and operating the parking facilities based on approved staffing levels. We found instances where SP's budget submissions were late, and Parking failed to assess nonperformance deductions.

Nonperformance deductions that were not assessed for untimely budget submission totaled $8,200 for the 2008 and 2017 contracts.

For the 2008 contract, 15 of the 25 monthly budget submittals we reviewed were late. In total, SP was 76 days late with its monthly submittals. For the 2017 contract, both the March and June reports were submitted late by two and four days, respectively.

Both contracts allow Parking to assess deductions in the amount of $100 per day for each day a report is late. Parking did not assess deductions for any of the late submissions. Therefore, Parking should have assessed a total deduction of $7,600 under the 2008 contract and $600 under the 2017 contract, a total of $8,200.

RECOMMENDATION 1.3

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

Agency Response: Disagree

Discrepancies with Employee Leave Accrual – We reviewed the process Parking utilized under the 2008 contract to review leave taken and reimbursed during 2015 and 2016. The contract states SP will be paid through each month's billing review process for employees' vacation and sick leave accrued and taken while working at DEN. Full-time SP employees working at DEN are eligible to take up to three weeks of vacation, six days of sick leave, eight holidays, one personal holiday, and three days of bereavement leave each calendar year. SP employees assigned to DEN accrue leave and can take it throughout the year until they either meet the contract maximum listed above and/or have not accrued enough leave to actually take it. Parking staff check monthly and annually to ensure each employee has not exceeded the maximum leave allowed under the contract. However, this review does not include a step for comparing the rate of accrual for an employee against the rate at which SP paid out that employee's leave balance.

Parking overpaid leave accruals by more than $6,000.

We reviewed SP's vacation leave accrual records by employee and compared them to Parking's records of vacation leave paid under the 2008 contract. While most employees only took vacation leave they had accrued, our review revealed Parking overpaid vacation leave by 142 hours in 2015 and 223 hours in 2016. As a result, Parking overpaid SP more than $2,000 in 2015 and $4,000 in 2016. The hours overpaid represent 1.3 percent of total leave hours paid by DEN in 2015 and 2.3 percent in 2016. We also found Parking's leave records do not reconcile with SP's. We found differences between SP and Parking's records in the amount of leave taken in various

cases. Consequently, DEN should not have paid SP more than $6,000 in leave during 2015 and 2016. Leave reimbursement is not part of the 2017 contract, so we did not review it for 2017.

RECOMMENDATION 1.4

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

Agency Response: Agree, Implementation Date – March 2018

Distribution of 10 Percent Quarterly Incentive Award to SP Plus Employees Was Not Monitored – To promote the goals of safety, courtesy, and timeliness, Parking asked SP to establish an employee incentive program, in accordance with the 2008 contract. On a quarterly basis, from 2008 through 2016, Parking awarded SP an incentive payment based on several performance criteria. Parking allocated a maximum of 0.75 percent of net parking facility quarterly gross revenues, minus expenses and customer refunds, to fund the incentive plan. To receive the award, SP had to pay at least 10 percent of the incentive payment to its employees. However, this requirement was not in any of Parking's contract compliance procedures from that contract time period.

According to management in the Contract Compliance Group, Parking did not track whether the minimum 10 percent quarterly distribution was allocated to employees after each incentive was paid to SP. Consequently, we conducted our own analysis by obtaining records from SP and found that DEN paid SP over $2,149,000 in quarterly incentive payments. We determined SP met the contract requirements to receive the $2.1 million and that they properly distributed payments to employees each quarter.

However, Parking failed to ensure that in fact, the 10 percent of the overall incentive payment amount designated for employees, $214,900, was properly distributed. This is another example of Parking not enforcing the 2008 contract terms because it did not have the necessary policies and procedures in place at the time. As a result, funds can be lost when contract requirements are not monitored.

Audit Process Lacks Risk Analysis and Identification

In addition to contract monitoring issues, we also found issues related to how the Contract Compliance Group selects its annual audits of parking operations. After reviewing the Contract Compliance Group's 2017 audit schedule and comparing it to the 2017 audit tracker, we noted some audits are performed on a regular basis, such as annually and quarterly, or as a follow-up to previous audits to address recurring issues. Audits are conducted at random without a systematic rationale for determining what to review and how often.

We determined the Contract Compliance Group has no formal process for prioritizing audits. While there are numerous policies and procedures about the types of audits to be conducted and how to conduct them, they do not require the development of an audit plan based on risk analysis and identification.

According to Green Book standards, "Management should identify, analyze, and respond to risks related to achieving the defined objectives. The following attributes contribute to the design, implementation, and operating effectiveness of this principle: 1) Identification of Risks, 2) Analysis

of Risks, and 3) Response to Risks." Further, management should also ensure during the analysis of risks that staff develop assessment criteria, assess risk interactions, and prioritize risks. Strategic-minded organizations ensure they have measured and prioritized risks so that risk levels are managed within defined tolerance thresholds to achieve their goals.[9]

Following this guidance, it would be beneficial for the Contract Compliance Group's management team to establish a process for reviewing all significant internal and external programs and risks as well as changes within the group's internal and external environment.

Internal risk factors could include the entity's programs, its organizational structure, or the use of new technology in operational processes. External risk factors might include new or amended laws, regulations, or professional standards; economic instability; or potential natural disasters. Common risk identification methods include qualitative and quantitative ranking activities, forecasting and strategic planning, and formal consideration of deficiencies identified through audits and other assessments. In the absence of a more disciplined approach to auditing DEN's parking operations, the Contract Compliance Group's audits fall short in targeting areas of risk for its audit program, something essential to robust oversight of parking operations. By establishing policies and procedures that require the development of an annual audit schedule that targets risk priorities, the group will be able to enhance its contract monitoring activities.

RECOMMENDATION 1.5

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

Agency Response: Agree, Implementation Date – March 2018

Recordkeeping and Documentation of Monthly Budget Reviews and Reconciliation Is Poor

In evaluating Parking's reconciliation of SP's monthly budget and reimbursement submissions, we found weaknesses in Parking's recordkeeping. In addition, reconciliation of monthly expenses was difficult to follow. As a result, we could not determine whether SP adhered to contract provisions or whether Parking's reconciliation was accurate. Given the poor quality of the documentation, there is no assurance that Parking is effectively overseeing the contract.

Reimbursements to SP are based on invoices and receipts submitted for the previous month for actual expenses verified and approved by Parking. A sample of monthly budget documentation from SP revealed poorly supported reimbursements and reconciliation by Parking.

Reimbursement requests are submitted to Parking on the Monthly Budget and Requisition form. All supporting documentation accompanying the submitted form must be detailed, legible, and dated, including receipts for expenditures. However, receipts for claimed reimbursements did not

[9] "Risk Assessment in Practice," Committee of Sponsoring Organizations of the Treadway Commission (COSO), October 2012, p. 1-2, accessed January 9, 2018, https://www.coso.org/Documents/COSO-ERM-Risk-Assessment-in-Practice-Thought-Paper-October-2012.pdf.

always include details to verify alignment with budgeted line items, thus, unacceptable documentation for reimbursement.

Additionally, under the agreement, approved monthly budget expenses are limited to a maximum for each category. It was not clear in budget documentation which expenses are included in the "miscellaneous expense" expenditure category. Our review of October 2015 and 2016 invoices found that "miscellaneous expenses" were for costs incurred by the subcontractor to provide services for DEN's reserved parking program. Categorizing these expenses as miscellaneous is not appropriate. It might be more appropriate to categorize these expenses as 'subcontractor services' or as 'reserved parking' expenses.

Finally, in testing the May 2017 monthly budget requisition, we found receipts did not reconcile to petty cash reports for postal expenses that appeared to exceed the preapproved budget amount. According to Parking, $300 would have been within the range of expenses preapproved at the start of the new parking contract. An expense reimbursement pre-approval letter, submitted by SP every month with the monthly budget documentation, specifies cost ranges for various expenses, including postal expenses. The letter documents the cost ranges of certain items SP received preapproval to purchase without first obtaining a price estimate for the year.

However, the letter is vague and does not specify how the cost ranges should be applied. According to Parking staff, although the total on the petty cash report exceeds the range, the total is still within the limit because the cost ranges are applied per transaction. The receipts were also not clearly marked as owned and paid by SP, and they were difficult to track. For example, receipts for postage only indicated the location of the post office and no information indicating who paid for the expense. Also, the payment was made with cash, making tracking the expense to SP even more challenging. Despite these challenges, auditors were able to determine Parking correctly reimbursed SP only for items supported with receipts. Parking did not approve expenses where documentation was missing. For example, DEN correctly deducted a uniform expense that totaled more than $6,000 because SP did not supply a receipt.

The Contract Compliance Group's monthly billing procedures, state "all backup documentation must be verified to ensure all line items on the invoices are accurate and accounted for." However, the policies and procedures lack detail on the specific backup documentation required to facilitate review. Without clear policies and procedures, Parking staff may not require sufficient documentation from the contractor to ensure reimbursements are legitimate and adequately reviewed.

RECOMMENDATION 1.6

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

Agency Response: Agree, Implementation Date – Completed

Practices of Calculating Management Fee Do Not Align with Contract Interpretations

The management fee is a monthly payment DEN agreed to pay SP if the company complies with the 2008 contract. The management fee is a calculation that changes annually based upon increases in the Consumer Price Index (CPI). The fee is calculated by "using the current monthly

management fee multiplied by a fraction, which shall never be less than one, which fraction is equal to the CPI on the Contract Anniversary Date divided by the CPI for the date set forth on the Notice to Proceed (2007 annual index is 194.202)." After reading the contract, we found the contract language for the calculation to be confusing and difficult to interpret. Our interpretation of how the management fee should be calculated under the 2008 contract is different from the method agreed upon by Parking and SP.

Specifically, it is difficult to determine if the denominator in the fraction changes annually. After discussing this with Parking staff, we were told Parking and SP discussed the contract language and agreed the denominator should change every year. However, we believe the language in the contract does not specifically support a yearly change. When asked about this apparent discrepancy, Contract Compliance Group personnel stated that although the contract language may not be clear, there was an agreement made between the two parties about the calculation and thus, it was not necessary to amend the contract. By failing to amend the contract, there is an increased risk management fees could be miscalculated and incorrectly paid as well as an increased risk of a disagreement between Parking and SP over how the fee is determined.

Auditors pointed out the potential risk of a misinterpretation of this provision and the need for an amendment to Parking management. We then consulted with officials from the City Attorney's Office, and they indicated an amendment was not necessary since the language could be interpreted the same way used by Parking and SP. Although the misinterpretation is not an issue under this contract, we believe it is important in the future for DEN to prevent contract interpretation issues. Further, Executive Order 8 requires that if a change is made to the stated requirements of a contract, "verbal instructions or written correspondence will not be considered a valid amendment to a contract." The order further states, "An amendment is required whenever provisions of the contract need to be changed."

RECOMMENDATION 1.7

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

Agency Response: Agree, Implementation Date – March 2018

The Parking and Transportation Section's Management of Parking Systems and Controls Is Insufficient

We found weaknesses in two areas dealing with systems and controls DEN uses to manage airport parking operations. First, we found that Parking did not have documentation to support initial approval of a proposed replacement of a key parking management system—the parking revenue control system. Second, we found various controls over the collection and safeguarding of revenue to be insufficient. Specifically, we found weaknesses with the physical controls for access to SP's vaults and with the controls for inspecting DEN's ticket issuance machines. After completing our assessment, we made several recommendations for improving management and controls for these assets.

Parking Was Unable to Provide Documentation to Support Its Approval Process for a Replacement of the Parking Revenue Control System

DEN and SP utilize the Parking Revenue Control System (PRCS) to manage the airport's public parking facilities. The system helps to monitor revenue and traffic patterns using entry lane and cashier terminals, video cameras, and associated software. Specifically, in the context of parking revenue collection, SP uses PRCS to collect, record, and verify revenue collected.

Parking issued a request for proposal in June 2017 to select a firm to replace the current PRCS system at DEN. However, during the fieldwork phase of the audit, Parking could not provide auditors with formal documentation of the initial approval process or the expected total cost of the replacement. According to Parking, a replacement is necessary due to limitations of the existing system, which is nearing the end of its useful life. Specifically, Parking management cited the current system as having an inflexible rate structure and being unable to interface with other key City systems such as Workday. In addition, Parking wants to offer new options to its customers such as loyalty programs, pre-booking, and reservations. Lastly, the current system is becoming noncompliant with certain elements of the Payment Card Industry Data Security Standard, the credit card industry's set of regulations on transaction and identity security.[10]

Parking management also believes these new features would offer DEN a competitive advantage in the marketplace. The overall objectives of the PRCS replacement include having full automation that will not compromise customer service; the flexibility to offer new parking programs and products; and an improved interface for DEN staff and other users. Some of the expected features will include online reservations, registered parker programs, websites for account management and payment, and an intuitive interface for DEN staff and other PRCS users.

The approval of the initial $500,000 for the new parking revenue control system upgrade is not transparent.

Parking management explained that the PRCS project is listed as an approved project within the current DEN Capital Improvement Plan (CIP), which is the prerequisite step to submitting a project for review and approval through the Capital Approval Process(CAP).[11] In order to be approved, the division must make a business plan for the project and submit it for review. The PRCS project was approved for $500,000 in initial funding. However, Parking management could not provide specific records showing this approval from the Capital Planning Committee and DEN executive leadership. Subsequently, following a discussion regarding the draft audit report, DEN Finance officials provided auditors with documentation of the approval for the initial funding. Parking officials said a business case analysis is the next step they will take to obtain additional funding for the project.

[10] The Payment Card Industry Data Security Standard (PCI DSS) is a widely accepted set of policies and procedures developed to enhance the security of credit and debit card transactions and protect cardholders from theft and misuse of their personally identifiable information.

[11] The capital improvement plan includes major planned expenditures for assets and physical infrastructure, including construction, renovation, property acquisition, and the associated professional fees. Projects that cost $100,000 or more and will have a useful life of three years or more are subject to the capital projects approval process. Divisions select projects for the DEN capital improvement plan based on alignment with the DEN strategic plan. Divisions are expected to have considered viable alternatives, and to have developed a business plan.

According to the DEN Financial Planning and Analysis Office, the PRCS replacement should be vetted and approved by Parking management prior to going through the CAP; which is in accordance with DEN requirements. The CAP process involves several steps, as follows:

- The project must be listed as an approval request within the current capital improvement plan. This is a prerequisite to the following remaining steps;
- The division submits its business case to the Capital Planning Team;
- The Capital Planning Team reviews the business case;
- The project is submitted to the Capital Planning Committee for review;
- If approved by the committee, the project is presented to executive leadership; and
- If approved by executive leadership, the division initiates the project.

Parking did not adequately document the first $500,000 in funding for the project. This could result in an inefficient allocation of capital funding. Auditors noted that a business case will bring transparency to DEN's decision-making process because it will include detailed information on Parking's analysis and need for the upgrade.[12] Further, by ensuring the capital projects approval process is followed, the PRCS replacement will be evaluated based on its alignment with DEN strategic objectives and the strength of the supporting business case. Additionally, management can monitor project spending for compliance with the approved budget and be aware of cost increases and unspent project funds.

RECOMMENDATION 1.8

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

Agency Response: Agree, Implementation Date – Completed

Parking Is Not Ensuring the Contractor Is Safeguarding the Physical Control Over Assets

SP is responsible for safeguarding all revenue collected from public parking activities. To assess the quality of SP's safeguards, our team reviewed the physical controls of SP's vault and, second, we reviewed SP's records for completing daily inspections of the ticket issuance machines. In completing the review of these two physical controls, we found weaknesses with ensuring safeguards over both assets.

Physical Controls over the Vault Are Inadequate – According to the 2017 contract, all revenue collected from parking operations should be kept in the locked vault room, with access limited to employees whose jobs are specifically related to managing public parking funds. However, we found that several SP employees have unnecessary access to the vault. We based this conclusion on review of the door badge inventory vault access list. For example, the office manager and the human resources manager both have access to the vault. When we asked SP why those positions

[12] According to the capital projects approval process, the components of a business case include a defined business need or justification for the project, how it aligns with strategic objectives, feasibility studies, financial considerations and project risks and mitigation.

have access to the vault, we were told policies and procedures require all management employees to have access to the vault. Since the office manager and the human resources manager do not have cash handling or financial responsibilities, we concluded they should not have access to the vault.

In accordance with the City's Fiscal Accountability Rule 3.4, it is Parking's responsibility to ensure physical assets are safeguarded. In addition, Green Book standards state that management should design controls to achieve objectives and respond to risks. To establish this control against risks, management should create physical controls to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Specifically, management should ensure appropriate policies, procedures and system access controls establish an adequate segregation of duties. That includes establishing limited user rights to the assets based on job function and restricting physical access to assets.[13] Management should also periodically review these controls to ensure records are accurate and control is maintained against new threats and risks.

After completing our audit work, our team determined the contract is unclear on which positions should have vault badge access. The contract only states that "a limited number of the Contractor's personnel will have access." The contract should state clearly who is required to have access to carry out cash handling or cash management responsibilities. In addition, SP has not properly evaluated and identified which staff need to be on the list to have access to the vault. There is a potential security threat of access to public parking assets by employees who may not need access to public parking revenues.

RECOMMENDATION 1.9

The Manager of Public Parking should re-evaluate SP Plus's vault badge access list to ensure SP limits its list to cash management positions that require access to the vault and revise the policies and procedures to reinforce adherence to the requirement.

Agency Response: Agree, Implementation Date – Completed

SP Plus Does Not Complete Daily Ticket Issuance Machine Inspections – SP is not complying with the ticket issuance machine inspection requirement in the contract, which requires inspections of the machines three times a day for tampering or damage. SP also did not have ticket issuance machine logs to document the inspections. As a result, preventive measures are not being taken to identify issues with the machines before they occur, which would ensure continued operations and avoid potential loss of revenue.

Both the 2008 and 2017 parking contracts require SP to provide protection from theft or misuse of all parking tickets collected and to account for all tickets issued by the terminals or SP personnel. This requires SP to inspect all ticket machines externally at least three times a day for signs of

[13] "Asset Management Operations and Controls: Comptroller's Handbook." Office of the Comptroller of the Currency Administrator of National Banks. U.S. Department of the Treasury. January 2011. P. 21-22. Obtained on January 4, 2018 from https://www.occ.treas.gov/publications/publications-by-type/comptrollers-handbook/asset-mgmt-ops-controls/pub-ch-asset-mgmt-ops-controls.pdf.

tampering or damage and to report and document the information in accordance with operating procedures. Standard operating procedures further reiterate this requirement.

Based on our assessment, parking does not effectively monitor SP's compliance with ticket machine inspections and does not have policies and procedures that align with this contract requirement. Instead of performing inspections, SP documents random incidents in the Manager's Daily Operations Report and the Daily Facility Inspection Report. The Manager's Daily Operations Report notes issues at lots and the time of occurrence, and the Daily Facility Inspection Report documents inspections conducted by location. We requested sample documentation of these reports and found that inspections were completed only once daily, rather than three times or more. In addition, the incidents reported were unrelated to the ticket machines.

For example, an entry in the Manager's Daily Operations Report stated that an entry gate arm was stuck in the upright position. In another instance, a Daily Facility Inspection Report documented inspections of floor surfaces, lighting, common areas, lot areas, and emergency exits at a specific location for trash. However, the reports did not mention inspections were conducted for signs of tampering or damage and the contractor said it does not have a procedure to conduct inspections of the actual ticket machines, as required by the contract. As a result, SP is not in compliance with the contract and is not taking preventative measures to proactively find or prevent ticket machine malfunctions to anticipate the need for repairs and ensure DEN is collecting accurate revenue amounts.

RECOMMENDATION 1.10

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

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATIONS

We make the following recommendations to the Parking and Transportation Systems Section to improve administration and management of its public parking operations:

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: The Contract Compliance Group will continue to review monthly budgets in accordance with our policies and procedures.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: Parking and Transportation has revised the Policy and Procedure to ensure SP+ informs DEN of any staffing changes and any variances that will interfere with their ability to provide customer service.

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

Auditee Response: Disagree

Auditee Narrative: The contract is silent regarding the monthly budget being a report that should be subject to a deduction for non-performance. Parking and Transportation receives an annual budget upon which the monthly budgets are based. Because of this we consider it okay if the monthly budget is submitted within a reasonable time frame from the due date. The deductions for non-performance are utilized for reports that are time sensitive.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: We agree that overpayments should be collected. A review of the payroll registers will be completed to determine any discrepancies by DEN or SP+. Any discrepancies will be remedied.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: Parking and Transportation is developing a risk identification and analysis process for developing annual compliance reviews.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation has updated the Contract Compliance Groups policies and procedure to include that all reimbursements are legible, dated and detailed. We will continue to require documentation to be legible dated and detailed as per the contract.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: If contract interpretation concerns arise, the Director of Parking and Transportation will consult with Airport Legal to determine what action should be taken to ensure clarity of the language in question and determine if a contract amendment is needed.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation will use the DEN CIP process that is in place as we move forward with this project. If the process is not properly followed funding will not be approved.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation has required SP+ to provide their cash management policy for review. We will ensure this policy coincides with the contract language to limit the number of employees that have access to the vault room.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: The procedure has been updated to ensure SP+ inspects and provides daily documentation that the ticket issuance machine inspections are conducted in accordance with the contract (SOP's).

FINDING 2

Weak Internal Controls over Ground Transportation Have Resulted in Uncollected Revenue and Noncompliance

In evaluating Denver International Airport's (DEN's) internal controls over ground transportation revenue, we found weaknesses that impact DEN's ability to effectively collect all revenue it is owed. We based these conclusions on our review of revenue-related internal controls within the DEN Ground Transportation Unit (DEN Ground Transportation) and the DEN Finance Unit (DEN Finance).

We found that management of the ground transportation revenue process needs improvement in two key areas. First, internal controls within DEN Ground Transportation are lacking, resulting in lost revenue from commercial operators, noncompliance with policies and procedures, and noncompliance with off-airport parking operator permits. Second, we found that DEN Finance should strengthen financial controls over processing revenue from commercial operators. As such, we have made several recommendations to address control weaknesses and ensure DEN is collecting and recording the correct revenue.

Internal Controls over Ground Transportation Revenue Collection Are Weak

We identified significant weaknesses that impact DEN's ability to effectively collect ground transportation revenue. These include the following:

- Relying solely on self-reported revenue information from transportation network companies Uber and Lyft;
- Failing to collect monthly revenue payments from off-site parking operator Stonebridge Companies;
- Failing to collect both monthly revenue statements and annual revenue statements from off-site parking operators Stonebridge Companies, Canopy Airport Parking, and ParkDIA;
- Failing to properly complete all sections of the written agreement with off-site parking operator ParkDIA prior to executing the written agreement;
- Failing to perform the minimum number of courtesy vehicle inspections;
- Inability to locate and provide auditors with monthly revenue statements from off-site parking operators The Parking Spot and USAirport Parking; and
- Failing to assess interest on past due ground transportation accounts.

A lack of proper internal controls in these areas precludes DEN from effectively collecting and processing all ground transportation revenue due. The following subsections explain these issues in greater detail.

DEN Ground Transportation Relies Solely on Self-Reported Revenue Information from Transportation Network Companies Uber and Lyft

In late 2014, DEN issued a transportation network company (TNC) permit to Uber, allowing Uber drivers to drop off and pick up passengers at specified areas of the airport. Since that time, DEN has issued a TNC permit to Uber's competitor, Lyft. A TNC is an entity that uses a digital network to connect company drivers with passengers. TNC drivers use their personal vehicles to transport

riders matched to them based on proximity through the TNC's network. In exchange for the airport granting access to service its passengers, Uber and Lyft agree to pay DEN a trip fee of $2.60 for every airport trip. A trip is defined in the TNC permit as the unloading or loading of passengers on level four or level six of DEN's Jeppesen Terminal.

The TNC permit requires Uber and Lyft to pay all trip fees monthly, on or before the 20th day of the month following the month of the TNC activity. With the payment, the permit also requires the two companies to remit a report listing the number of trips taken that month by its TNC drivers. This trip total is then multiplied by the $2.60 trip fee to arrive at the payment remitted.

The billing process differs for Uber and Lyft because their vehicles are not equipped with AVI tags. Rather than automatically tracking Uber and Lyft activity with the AVI system, GateKeeper, the airport has to rely on self-reported trip totals from the two transportation network companies. Monthly, Uber and Lyft self-report the number of trips their vehicles made and remit the appropriate payment based on those reported trips.

Audit work revealed that no staff in DEN Ground Transportation or DEN Finance verify the accuracy of the revenue data that is self-reported by Uber and Lyft. Upon review of the standard TNC permit, coupled with confirmation from both DEN Ground Transportation and DEN Finance staff, we confirmed that DEN does not request any documentation from the TNCs to support their monthly trip reports and payments.

Although DEN, in 2014, was one of the first airports in the United States to issue a permit to a TNC, our work found that DEN now lags behind benchmark airports that have since issued permits to TNCs. Specifically, we compared the systems DEN has in place to verify TNC activity with those of Dallas Fort Worth International Airport (DFW), San Francisco International Airport (SFO), and Hartsfield-Jackson Atlanta International Airport (ATL). We found that both SFO and ATL have systems that allow the airports to independently track TNC activity that can then be compared against the data reported by TNCs.

SFO and ATL implemented tracking systems to address the difficulty in monitoring TNC driver activity. This difficulty lies in the fact that TNCs consist of networks of private vehicles used intermittently for commercial use by drivers that may work for multiple TNCs. SFO and ATL both utilize the same application-based transportation (ABT) system to track TNC activity, a system available to airports through a licensing agreement with the American Association of Airport Executives (AAAE). AAAE's ABT system offers SFO and ATL an effective way to verify self-reported monthly TNC information. Specifically, in the first eight months of implementation of AAAE's ABT system, SFO identified under-reporting on 9 of the 24 monthly reports submitted by the 3 TNCs operating at SFO. The under-reported trip totals ranged from 3 percent to 20 percent, totaled 39,000 trips, and resulted in additional payments in excess of $150,000 to SFO.

In addition to AAAE's ABT system, two comparable TNC tracking systems, offered by Plot and GateKeeper Systems, are also on the market. All three tracking systems work similarly by defining a geographical boundary of the airport in which TNC drivers are tracked. This is referred to as a "geo-fence." When a TNC vehicle crosses the geo-fence, the movement is captured by the

system. These tracking systems provide a host of data elements in real time, such as license plate number, TNC name, last ping type (i.e., entrance or exit), the exact times of each ping, TNC driver identification number, and dwell times of each driver's locations within the geo-fence, displaying the locations of TNC transactions throughout the airport. These systems can also produce customized management reports.

Photo provided courtesy of Denver International Airport

The information provided by a TNC tracking system would be useful to DEN Ground Transportation for two reasons. One, it would provide an effective method of verifying self-reported data submitted by TNCs. Two, it could improve DEN's ability to identify when TNC drivers fail to obey TNC permit provisions. This, in turn, could expand an incremental revenue stream through the issuance of additional citations.

When the audit team asked why DEN Ground Transportation has not implemented a TNC tracking system, management cited two reasons. First, management does not want to purchase a system from a provider where the cost is based on TNC business. The growth of DEN's TNC activity since 2014, coupled with the projected TNC growth, paying a fee derived from the percentage of these companies' rides to and from the airport, would be too costly, officials said. Second, management wants the relatively new technology in these tracking systems to mature and become more efficient and effective prior to implementing one.

Based on our review of the TNC tracking systems offered by the AAAE, Plot, and GateKeeper Systems, we determined that management of DEN's Parking and Transportation Systems Section (Parking) has failed to properly prioritize this risk and lacks a full understanding of the TNC tracking options available on the market. While the costs of both systems offered by AAAE and by Plot are based on a percentage of TNC business generated, clients can negotiate caps on the maximum cost that can be incurred. For example, SFO signed an initial two-year agreement with its TNC tracking provider, AAAE, that required a licensing fee of 5 percent of its revenue collected from TNCs with a licensing fee cap not to exceed $500,000 per year. At the end of that two-year period, SFO signed a three-year extension with AAAE and negotiated the cap down from $500,000 per year to $250,000 per year. Additionally, GateKeeper Systems offers its system at a flat rate through a one-time licensing fee. Further, we believe that Parking has failed to adequately respond to the risk that TNCs could be inaccurately reporting trip totals to DEN and the significance of the associated under-reported revenue.

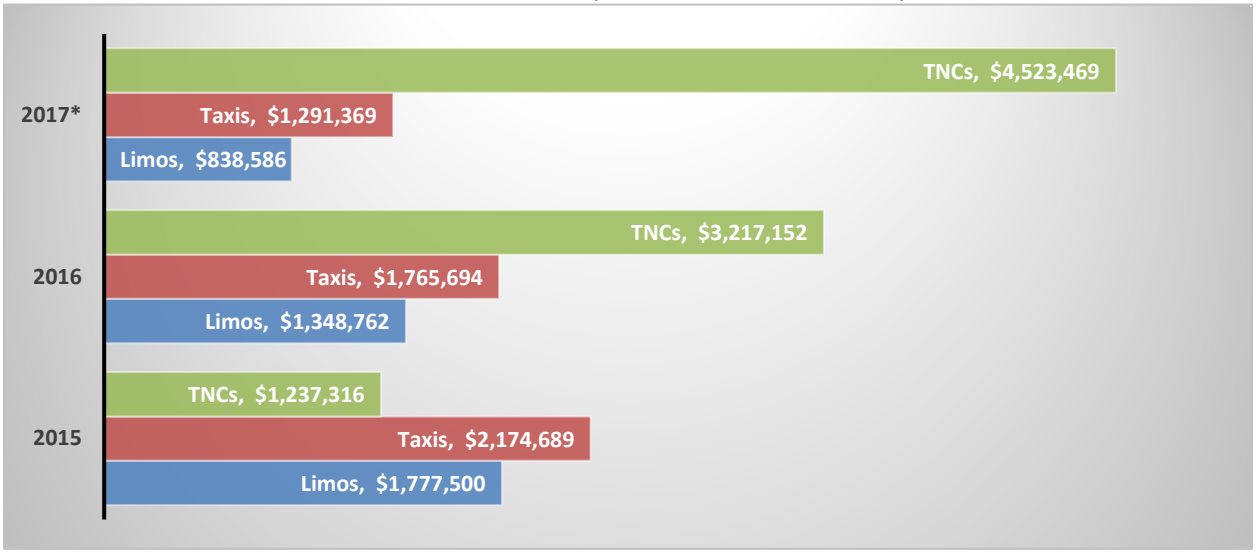
Standards for Internal Control in the Federal Government, or Green Book standards, offers relevant guidance on the importance of having proper controls around business activities, such as self-reported revenue. The Green Book standards state that management should design control activities to achieve objectives and respond to risks.[14] A relevant example of a control activity provided by the standards is the "accurate and timely recording of transactions." That is, transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Further, management should design control

[14] *Standards for Internal Control in the Federal Government,* known as the "Green Book" and promulgated by the U.S. Government Accountability Office, sets the standards for an effective internal control system for federal agencies and is also used as a best practice for state and local government operations and leverages the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework.

activities so that all transactions are completely and accurately recorded—something Parking has failed to do.

When information is self-reported and not verified, there is an inherent risk of reporting incorrect numbers and, as a result, paying the incorrect amount. Verification is essential to ensuring revenue transactions are properly reported by TNCs. Not having a system of verification increases the risk that TNCs could erroneously report trip totals, which would go undetected. This risk is heightened as the rapid growth of TNC revenue increasingly constitutes a larger proportion of the annual DEN Ground Transportation revenue. Figure 3 breaks down the proportion of TNC, taxi, and limousine revenue from January 2015 through September 2017, showing the rapid growth of TNC use by DEN passengers.

FIGURE 3. Annual Access Fee Revenue – Transportation Network Companies, Taxis, Limousines



Source: Figure developed by Audit Services Division from information from DEN's AVI GateKeeper system.
Note: Asterisk (*) indicates 2017 data is partial year data through September only.

RECOMMENDATION 2.1

The Senior Vice President of the Parking and Transportation Systems Section should implement a tracking system that will enable DEN to accurately verify the revenue reported by transportation network companies.

Agency Response: Agree, Implementation Date – Ongoing

Oversight of Off-Airport Parking Operators Is Weak

The five off-airport parking operators permitted by DEN must pay a monthly fee equal to 8 percent of their gross revenues derived from parking operations.[15] Under Section 2 of the off-airport parking operator permit, this 8 percent fee must be paid by the 30th day of each month, and late

[15] The five off-airport parking operators are the Parking Spot, USAirport Parking, ParkDIA, Canopy Airport Parking, and Stonebridge Companies.

payments accrue interest at the rate of 18 percent per annum from the due date. Also by the 30th of the month, these parking operators must submit a certified statement of gross revenues for the preceding calendar month. In addition to these Section 2 requirements, Section 3 of the permit requires that off-airport parking operators provide, by each February 28, a statement of the previous year's total revenues and business transacted. This certified annual statement must include a breakdown of gross revenues on a month-by-month basis and be prepared and certified by an independent certified public accountant (CPA).

In our assessment of these permit provisions, we determined that they were not consistently followed and that DEN did not conduct proper monitoring activities to detect noncompliance. The specific areas of noncompliance are detailed in the sections that follow.

Failure to Collect Monthly Percentage of Revenue Payments – One of DEN's five off-airport parking operator permits is issued to Stonebridge Companies (Stonebridge), a company that manages a portfolio of hotels across the United States. Five of the Stonebridge properties are near DEN and offer off-airport parking to DEN travelers for a fee. Of Stonebridge's five hotels operating under the permit, four failed to remit the correct amount of percentage-of-revenue payments during the period under audit. Collectively, these four operators failed to remit 32 out of 120 monthly percentage-of-revenue payments. The total, including interest, of the 32 unremitted payments is approximately $14,700. Table 4 shows the specific details regarding the missing payments from Stonebridge's DEN hotels.

TABLE 4. Stonebridge Hotels Failing to Remit Monthly Percentage-of-Revenue Payments

Stonebridge Hotel Operating Under DEN Permit	Number of Unremitted Monthly Payments	Amount of Unremitted Payments (including interest)
Holiday Inn Express – DEN	1	$643
Holiday Inn & Suites – DEN	7	$6,678
Best Western – DEN	12	$3,009
Days Inn Denver International Airport	12	$4,328
Total	**32**	**$14,658**

Source: Data compiled from DEN Finance Unit's general ledger.

After inquiring about the collection of monthly percentage-of-revenue payments, DEN management explained that Parking's Contract Compliance Group (CCG) is responsible for monitoring these payments. According to CCG personnel, when permittees remit monthly percentage-of-revenue payments to DEN Finance, a copy of the remittance details is provided by DEN Finance to the CCG. Using these remittance details, the CCG then accesses Revenue by Provider reports generated from DEN Finance's accounting system to verify that the payment was received and recorded. Once verified, CCG personnel input the payment amount, date, and payee into a spreadsheet used to track permittee payments.

We obtained a copy of this tracking spreadsheet and used it to match the missing payments our audit work identified with missing payments identified by the CCG. The CCG's tracking spreadsheet revealed the same 32 missing payments we identified with our audit work. It is unclear why the CCG did not act on the missing payments when noted as such in the spreadsheet.

According to the City's Executive Order No. 8, contracts are considered one of the highest administrative priorities within the City, and management must ensure contract compliance throughout the life of the contract. Further, Green Book standards state that management should

establish and operate monitoring activities to monitor the internal control system and evaluate the results. Examples of these monitoring activities includes supervisory activities, comparisons, reconciliations, and other routine actions aimed at identifying deficiencies. When a deficiency is identified, personnel should report it through established lines to management on a timely basis to enable a prompt evaluation of the issue.

We determined that a lack of proper oversight by both DEN Ground Transportation and the CCG led to the failure to collect all revenue due under the Stonebridge off-airport parking operator permit. Specifically, DEN Ground Transportation did not properly monitor whether Stonebridge was remitting monthly percentage-of-revenue payments, and the CCG failed to properly inform DEN Ground Transportation when it identified unremitted Stonebridge percentage-of-revenue payments. Such a lack of oversight increases DEN's risk of not collecting all revenue due under the Stonebridge permit.

RECOMMENDATION 2.2

The Manager of Ground Transportation should collect the 32 non-remitted payments from the Stonebridge Companies covering the period January 2015 through June 2017, including interest at 18 percent per year.

Agency Response: Agree, Implementation Date – March 2018

RECOMMENDATION 2.3

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

Agency Response: Agree, Implementation Date – Completed

Ground Transportation Failed to Ensure That Year-End Certified Annual Revenue Statements and Certified Monthly Revenue Statements Were Received – When we assessed compliance with Section 3 of the permit, we also found issues with monitoring and compliance. Of the five off-airport parking operator permittees, Stonebridge, Canopy Airport Parking, and ParkDIA failed to comply by not submitting a certified annual revenue statement audited by an independent CPA. After asking DEN Ground Transportation personnel about the apparent lack of oversight related to Section 3, DEN Ground Transportation sent written requests asking Stonebridge, Canopy Airport Parking, and ParkDIA to submit their certified audited annual revenue statements for the two missed years. Ground Transportation made these requests in October 2017—20 months after the 2015 statement deadline and eight months after the 2016 statement deadline.

Similarly, Stonebridge, Canopy Airport Parking, and ParkDIA also failed to comply with the Section 2 provision that requires them to submit certified monthly revenue statements. Under Section 2, monthly revenue statements are to be submitted to DEN Finance within 30 days after the last day of the preceding month. Our audit work found that Stonebridge has not submitted any of the required monthly revenue statements since October 2016, when it initially entered into its off-

airport parking permit. On the other hand, both Canopy Airport Parking and ParkDIA have submitted some, but not all, of their monthly revenue statements. In testing a sample of Canopy Airport Parking and ParkDIA monthly revenue reports, we found that for Canopy, the October 2016 and June 2017 statements had not been submitted, and for ParkDIA, the October 2016 statement had not been submitted. Further, of the monthly statements provided for our audit sample, not all were submitted to DEN in a timely manner to comply with Section 2. For example, the ParkDIA October 2016 monthly statement was submitted after the November 30th deadline.

We determined that a lack of proper oversight by DEN Ground Transportation led to the failure to ensure the receipt of both year-end certified annual revenue statements and certified monthly revenue statements. Specifically, the manager of Ground Transportation is not adequately ensuring that the off-airport parking operators are complying with the terms of their permits. In addition, DEN Ground Transportation personnel lack a clear understanding of the relevant compliance requirements included in the five off-airport parking operator permits. We made these conclusions based on the following:

- There was initial confusion exhibited by key DEN Ground Transportation personnel when we inquired about Section 3, indicating a lack of clear understanding of permit terms;
- Action to enforce Section 3 was only taken after we informed DEN Ground Transportation management of the submission requirement; and
- DEN Ground Transportation likely failed to inform Stonebridge that it is required to submit monthly certified revenue statements (since Stonebridge has been out of compliance with Section 2 since permit inception), likely due to DEN Ground Transportation personnel's lack of understanding of permit terms.

As with the previously discussed TNC revenue reporting, off-airport parking revenue data is also self-reported. When information is self-reported and not subsequently verified, there is an inherent risk of reporting incorrect numbers and, as a result, paying the incorrect amount. The purpose of Sections 2 and 3 of the off-airport parking operator permit is to ensure that adequate supporting documentation is maintained that provides a clear picture of the self-reported revenue. Adequate supporting documentation is a requisite for DEN Ground Transportation and auditors to substantiate the accuracy of the revenue reported. Moreover, Section 3 provides a layer of verification by subjecting the self-reported revenue to an independent audit. Not ensuring that permittees are complying with Sections 2 and 3 increases the risk of not collecting the correct amount of revenue.

Lastly, as previously mentioned in relation to DEN's failure to collect percentage-of-revenue payments, the City's Executive Order No. 8, makes contract compliance one of the preeminent administrative priorities within the City. DEN management must strive to ensure contract compliance is achieved throughout the life of the five off-airport parking operator permits.

RECOMMENDATION 2.4

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

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATION 2.5

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

Agency Response: Agree, Implementation Date – March 2018

Off-Airport Parking Operator Permit Incomplete – Each off-airport parking operator permit includes a place to list the transportation business activities the operator intends to conduct at DEN. In the case of an off-airport parking operator, DEN Ground Transportation would specify that the permittee will be engaged in "off-airport parking services." Such details are listed under the permit section titled, "Statement of Business." Again, Executive Order 8, makes enforcing contracts one of the City's top priorities, a priority that requires management to ensure compliance throughout the life of an agreement.

However, we identified a breakdown in the oversight of DEN Ground Transportation's off-airport parking operator permits. Specifically, in April 2015, DEN Ground Transportation issued an off-airport parking operator permit to ParkDIA. However, the Statement of Business section of the permit was left blank, resulting in the execution of an incomplete written agreement. Such a breakdown is indicative of DEN Ground Transportation's weak oversight of its off-airport parking operators and a disconnect between DEN Ground Transportation's priorities and Executive Order 8. A lack of proper oversight of its five off-airport parking operators increases the likelihood operators could be violating terms of their permits and that it goes undetected.

RECOMMENDATION 2.6

The Manager of Ground Transportation should execute a new off-airport parking operator permit with ParkDIA ensuring all sections of the permit are properly completed.

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATION 2.7

The Manager of Ground Transportation should develop a system of quality control whereby written agreements between DEN Ground Transportation and commercial operators are thoroughly reviewed prior to execution.

Agency Response: Agree, Implementation Date – Completed

Lack of Ground Transportation Oversight Leads to Noncompliance with Policies and Procedures

We found that internal controls within DEN Ground Transportation are lacking, resulting in noncompliance with policies and procedures. Specifically, we identified a deviation from DEN Ground Transportation policies and procedures related to the verification of data maintained in the GateKeeper AVI billing system. The accuracy of the data is verified through the performance of courtesy vehicle inspections. Failing to perform the minimum number of monthly courtesy vehicle inspections increases the likelihood that GateKeeper contains incorrect or outdated data that could result in incorrect monthly AVI billings. As such, we have made a recommendation to address the control weakness and ensure DEN is collecting and recording the correct revenue.

DEN Ground Transportation Is Not Conducting Required Courtesy Vehicle Inspections

All commercial operator vehicles operating at DEN, with the exception of transportation network company vehicles from Uber and Lyft, are equipped with an automatic vehicle identification (AVI) tag that tracks their movement on airport roadways.[16] Antennas positioned throughout the airport's roadways pick up signals from the tags, and the information is recorded in the GateKeeper system. In addition to tracking the movement of commercial vehicles equipped with an AVI tag, GateKeeper opens gates and tracks billable events, accumulating charges based on each vehicle's traffic pattern. Uber and Lyft are excepted from the AVI tag requirement because although they meet the definition of a commercial operator, the airport does not require their drivers' vehicles to be equipped with an AVI tag.

Upon issuance of an AVI tag to a commercial operator, a DEN Ground Transportation landside service agent enters all appropriate data into GateKeeper, including:[17]

- Commercial operator name;
- Serial number of AVI tag assigned to the vehicle;
- Vehicle identification number;
- License plate number;
- Vehicle make, model, and year; and
- Applicable current billing rate assigned to the vehicle[18]

To verify the accuracy of GateKeeper's data, DEN Ground Transportation personnel perform what they call "random courtesy vehicle inspections." These inspections are performed when a commercial operator's vehicle is idle and not accompanied by a paying customer. Using a handheld AVI tag reader, a landside service agent will identify a commercial vehicle at random and determine whether the commercial operator and vehicle data matches with data stored in GateKeeper. If there are discrepancies between the vehicle information and the data in the system, the agent will update the inaccurate or outdated GateKeeper data.

[16] Commercial operators include the following types of operators: limousines, taxi cabs, off-airport parking operators, hotel operators, mountain operators, and commuter operators. Although transportation network companies (Uber and Lyft) meet the definition of a commercial operator, their vehicles are not equipped with an AVI tag.

[17] Landside service agents are ground transportation representatives who monitor and manage the flow of commercial ground transportation vehicles, coordinate commercial vehicles through the airport to their destinations, and oversee all commercial vehicle activity to ensure operators are complying with ground transportation's rules and regulations.

[18] Vehicle billing rates are determined by a commercial vehicle's passenger capacity, as detailed in Table 1 of this report.

Ground Transportation's commercial vehicle operations policies and procedures require every landside service agent to perform a minimum of four random courtesy vehicle inspections every month. However, our audit work showed that not all agents properly performed the minimum number of vehicle inspections during the audit period. Further, we found that some landside service agents did not complete any inspections in certain months. This breakdown is caused by the failure of agents' supervisors verifying that the agents were performing the minimum number of monthly vehicle inspections.

All vehicle inspections are to be documented in the vehicle inspection log. It is the responsibility of the landside service agent supervisor to review the log and to ensure each agent is performing the minimum four monthly inspections. Failing to perform the minimum number of monthly courtesy vehicle inspections increases the likelihood that GateKeeper contains incorrect or outdated data that could result in incorrect monthly AVI billings.

RECOMMENDATION 2.8

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

Agency Response: Agree, Implementation Date – Completed

DEN Finance Needs to Improve Internal Controls over Ground Transportation Revenue Processing

Our audit identified areas where DEN Finance's internal controls over ground transportation revenue could be improved. First, DEN Finance was unable to provide 2015 certified monthly revenue statements for two of the five off-airport parking operators—The Parking Spot and USAirport Parking for 2015. This precluded us from examining the source documentation. Second, DEN Finance failed to assess interest on past due commercial operator monthly AVI billings. The following two subsections explain these weaknesses in greater detail.

DEN Finance Is Unable to Provide Monthly Revenue Statements – During our review of commercial operator revenue statements, the Finance Unit was unable to provide us with any of the monthly revenue statements from 2015 we requested for two of the off-airport parking operators, The Parking Spot and USAirport Parking. As previously discussed, each month, the five off-airport parking operators must submit a percentage-of-revenue payment of 8 percent of their revenue derived from the previous month. In addition, the operators also submit a corresponding revenue statement. The revenue statement, signed by a company officer, details the prior month's revenue activity and calculates the 8 percent of revenue payment due. The Finance Unit was unable to provide the 2015 monthly revenue statements we requested for The Parking Spot and USAirport Parking. Based on evidence obtained, we believe that the monthly revenue statements were properly submitted by both The Parking Spot and USAirport Parking, but DEN Finance was unable to locate them. This is indicative of a lack of controls related to maintaining proper source documentation.

The City's Fiscal Accountability Rule 2.5, "Supporting Documentation," requires all City financial transactions include supporting documentation that provides a clear picture of the transaction. Furthermore, federal Green Book standards emphasize the importance of internal document-

control standards for the creation and maintenance of an efficiently functioning record-keeping system. Specifically, the Green Book says management should clearly document all transactions and other significant events and allow the documentation to be readily available for examination. Failure to properly maintain adequate records of ground transportation revenue transactions increases the likelihood transactions could be improperly accounted for and go undetected. Further, a lack of source documentation prohibits both management as well as auditors from reviewing or examining the transactions.

DEN Finance Failed to Assess Interest on Past Due Accounts – The second area we found where DEN Finance lacks adequate controls deals with interest assessments on past-due AVI accounts. As the vehicle is tracked, charges accrue in the AVI GateKeeper system, referred to as "AVI access fees." At month's end, invoices are generated based on these fees captured in GateKeeper and sent to commercial operators for payment.

Examination of source documentation could not be performed because supporting documentation was not available, and interest was not assessed on past due accounts.

According to the DEN Finance Unit's revenue - accounts receivable policies and procedures, ground transportation commercial operators whose invoices for AVI access fees have remained unpaid for more than 30 days will be assessed a finance charge, assuming the finance charge is $5 or more. Finance charges are to be assessed at an 18 percent annual percentage rate. Our audit work found that some commercial operators with unpaid monthly AVI invoices for more than 30 days—and who would have had an assessment of $5 or more—were not properly assessed a finance charge. DEN Finance is not adhering to its policies and procedures by failing to impose finance charges on past due invoices according to its policy. By failing to adhere to its policy, DEN Finance is not collecting all the revenue owed by past-due commercial operators.

RECOMMENDATION 2.9

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

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATION 2.10

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

Agency Response: Agree, Implementation Date – March 2018

RECOMMENDATIONS

We make the following recommendations to the Parking and Transportation Systems Section and DEN Finance to improve controls surrounding ground transportation revenue:

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

Auditee Response: Agree, Implementation Date – Ongoing

Auditee Narrative: To date Parking and Transportation has not found a TNC activity tracking system that provides enough accuracy to be a legitimate check of the reporting that exists today. We are in ongoing discussions with companies that provide these systems and together with Technologies we will continue to pursue options and assess systems. We will acquire tracking software when software is available that has been proven to provide accurate tracking of TNC activity.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: Parking and Transportation will work with Finance to validate the amounts provided in the audit and we will collect any amounts legitimately found to be due.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation has established and implemented a policy and procedure to ensure better communication between Ground Transportation and the Contract Compliance Group. The policy and procedure has been shared with Finance. We will perform a compliance review in 2nd Quarter 2018 to ensure the procedure is being followed and accomplishes the business goal.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation has developed a policy and procedure and tracking sheet to ensure compliance with the provisions of the Ground Transportation Permit. This policy and procedure has been shared with and agreed upon by Finance. We will perform a compliance review in 2nd Quarter 2018 to ensure the procedure is being followed and accomplishes the business goal.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: Parking and Transportation has requested past due annual and monthly revenue statements from the off-airport parking companies and expect to have copies in the 1st quarter. As part of the policy and procedure mentioned in 2.4 a spreadsheet has been created to track submission of required reports.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: A permit has been reissued to Park DIA to ensure the statement of Business section is properly completed.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: We have used this example as a training tool to ensure all reviewers of the permits are checking all areas of the permit that must be completed.

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

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: Parking and Transportation has revised the policy and procedure which gives the supervisor discretion to allow fewer inspections. This is because circumstances may occur that will preclude an employee from completing 4 inspections in a month such as reassignments and FMLA.

2.9 **Source Documentation** – The Senior Vice President of Financial Management should implement internal controls to ensure that all off-airport parking operator revenue

transactions are adequately supported by source documentation and that source documentation is retained and readily available for a period of time that complies with the airport's document retention policy.

Auditee Response: Agree, Implementation Date – Completed, December 1, 2017

Auditee Narrative: DEN Finance has established a tracking process for the off-airport parking operators certified monthly revenue statements. All statements are to be submitted to a centralized email account. DEN Finance Accounts Receivable logs the receipt of the certified monthly revenue statements by customer by month on the tracking log.

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

Auditee Response: Agree, Implementation Date – March 31, 2018

Auditee Narrative: The interest is assessed based on the outstanding balance. The policy was silent as it relates to accumulating interest above the $5 threshold. The calculation is performed on a weekly basis. If the calculated interest on the outstanding balance exceeded the $5 threshold, the calculated interest was added to the outstanding balance, if under the threshold, no interest was added to the outstanding balance. The interest assessed for the outstanding balance on the invoices in question, on a weekly basis, were below the $5 threshold and did not accumulated. The policy has been updated to address the accumulated interest issue. The calculated interest assessment on the questioned invoices totaled $41.99.

FINDING 3

The Ineffective Control Environment for Managing Employee Parking Causes Inefficiencies and a Loss of Revenue

Parking at Denver International Airport (DEN) is an important operation not only for customers, but for the thousands of employees who work at the airport. The Parking and Transportation Systems Section (Parking) is tasked with managing employee parking in addition to public parking and ground transportation. There are several employee parking lots that include, but are not limited to, the East and West City lots, Airport Office Building garage, and landside and airside lots. These employee parking lots account for more than 7,000 additional parking spaces at DEN and revenue from these operations averaged more than $6 million a year in 2015 and 2016.

Our assessment of Parking's management of employee parking operations found improvement is necessary in three key areas. First, the system used to manage employee parking is unable to properly track employee parking data and causes many inefficiencies. Second, the Parking Permit Sales Office's policies and procedures are not always followed and some are outdated. Lastly, DEN Finance Unit's financial controls are inadequate to properly manage employee parking invoicing and recording of revenue. As such, we have made a few recommendations to strengthen these weaknesses and improve management of employee parking activities.

Limitations of Maxx Net Negatively Impact the Accuracy of Recordkeeping and Billing for Employee Parking

DEN utilizes Maxx Net to manage employee parking at the airport. In assessing how Parking uses the system, we found that Maxx Net does not have the proper functionalities to manage employee parking activities effectively.

Specifically, our testing identified the following key weaknesses in the functionalities of Maxx Net:

- Some employee parking data in the system is inaccurate;
- There are no controls to ensure employees assigned to City lots are parking only in those lots, rather than taking paid parking spaces in the airport garages;
- Maxx Net cannot interface with DEN's financial system;
- Bulk sales invoicing takes too long to process; and
- Parking Permit Sales Office personnel track deposit transactions and invoicing manually in separate spreadsheets due to unreliable data in Maxx Net.

DEN Parking Does Not Have Accurate Records of Employee Parking Lot Assignments

During our testing of Maxx Net data, we discovered many errors around employee parking lot assignments. For example, some employees assigned to park in City lots are no longer employed by the City; some employees were listed more than once; and some employees' permit data was expired but had not been removed from the list. The following bullets provide greater detail about the results of this testing.

- Our review of the employee parking lot lists provided by Parking identified 949 City employees assigned parking in various airport lots. Of these 949 employees, we randomly selected 25 and judgmentally selected 3 for testing. Our testing found that of these 28

employees, 7 (or 25 percent) were no longer employed with the City and 6 (or 21 percent) were listed more than once.

- Additional testing of employees assigned to the City lots, the FAA lot, and the Landside/Airside lot identified many employees with expired permit data. Specifically, we found the West and East City lots had 129 of 949 employees (or 14 percent) on the list with expired permits. The FAA lot had 10 of 84 employees (or 12 percent) with expired permits, and the Landside/Airside lot had 5,593 employees out of 22,450 (25 percent) with expired permits.

Based on these test results, the audit team concluded that the employee parking data in Maxx Net is inaccurate and unreliable, which impacts Parking's ability to optimize parking availability.

Parking personnel recognized the data from Maxx Net was inaccurate and, therefore, requested the system vendor conduct a cleanup of the data once our audit started. However, updated data as a result of this cleanup was not provided to auditors, so original data was used for testing. A cleanup of the data was last conducted in 2012, when our office conducted the most recent audit of DEN Parking Administration.[19] This demonstrates that Parking management recognizes the system's limitations but does not periodically ensure the data is updated.

Lack of Controls to Require Employees Park in Assigned Lots

Another limitation of Maxx Net is that it does not have the controls to ensure City employees are parking only in their assigned lots instead of the airport garage, which is for DEN passengers. Employees who park in certain City lots must enter the same gates as passengers who park in the garage. These employees then have up to 10 minutes to enter their assigned lot. However, we found that some employees do not always park in their assigned lots and, instead, park in the customer parking garages, occupying premium parking spaces. Occupying a parking space that could have otherwise been available to a paying airport customer can reduce revenue. The garage self-parking rate is $24 per day.

Photo provided courtesy of Denver International Airport

The only mechanism for Parking to identify employee garage-parking violations is through audits conducted by its Contract Compliance Group (CCG). We reviewed some of these audits conducted by the group from 2015 to 2017 and found that four of the five audits resulted in violations and funds owed from employees. The amounts from the audits reviewed ranged from $24 to $2,880. Employees who violate the employee parking policies are required to pay funds back to Parking equal to the cost of parking in the lot as if they were a DEN customer. If the amounts are significant and difficult for an employee to pay all at once, separate payments are allowed. The amounts owed are monitored by Parking Permit Sales Office personnel on a spreadsheet. According to the spreadsheet, the amount owed from these employees from 2014 to 2017 was more than $38,000.

Parking Permit Sales Office guidelines say employees must park in their assigned parking lots, and if they do not, there will be consequences in addition to paying the daily rate for the facility in

[19] "Denver International Airport Parking Administration," City and County of Denver Auditor's Office, September 2012, https://www.denvergov.org/content/dam/denvergov/Portals/741/documents/Audits2012/DIA_Parking_Administration_Audit_Report_09-20-12.pdf.

which they parked, such as being reassigned to the Landside employee parking lot for six months. A system that provides real-time notifications when employees do not park in their assigned lot within 10 minutes would strengthen controls in this area. Although the Contract Compliance Group audits identify violations and funds are collected, many more violations may go undetected, which would result in a loss of revenue.

No Interface with DEN's Financial System and Inefficient Invoicing

An additional limitation of Maxx Net is that it does not interface with DEN's financial system, so invoicing for bulk employee parking sales must be conducted by both the Parking Permit Sales Office and DEN Finance. These payments are made directly to DEN Finance, so this information is not recorded in Maxx Net, and therefore, large balances due are maintained in Maxx Net and never reconciled. In addition, since the billing process is extended due to two groups being involved, payments for bulk sales are typically paid two months after the month in which parking was provided.

These limitations in bulk sales invoicing result in inaccurate data maintained in Maxx Net and additional resources utilized to conduct dual billing. Due to the limitations of Maxx Net, bulk sales billing takes many days to process because the system is slow, and the invoicing for large customers can take hours to load. We observed this time-consuming process on a few occasions. We found that Maxx Net does not have the capabilities to track invoices that have been deleted, so Parking Permit Sales Office personnel track all bulk sales invoice data manually in a separate spreadsheet.

The limitations of Maxx Net cause other inefficiencies and possibly inaccuracies in parking revenue amounts. Our audit work determined that daily deposit transactions are also tracked in a separate spreadsheet. This is so Parking Permit Sales Office management can track variances between deposits and data in Maxx Net, because the daily transaction reports from Maxx Net are not always accurate. Various reports from Maxx Net are used to reconcile daily transactions so when the data is inaccurate, Parking Permit Sales Office personnel need to spend additional resources to identify the issues and reconcile the deposits. It is important to document these variances to provide an audit trail. This spreadsheet is maintained on a shared drive so that Compliance Contract Group personnel can access the information when conducting their reviews of daily Parking Permit Sales Office transactions.

All employee parking revenue is recorded to one account in DEN's financial system, including revenue that is collected by the Parking Permit Sales Office but not necessarily related to employee parking, such as fitness and towing fees. As a result, Maxx Net is the only system in which Parking can identify revenue for specific lots. This is problematic because Maxx Net does not interface with DEN's financial system; only the bulk sales data that has been invoiced is maintained in Maxx Net, and is therefore incorrect. Parking management recognizes the limitations of Maxx Net but has not replaced the system as agreed to during our 2012 Parking Administration audit. As noted in Finding 1 of this report, Parking is in the process of replacing the Parking Revenue Control System, and we have been informed that an employee parking function will be included in this effort.

According to the Standards for Internal Control in the Federal Government, or the Green Book, management should design an entity's information system to obtain and process information to meet each operational process's information requirements and to respond to the entity's objectives and risks. An information system represents the life cycle of information used for the entity's operational processes that enables the entity to obtain, store, and process quality

information. Reliable data is characterized as accurate, complete, and valid. Such information can then be used for decision-making and reporting. Without adequate controls in place, Parking cannot efficiently manage employee parking activities.

RECOMMENDATION 3.1

The Director of Parking and Transportation Systems should ensure a new employee parking system is obtained and that the system interfaces with DEN's financial system.

Agency Response: Agree, Implementation Date – September 2019

RECOMMENDATION 3.2

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

Agency Response: Agree, Implementation Date – March 2018

RECOMMENDATION 3.3

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

Agency Response: Agree, Implementation Date – September 2019

Parking Permit Sales Office's Policies and Procedures Are Not Always Followed, and Some are Outdated

We found that the Parking Permit Sales Office's policies and procedures are outdated and do not include current practices. The Parking Permit Sales Office is within the Employee Parking Unit and responsibilities include managing the employee parking lots and collecting payments for monthly permits. As previously mentioned, various workarounds are necessary to complete day-to-day processes, and these steps are not included in the policies and procedures. Processes have changed over time, but the policies and procedures have not been updated to reflect the changes.

Specifically, permit sales office personnel track daily deposit transactions and bulk sales data manually in spreadsheets, but these processes are not included in the policies and procedures. Additionally, the policies and procedures indicate that payments for bulk sales are made to the Parking Permit Sales Office. However, in practice, payments are made directly to DEN Finance. We also found that the policy prohibiting employees with delinquent payments from parking is not enforced. Audits conducted by the Contract Compliance Group also recommended updates to

the policies and procedures and highlighted this same lack of enforcement. Auditors acknowledge that the limitations of Maxx Net and the complicated billing process may both be contributing to this policy not being enforced but is still outlined in the policies and procedures. Although the policies and procedures provided note they were last updated in July 2017, the revenue information included is from 2015, which indicates that they are outdated.

Additionally, the Parking Permit Sales Office's policies and procedures provide specific guidance on support documentation required for the daily settlement/deposit process, but testing found a few instances in which proper information was not included and in which variances in amounts were not properly explained. Due to outdated policies and procedures, staff may not follow the correct processes, which include not complying with day-to-day procedures. As staff follow outdated policies and procedures, the likelihood of internal controls not being properly applied increases. Specifically, not applying controls over the Parking Permit Sales Office increases the likelihood revenue will be incorrectly accounted for. Further, if new staff are hired or others are covering for staff who are out of the office, some processes may be missed, since the policies and procedures are not up-to-date.

We were informed the Parking Permit Sales Office has been short-staffed. A few years ago, Parking was in the process of purchasing a new system to replace Maxx Net. In anticipation of this new system to streamline processes, a cashier window was removed from the office and a full-time position was eliminated. However, the new system was never put in place, so the office has been understaffed, and in addition, the office has been struggling with maintaining enough personnel. Further, employee leave and turnover during the past few years have contributed to an increase in workload for the current staff.

The federal Green Book standards offer relevant guidance on the creation of robust policies and procedures. The standards emphasize the importance of establishing a system of internal control over agency activities and providing oversight of that system. Doing so will help ensure the agency fulfills its responsibilities and achieves its objectives.

RECOMMENDATION 3.4

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

Agency Response: Agree, Implementation Date – March 2018

DEN Finance Employs Inadequate Financial Controls for Employee Parking Revenue

In addition to our findings related to the Parking Permit Sales Office, we found that DEN Finance's controls related to employee parking revenue need to be strengthened. Our testing found that daily deposits for employee parking revenue are not entered in the financial systems in a timely manner and in accordance with DEN Finance's policies and procedures. Specifically, we found that 6 of the 12 Parking Permit Sales Office daily deposits tested from 2015 to 2017 were not entered in the financial systems by DEN Finance on the day received. The number of days late for these 6 deposits ranged from 3 to 10 business days. However, DEN Finance's policies and procedures specify that the cashier is to enter the deposit data into the financial systems when

received. Therefore, DEN Finance needs to enhance controls to ensure policies are followed so deposits are entered in a timely manner and Parking has accurate data about employee parking.

We also found that DEN Finance does not have policies and procedures related to the bulk sales invoicing process, so we experienced difficulty in identifying whether the process is conducted in a timely manner. Testing found that payments are typically made two months after the month in which parking was provided to customers. As previously mentioned, invoicing for bulk sales is conducted first by the Parking Permit Sales Office in Maxx Net and then by DEN Finance in the airport's financial system. According to Parking Permit Sales Office policies and procedures, payments for bulk sales are due within a month after invoicing. Since this invoicing process is inefficient, developing policies and procedures for bulk sales invoicing will provide personnel guidance to complete this task efficiently.

Green Book standards assert that effective documentation assists management's design of internal controls by establishing and communicating who is responsible for a control and then documenting the controls necessary to meet the operational needs. Improving the Finance Unit's current policies and procedures will help ensure roles and responsibilities are followed and that established practices provide consistent oversight of the employee parking activities.

RECOMMENDATION 3.5

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

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATION 3.6

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

Agency Response: Agree, Implementation Date – Completed

RECOMMENDATIONS

We make the following recommendations to the Parking and Transportation Systems Section and DEN Finance to improve managing employee parking:

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

Auditee Response: Agree, Implementation Date – 3rd Quarter 2019

Auditee Narrative: Parking and Transportation will be implementing a new the Parking Revenue Control System (PRCS) that includes a new Employee Parking Module. It will be a written requirement in the Parking Revenue Control system agreement for the system to interface with DEN's financial system and provide an efficient method of invoicing all employee parkers and on account bulk sales.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: Parking and Transportation will perform quarterly reviews of the employee parking database to ensure accuracy of the reports, and ensure the system provides appropriate employee access to assigned facilities until the new system is operational. In the current system access is removed automatically when badges are turned off or marked as invalid.

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

Auditee Response: Agree, Implementation Date – 3rd Quarter 2019

Auditee Narrative: DEN Parking and Transportation has ensured this functionality and other functionalities have been included in the scope of work for this project. We do not have a firm schedule from the contractor so it is hard to identify when this project will be fully implemented. DEN's Contract Compliance Group conducts quarterly compliance reviews on employee parking assignments that interface through the public parking system.

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

Auditee Response: Agree, Implementation Date – 1st Quarter 2018

Auditee Narrative: The Policies and Procedures will be reviewed and updated to align with current practices. These Policies and Procedures will be shared with DEN Finance to ensure Parking and Transportation Systems and Finance policies are aligned.

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

Auditee Response: Agree, Implementation Date – Completed, December 1, 2017

Auditee Narrative: The policy has been updated to reflect an additional 3 business day processing time for all cash receipts, with additional flexibility of time on unexpected cash receipts to identify the purpose and reclassify the cash receipt appropriately. Of the 6 deposit dates in question, 3 of the deposits were sent up from Parking Permit Sales Office on Friday and deposited by DEN Finance on Monday.

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

Auditee Response: Agree, Implementation Date – Completed, December 1, 2017

Auditee Narrative: Our policies have been developed to incorporate the functionality of Workday. Parking Permit Sales Office provides electronically the billing amounts by customer to DEN Finance Accounts Receivable. Parking Permit Sales Office also provides supporting documentation to be attached to the invoice. This process takes about 2 days to complete. The Workday invoice is the official invoice. As part of the acquisition of a new PRCS, the employee parking sales invoice process will be integrated with the Workday billings system.

AGENCY RESPONSE

February 2, 2018

Auditor Timothy 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's Parking Revenue.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on January 11, 2018. 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 Parking and Transportation Section Does Not Provide Sufficient Oversight or Management of the Airport's Public Parking Operations

RECOMMENDATION 1.1 The Finance Manager of the Contract Compliance Group should ensure that personnel review monthly budgets in accordance with policies and procedures.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 1.1

The Contract Compliance Group will continue to review monthly budgets in accordance with our policies and procedures.

RECOMMENDATION 1.2 The Director of Parking and Transportation Systems should develop written policies and procedures that include steps to assess whether staffing levels are in compliance with the contract and the staffing plan submitted by SP Plus Corporation. In addition, these procedures should include a specific process to assess deductions for noncompliance.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 1.2

Parking and Transportation has revised the Policy and Procedure to ensure SP+ informs DEN of any staffing changes and any variances that will interfere with their ability to provide customer service.

RECOMMENDATION 1.3
The Director of Parking and Transportation Systems should ensure monthly budgets are submitted on time and assess and collect nonperformance deductions.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Disagree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 1.3

The contract is silent regarding the monthly budget being a report that should be subject to a deduction for non-performance. Parking and Transportation receives an annual budget upon which the monthly budgets are based. Because of this we consider it okay if the monthly budget is submitted within a reasonable time frame from the due date. The deductions for non-performance are utilized for reports that are time sensitive.

RECOMMENDATION 1.4
The Finance Manager of the Contract Compliance Group should ensure overpayments of vacation leave paid in 2015 and 2016 should be collected from SP Plus Corporation.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 1.4

We agree that overpayments should be collected. A review of the payroll registers will be completed to determine any discrepancies by DEN or SP+. Any discrepancies will be remedied.

RECOMMENDATION 1.5 The Manager of Finance within the Parking and Transportation Systems Section should develop a risk identification and analysis process for developing the annual audit schedule.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter	Herald Hensley 303-342-4081

Narrative for Recommendation 1.5

Parking and Transportation is developing a risk identification and analysis process for developing annual compliance reviews.

RECOMMENDATION 1.6 The Director of Parking and Transportation Systems should revise policies and procedures to ensure staff require and document legible, dated, and detailed information on monthly reimbursement reviews.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 1.6

Parking and Transportation has updated the Contract Compliance Groups policies and procedure to include that all reimbursements are legible, dated and detailed. We will continue to require documentation to be legible dated and detailed as per the contract.

RECOMMENDATION 1.7 As contract interpretation concerns arise, the Director of Parking and Transportation Systems should amend contract language that may be unclear or open for interpretation.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 1.7

If contract interpretation concerns arise, the Director of Parking and Transportation will consult with Airport Legal to determine what action should be taken to ensure clarity of the language in question and determine if a contract amendment is needed.

RECOMMENDATION 1.8 The Senior Vice President of Parking and Transportation Systems should ensure the approval steps are appropriately documented for the Parking Revenue Control System replacement and the process complies with the Capital Approval Process.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Dorothy Harris 303-342-4080

Narrative for Recommendation 1.8

Parking and Transportation will use the DEN CIP process that is in place as we move forward with this project. If the process is not properly followed funding will not be approved.

RECOMMENDATION 1.9 The Manager of Public Parking should re-evaluate SP Plus's vault badge access list to ensure SP limits its list to cash management positions that require access to the vault and revise the policies and procedures to reinforce adherence to the requirement.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 1.9

Parking and Transportation has required SP+ to provide their cash management policy for review. We will ensure this policy coincides with the contract language to limit the number of employees that have access to the vault room.

RECOMMENDATION 1.10 The Manager of Public Parking should develop policies and procedures to ensure SP conducts inspections of the ticket issuance machines three times a day in accordance with the contract.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 1.10

The procedure has been updated to ensure SP+ inspects and provides daily documentation that the ticket issuance machine inspections are conducted in accordance with the contract (SOP's).

AUDIT FINDING 2

Weak Internal Controls over Ground Transportation Have Resulted in Uncollected Revenue and Noncompliance

RECOMMENDATION 2.1 The Senior Vice President of Parking and Transportation Systems Section should implement a tracking system that will enable DEN to accurately verify the revenue reported by transportation network companies.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Ongoing	Dorothy Harris 303-342-4083

Narrative for Recommendation 2.1

To date Parking and Transportation has not found a TNC activity tracking system that provides enough accuracy to be a legitimate check of the reporting that exists today. We are in ongoing discussions with companies that provide these systems and together with Technologies we will continue to pursue options and assess systems. We will acquire tracking software when software is available that has been proven to provide accurate tracking of TNC activity.

RECOMMENDATION 2.2 The Manager of Ground Transportation should collect the 32 non-remitted payments from the Stonebridge Companies covering the period 2015 – June 2017, including interest at 18 percent per year.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 2.2

Parking and Transportation will work with Finance to validate the amounts provided in the audit and we will collect any amounts legitimately found to be due.

RECOMMENDATION 2.3 The Manager of Ground Transportation should establish a system of communication between the Parking and Transportation Systems Section's Contract Compliance Group that properly notifies DEN Ground Transportation when missing monthly percentage-of-revenue payments are identified.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 2.3
Parking and Transportation has established and implemented a policy and procedure to ensure better communication between Ground Transportation and the Contract Compliance Group. The policy and procedure has been shared with Finance. We will perform a compliance review in 2nd Quarter 2018 to ensure the procedure is being followed and accomplishes the business goal.

RECOMMENDATION 2.4 The Manager of Ground Transportation should gain a detailed understanding of the relevant terms included in the five off-airport parking operator permits, adequately communicate those terms to the five permittees, and monitor compliance on an ongoing basis.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 2.4

Parking and Transportation has developed a policy and procedure and tracking sheet to ensure compliance with the provisions of the Ground Transportation Permit. This policy and procedure has been shared with and agreed upon by Finance. We will perform a compliance review in 2nd Quarter 2018 to ensure the procedure is being followed and accomplishes the business goal.

RECOMMENDATION 2.5 The Manager of Ground Transportation should ensure it receives from Stonebridge Companies, Canopy Airport Parking, and ParkDIA of all audited annual revenue statements required under Section 3 and all certified monthly revenue statements required under Section 2 of the off-airport parking operator permits.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 2.5
Parking and Transportation has requested past due annual and monthly revenue statements from the off-airport parking companies and expect to have copies in the 1st quarter. As part of the policy and procedure mentioned in 2.4 a spreadsheet has been created to track submission of required reports.

RECOMMENDATION 2.6 The Manager of Ground Transportation should execute a new off-airport parking operator permit with ParkDIA ensuring all sections of the permit are properly completed.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 2.6
A permit has been reissued to Park DIA to ensure the Statement of Business section is properly completed.

RECOMMENDATION 2.7 The Manager of Ground Transportation should develop a system of quality control whereby written agreements between DEN Ground Transportation and commercial operators are thoroughly reviewed prior to execution.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 2.7

We have used this example as a training tool to ensure all reviewers of the permits are checking all areas of the permit that must be completed.

RECOMMENDATION 2.8 The Manager of Ground Transportation should develop procedures to ensure that each landside service agent is performing the minimum of four monthly courtesy vehicle inspections.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed	Herald Hensley 303-342-4081

Narrative for Recommendation 2.8

Parking and Transportation has revised the policy and procedure which gives the supervisor discretion to allow fewer inspections. This is because circumstances may occur that will preclude an employee from completing 4 inspections in a month such as reassignments and FMLA.

RECOMMENDATION 2.9 The Senior Vice President of DEN Finance should implement internal controls to ensure that all off-airport parking operator revenue transactions are adequately supported by source documentation and that source documentation is retained and readily available for a period of time that complies with the airport's document retention policy.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed (12/1/2017)	Michael P Biel 303-342-2158

Narrative for Recommendation 2.9

DEN Finance has established a tracking process for the off-airport parking operators certified monthly revenue statements. All statements are to be submitted to a centralized email account. DEN Finance Accounts Receivable logs the receipt of the certified monthly revenue statements by customer by month on the tracking log.

RECOMMENDATION 2.10 The Senior Vice President of DEN Finance should ensure that all invoices unpaid for more than 30 days and that have an interest assessment of $5 or more be charged interest at a rate of 18 percent per year.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	3/31/2018	Michael P Biel 303-342-2158

Narrative for Recommendation 2.10
The interest is assessed based on the outstanding balance. The policy was silent as it relates to accumulating interest above the $5 threshold. The calculation is performed on a weekly basis. If the calculated interest on the outstanding balance exceeded the $5 threshold, the calculated interest was added to the outstanding balance, if under the threshold, no interest was added to the outstanding balance. The interest assessed for the outstanding balance on the invoices in question, on a weekly basis, were below the $5 threshold and did not accumulated. The policy has been updated to address the accumulated interest issue.

The calculated interest assessment on the questioned invoices totaled $41.99.

AUDIT FINDING 3
The Ineffective Control Environment for Managing Employee Parking Causes Inefficiencies and a Loss of Revenue

RECOMMENDATION 3.1 The Director of Parking and Transportation Systems should ensure a new employee parking system is obtained and that the system interfaces with DEN's financial system.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	3rd Quarter 2019	Herald Hensley 303-342-4081

Narrative for Recommendation 3.1

Parking and Transportation will be implementing a new the Parking Revenue Control System (PRCS) that includes a new Employee Parking Module. It will be a written requirement in the Parking Revenue Control system agreement for the system to interface with DEN's financial system and provide an efficient method of invoicing all employee parkers and on account bulk sales.

RECOMMENDATION 3.2 The Director of Parking and Transportation Systems should conduct quarterly updates to the employee parking system that include employment status and access for employees.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 3.2

Parking and Transportation will perform quarterly reviews of the employee parking database to ensure accuracy of the reports, and ensure the system provides appropriate employee access to assigned facilities until the new system is operational. In the current system access is removed automatically when badges are turned off or marked as invalid.

RECOMMENDATION 3.3 The Director of Parking and Transportation Systems should ensure that the new employee parking system has the functionalities to ensure employees park in their assigned lots.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	3rd Quarter 2019	Herald Hensley 303-342-4081

Narrative for Recommendation 3.3

DEN Parking and Transportation has ensured this functionality and other functionalities have been included in the scope of work for this project. We do not have a firm schedule from the contractor so it is hard to identify when this project will be fully implemented. DEN's Contract Compliance Group conducts quarterly compliance reviews on employee parking assignments that interface through the public parking system.

RECOMMENDATION 3.4 The Manager of Employee Parking should ensure Parking Permit Sales Office policies and procedures are updated to align with current practices.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	1st Quarter 2018	Herald Hensley 303-342-4081

Narrative for Recommendation 3.4

The Policies and Procedures will be reviewed and updated to align with current practices. These Policies and Procedures will be shared with DEN Finance to ensure Parking and Transportation Systems and Finance policies are aligned.

RECOMMENDATION 3.5 The Senior Vice President of Financial Management should enhance controls to ensure employee parking revenue deposits are processed in a timely manner and in accordance with policies and procedures.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed (12/1/2017)	Michael P Biel 303-342-2158

Narrative for Recommendation 3.5

The policy has been updated to reflect an additional 3 business day processing time for all cash receipts, with additional flexibility of time on unexpected cash receipts to identify the purpose and reclassify the cash receipt appropriately.

Of the 6 deposit dates in question, 3 of the deposits were sent up from Parking Permit Sales Office on Friday and deposited by DEN Finance on Monday.

RECOMMENDATION 3.6 The Senior Vice President of Financial Management should ensure policies and procedures for employee parking bulk sales invoicing are developed and the process is conducted in a timely manner.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities (Generally expected within 60 to 90 days)**	**Name and phone number of specific point of contact for implementation**
Agree	Completed (12/1/2017)	Michael P Biel 303-342-2158

Narrative for Recommendation 3.6

Our policies have been developed to incorporate the functionality of Workday. Parking Permit Sales Office provides electronically the billing amounts by customer to DEN Finance Accounts Receivable. Parking Permit Sales Office also provides supporting documentation to be attached to the invoice. This process takes about 2 days to complete. The Workday invoice is the official invoice.

As part of the acquisition of a new PRCS, the employee parking sales invoice process will be integrated with the Workday billings system.

Please contact Patrick Heck at (303) 342-2207 with any questions.

Sincerely,

Patrick Heck
EVP Chief Commercial Officer

cc: Kim Day, CEO
Gisela Shanahan EVP CFO
Dorothy Harris SVP Parking and Transportation Systems
Michael Biehl SVP Finance
Herald Hensley Sr Director Parking and Transportation Systems
Valerie Walling, Deputy Auditor, CPA, CMC
Sonia Montano, Audit Supervisor