

FOLLOW-UP REPORT

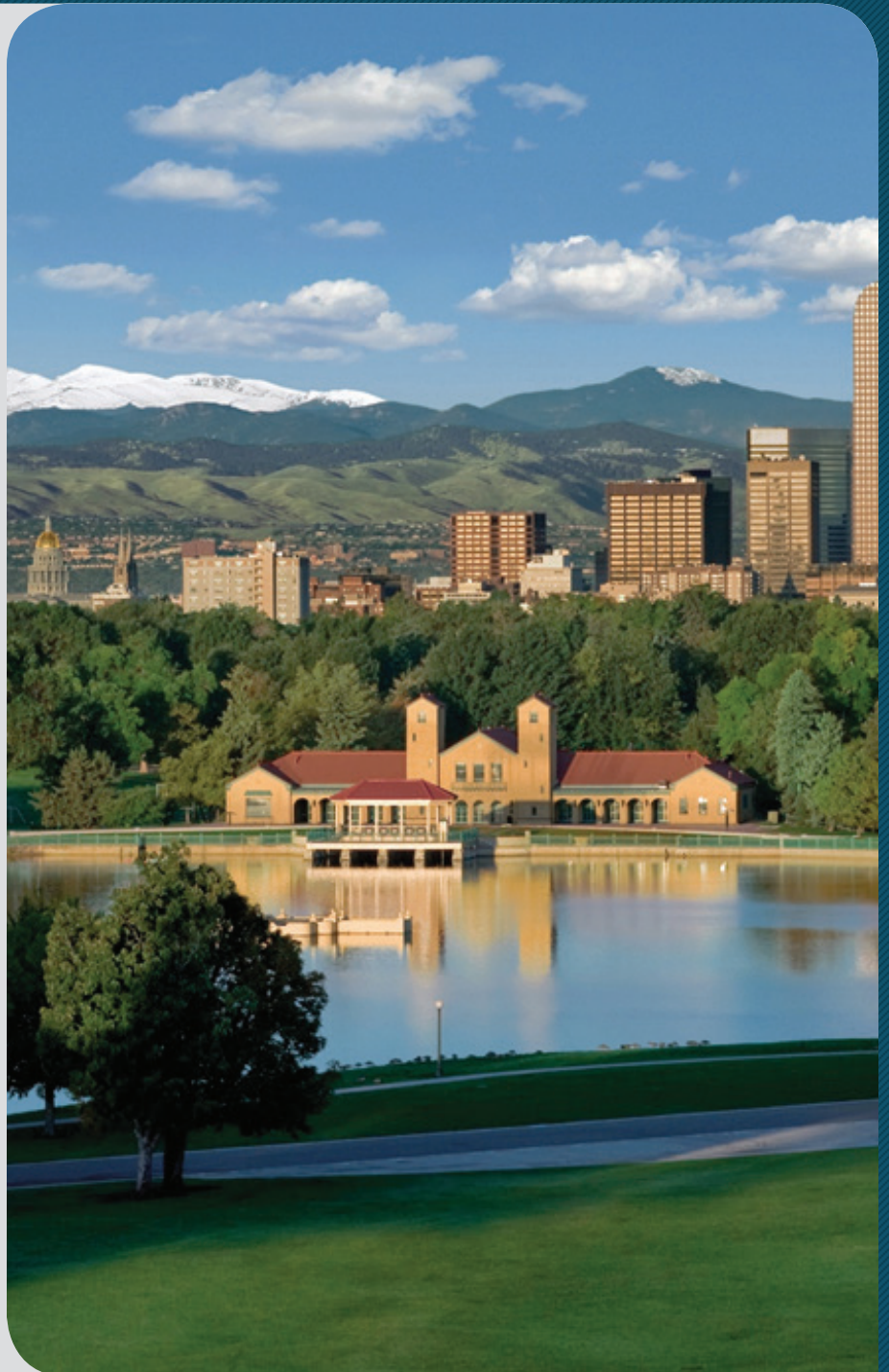
Denver International Airport Hotel and Transit Center Project Integration

August 2016

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



Timothy M. O'Brien, CPA
Denver Auditor



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August 4, 2016

Kim Day, Chief Executive Officer
Department of Aviation
City and County of Denver

Re: Audit Follow-Up Report

Dear Ms. Day:

In keeping with generally accepted government auditing standards and the Audit Services Division's policy, as authorized by D.R.M.C. § 20-276, our Division has a responsibility to monitor and follow-up on audit recommendations to ensure that audit findings are being addressed through appropriate corrective action and to aid us in planning future audits.

This report is to inform you that we have completed our follow-up effort for the Denver International Airport (DIA) Hotel and Transit Center Project Integration audit issued April 16, 2015. Our review determined that DIA has adequately implemented all of the recommendations made in the audit report.

For your reference, this report includes a Highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to DIA personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5000 or Sonia Montano, Internal Audit Supervisor, at 720-913-5157.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



Denver International Airport Hotel and Transit Center Project Integration August 2016

Status

DIA has implemented all three recommendations made in the April 2015 audit report.

Background

The Hotel and Transit Center (HTC) at Denver International Airport is now open. The HTC includes a hotel and conference center, a public plaza, and a public transit center. Operating the new facility has an impact on various DIA divisions, which have responsibilities such as asset management and financial tracking.

Purpose

The objective of the audit was to determine whether DIA's implementation plan to activate HTC was adequate to:

- Ensure the HTC Core Activation Team and Working Groups have an effective coordination, communication, and collaboration strategy
- Identify and mitigate risk associated with roles and responsibilities of various DIA divisions as it relates to budgeting, staffing levels, maintenance, and contracts
- Ensure that DIA is prepared to own a hotel and oversee Starwood's management of the hotel

REPORT HIGHLIGHTS

Highlights from Original Audit

Although it is still early in the activation process, we found that DIA management appears to be on track to successfully transition from constructing to operating DIA's new hotel, transit center, and public plaza.

Specifically, DIA has established a governance structure to ensure timely activation. The structure includes the following primary groups: the HTC Core Activation Team; specialized working groups; the commissioning agent, Ambient Energy; and a hotel asset management consultant, Capital Hotel Management. The tools being used by these primary groups are consistent with industry norms and include a facility activation plan, activation checklist, milestone schedule, transition to sustainable operations plan, systems testing, systems training, and regular activation meetings. Members of the primary groups express confidence that HTC will experience a successful activation.

Additionally, three primary DIA divisions have initiated appropriate steps to activate, operate, and maintain HTC: DIA Accounting and Finance (DIA Finance), Airport Infrastructure Management (AIM), and Business Management Services (BMS). DIA Finance appears to be adequately preparing to separately account for hotel and non-hotel revenues, although it may need to enhance some fund reconciliation procedures. AIM appears to be adequately preparing to operate and maintain the new facilities, based on 2015 budget and staffing increases, relevant changes to DIA's asset management strategies, and the development of a succession planning program. BMS is working on resolving issues arising from the addition of HTC, including updating certain service contracts and securing additional storage space to accommodate HTC-related supplies.

Further, DIA management's preparation activities related to overseeing the operations of the hotel appear to be sound. We found that the hotel management agreement with Starwood is within industry norms.

Findings at Follow-up

In order to address risks identified in the original audit report, DIA established quality controls to ensure that contracts related to the hotel are coded to the correct fund and reconciliations of funds are conducted. AIM assessed and will continue to assess the manpower needs for operations of the hotel, plaza, and transit center.

For a complete copy of this report, visit www.denvergov.org/auditor

Audit Contact Person: Sonia Montano | 720.913.5157 | AuditSupervisor@denvergov.org

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
FINDING: While Early in the Process, DIA Management Appears To Be on Track for a Successful Activation of the Hotel and Transit Center		
<p>1.1 Contract Fund Coding—The Chief Revenue Officer should create a quality control process to ensure that contracts are coded to the correct funds.</p>	<p>DIA has hired a Director of Hotel (DoH) and contracts or amendments related to the hotel are initiated by the DoH by completing a Contract Executive Summary. Any shared contracts or amendments initiated in other Divisions that identify the hotel as a cost center also require the DoH’s approval. The Finance Division is involved in reviewing and coding all contracts as part of the procurement process and when the hotel is indicated as a cost center, the DoH and the Finance Division work together on proper allocation of costs. Existing contractual obligations are also routed to the DoH for review and signature prior to payment. In addition, training for all Divisions has been completed on how to handle contracts with the hotel as a cost center.</p>	<p>Implemented</p>
<p>1.2 Reconciliations—The DIA Controller should develop a process to ensure that reconciliations of the operating funds are conducted.</p>	<p>DIA established a new review process to ensure that hotel expenditures are charged to the hotel fund, not to DIA’s main operations and maintenance fund. A query has been developed to pull all accounts payable transactions and to search for specific hotel descriptions. If any transactions are identified, they are reviewed in detail and, if necessary, a reclassification journal is created to move the expense to the hotel fund.</p>	<p>Implemented</p>

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.3	Staffing Analysis —The Senior Vice President for Airport Infrastructure Management (AIM) should have a staffing analysis conducted to determine the amount of AIM staff that is optimal to meet the needs of DIA in the most efficient manner.	During the evaluation process for Capital Planning and Operations and Maintenance planning, the Airport Infrastructure Management (AIM) Division assessed personnel needs. AIM is using work order calls and procurement system (Maximo) data to determine any changes in preventive maintenance requirements and, in turn, corresponding adjustments to full-time equivalent (FTE) employees. AIM will also conduct the same process for any capital equipment requirements that may change as the result of operations on the plaza or transit center and as they become more knowledgeable and experienced with snow removal operations in those areas. AIM is specifically tracking hotel, plaza, and transit center activities within Maximo to provide necessary data analysis on resource requirements. Following the audit, DIA hired thirteen HTC-related positions and a few others in a safety capacity that would also bolster resources in an emergency situation that might affect the hotel and/or transit center.	Implemented

Conclusion

We found that DIA has fully implemented all recommendations and adequately mitigated the risks identified during the original audit. As a result, we conclude our follow-up effort related to the Denver International Airport Hotel and Transit Center Project Integration audit.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from DIA for their cooperation during our follow-up effort and their dedicated public service.