AUDITOR'S LETTER

December 16, 2021

In keeping with generally accepted government auditing standards and Auditor’s Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the “Accounts Receivable” audit report issued in September 2019, we determined Denver International Airport fully implemented almost all the recommendations it agreed to in the original audit report. However, despite the airport’s efforts, auditors determined certain risks associated with the audit team’s initial findings — such as reconciling accounts and collecting interest on past-due invoices — have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the airport takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation. The airport provided updates on the three recommendations it disagreed with, and we include these recommendations in the status update section as a reference.

I would like to express our sincere appreciation to the personnel at Denver International Airport who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor
Objective
To determine whether Denver International Airport has effective internal controls, systems, and personnel to ensure accounts receivable are properly accounted for, collected, and reported.

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

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

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

During our audit of Denver International Airport's accounts receivable for 2017 through June 2019, we identified several areas that needed improvement within the airport’s Finance Division.

Denver International Airport's Accounts Receivable Processes Had Inefficiencies Resulting in a Loss of Revenue

- Inherited problems continued despite changes in management and software.
- Duplicate and defunct accounts had not been removed, and a failure to properly charge interest on late payments resulted in an average loss of an estimated over $1 million a year in revenue starting in 2018. Uncollectible debts were not being written off, and accounts receivable net of allowance for doubtful accounts lacked support for $4.5 million in 2018.
- The airport's Finance Division did not create a change management plan for converting to Workday accounts receivable software from 2015 to 2017, and the division did not have one for the conversion to PROPworks software, which was underway in September 2019.
- Weak policies and insufficient staffing limited the Finance Division’s ability to address inefficiencies.
- Longstanding accounts receivable process inefficiencies, such as researching customer account discrepancies and manually applying wire payments to outstanding invoices, were time-consuming activities that detracted from the Finance Division's ability to make process improvements. The staff was spread so thin that one employee spent six months trying to clean up a single account. The Finance Division needed to conduct a staffing analysis for long-term staff planning and to hire temporary staff in the short term.

WHY THIS MATTERS
The airport is a city-owned entity that operates as a self-sustaining business. Accounting for and collecting accounts receivable is important because accounts receivable represents the money owed to the airport for goods or services that it delivered but customers have not yet paid for.
Dec. 16, 2021

**Action Since Audit Report**

**Accounts Receivable**

18 recommendations proposed in September 2019

- **FULLY IMPLEMENTED**: 13
- **PARTIALLY IMPLEMENTED**: 2
- **NOT IMPLEMENTED**: 0
- **DISAGREED**: 3

Denver International Airport fully implemented 13 recommendations we made in the original audit report, but five others have yet to be fully implemented or acted upon.

Our follow-up work identified a new airport bank account, which the airport now uses to increase efficiency and decrease daily manual entries. In addition, the airport is developing quarterly variance analyses, reevaluating the classification of receivables, enhancing collection efforts, developing ratio analyses, hiring temporary staff, and reviewing workforce readiness on a regular basis.

However, risks remain regarding the two recommendations that were only partially implemented as well as the three recommendations the airport disagreed with.

Airport staff reconciled some accounts receivable accounts when staff were available. However, although airport management says this activity is a typical recurring process, we found not all old discrepancies were reconciled.

Meanwhile, the airport has an ongoing effort to clean up master customer accounts, but we found personnel have also not completed this effort.

Both of these recommendations were intended to be implemented before the airport reimplemented its PROPworks software system for managing property and revenue. The PROPworks reimplementation project will not be complete until the second quarter of 2022.

In the original audit report, the airport did not agree with requiring customers to include remittance advice when making payments, which delays reconciliations of customer accounts. In addition, it did not agree to implement a method to assess interest and fees on late payments before the PROPworks reimplementation, which has resulted in revenue losses to the airport. Lastly, the airport did not agree to conduct a formal staffing analysis of its accounts receivable team, which can result in continued difficulties managing the team's workload.
RECOMMENDATION 1.1 | REQUIRE SUBMISSION OF CUSTOMER REMITTANCE – The senior vice president of financial management should implement a remittance policy that requires customers to include specific payment details to ensure payments are applied accurately.

AGENCY ACTION

The airport disagreed with this recommendation in our original report. During follow-up, airport staff provided the following status update for this recommendation. It echoes their position from the original audit, indicating they have not implemented the recommendation.

While DEN Finance cannot change the customer contracts and add requirements that every payment be accompanied by a remittance advice, DEN Account Receivable cash receipts team routinely asks for customers to provide this information to assist in payment applications.

This was the airport’s response to the recommendation when the original report was issued in September 2019:

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

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

**Recommendation 1.2**

**OPEN SEPARATE BANK ACCOUNT AND USE LOCKBOX SERVICES** – The senior vice president of financial management should consult with the city Department of Finance’s Cash, Risk, and Capital Funding Division to create a separate bank sweep account for the airport and evaluate the need for an airport lockbox, which would streamline its cash receipt and payment application functions.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2019**

Since the original audit, the airport requested an airport-dedicated electronic-funds-transfer account — also called a “sweep account” — to increase efficiency. This was specifically to minimize the involvement of Controller’s Office staff, reduce airport staff’s time completing all required transfers, decrease manual entries, and ensure the airport has a full accounting of the money it receives.

Airport officials said they coordinated with the city’s Cash, Risk, and Capital Funding Division to establish an airport-centralized electronic-funds-transfer account. The airport now receives wire payments from customers directly into this account and it uploads information directly into customers’ accounts — rather than first making the previously required manual journal entry to move money from the citywide general ledger suspense account.
into the airport’s enterprise fund accounts. We reviewed a bank statement to verify the airport created this new bank account, and we found the first deposit was in early March 2020. Funds have subsequently been deposited daily into this account.

Regarding the second part of the recommendation: Although airport officials told us they did not officially evaluate the need for a lockbox, we learned that they did evaluate the option and considered it inefficient.

A lockbox for the accounting and finance team would be a physical box at a bank, and staff told us a lockbox would not work well with the way the airport receives payments and processes invoices. A bank employee would need to access the box, retrieve payments made by check, process the payments, and deposit the funds into the airport’s bank account.

Because the airport does not generate invoices until the day after receiving a payment, the airport would depend on the bank to retrieve the payments, process them, and deposit the funds before staff at the airport could generate the invoice. Therefore, having a lockbox would cause delays.

Because the airport created a separate bank sweep account and evaluated the need for an airport lockbox, we conclude this recommendation was fully implemented.

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**Recommendation 1.3**

**RECONCILE CUSTOMER ACCOUNTS AND CORRECTLY APPLY CUSTOMER PAYMENTS** – The chief financial officer should ensure customer accounts are fully reconciled and accurate prior to the transition to PROPworks.

**AGENCY ACTION**

**PARTIALLY IMPLEMENTED**

**Original target date for completion: Dec. 31, 2020**

Airport officials are reconciling customer accounts on an ongoing basis, as part of the routine work of the accounts receivable team. Sometimes accounts are reconciled when customers request their customer statements. In addition, the monthly outstanding balances for accounts receivable are reviewed during monthly meetings with various teams so staff can share updates on accounts that require analysis and reconciliation.

Staff on the accounts receivable team said they have about 1,500 customer accounts. Airport staff focus more on larger customers. Changes to accounts happen all the time, due to issues that come up throughout the year and especially as businesses face pandemic-related difficulties.

Routinely reconciling this many accounts takes time, and staff work on it as time allows. As we learned in following up on Recommendation 1.17,
two additional staff were hired to help with this and other time-consuming tasks.

We reviewed an example of one account’s reconciliation for 2018 to 2020, and we saw this account was reconciled, with one exception. The airport was not able to find an explanation for a $900 amount, which we determined to be immaterial.

The recommendation said all reconciliations should be completed before the reimplementation of PROPworks, the airport’s software system for managing property and revenue — but the PROPworks project was not finished at the time of our follow-up. The COVID-19 pandemic and a change in scope delayed the reimplementation.

Nonetheless, staff told us account reconciliation will remain ongoing, even after PROPworks is reimplemented. This is because of ongoing business activity and resulting discrepancies. Moving accounts receivable into PROPworks will help streamline the process, reduce manual entries, and free up staff time to work with customers on timely reconciliations. The reconciliation process will be faster because all relevant information will be in one system as opposed to the variety of systems used now, and invoices will be emailed to customers directly from the system.

While it is not unusual for organizations to have some unreconciled accounts, the age of receivables is typically concerning as it may indicate disagreements over those outstanding amounts. The airport provided an analysis showing that, as of Nov. 30, 2021, the total accounts receivable balance was $87 million.

Out of this amount, $15 million of receivables was current, which means they had been outstanding for no more than 90 days. Older transactions had a net credit balance of about $9 million, and about $82 million was deferred because of a pandemic-related policy to defer a portion of payments for five years.

According to airport staff, the old credit balances are mostly due to airlines not requesting that credits be applied to new invoices, but these decisions can be made only by the airlines.

We also reviewed an analysis of 2017 and 2018 transactions and noted a significant decrease in balances for these old receivables and a net credit balance for these two years combined. For 2017 transactions, total credits increased by $1.4 million — from $500,000 to about $2 million — between Sept. 30, 2019, and Sept. 15, 2021.

For 2018 transactions, the total balance decreased from $4.2 million to about $10,000 during the same period. As part of this effort, airport staff showed they wrote off about $940,000 and about $310,000 in 2017 and 2018, respectively. Based on this, we conclude the airport made progress on reconciling its accounts receivables.

However, because not all customer accounts were fully reconciled almost a
year following the airport’s originally stated completion date, we conclude this recommendation is only partially implemented.

Recommendation 1.4

**CLEAN UP CUSTOMER MASTER FILES** – The senior vice president of financial management should ensure the customer master files are cleaned up — including removing unnecessary accounts and combining duplicate accounts, thus establishing an ownership hierarchy. This cleanup should be completed prior to going live with the reimplementation of PROPworks and included within the change management plan.

**AGENCY ACTION**

Original target date for completion: Dec. 31, 2020

As explained in the agency action for Recommendation 1.3, the airport’s reconciliation of customer accounts is ongoing. Because of this, the issue of customers having more than one ID or account is less severe. As of July 2021, the airport identified less than five customers whose IDs could be combined. Customers having more than one ID may continue to happen because the airport has several systems generating billings, including ground transportation, PROPworks, and others.

For our follow-up effort, staff supplied information that shows the airport tracks customer names and ID numbers. In addition, the airport provided our team with one example of how it cleans up customer master accounts. The evidence showed a customer account was changed from “active” to “inactive” and the customer’s name was updated.

Although file cleanup is in progress, it will not be completed until the end of 2021 at the earliest. Furthermore, the PROPworks reimplementation is not scheduled to be completed until the second quarter of 2022.

Because of this, we conclude this recommendation is only partially implemented.

Recommendation 1.5

**CONFIGURE PROPWORKS TO CHARGE INTEREST AND FEES ON LATE PAYMENTS** – The senior vice president of financial management should work with the PROPworks consultant and project manager to ensure reimplementation of PROPworks is configured to assess interest on late payments and incorporate this functionality into a formal project strategy, timeline, and scope of work. Until the reimplementation of PROPworks is complete, financial management should develop an alternative automated or manual interest calculation mechanism to ensure late invoice payment
interest is calculated and collected.

**AGENCY ACTION**

The airport disagreed with this recommendation in our original report. During follow-up, airport staff provided the following status update for this recommendation. It echoes their position from the original audit. The airport indicates it has made some progress on the PROPworks functionality but still does not intend to implement an alternative interest calculation mechanism.

DEN Financial Accounting plans on using the PROPWorks functionality as it relates to interest invoice charges. As the team continues to centralize all the billings and cash receipt and application functions into PROPWorks, as part of the PROPWorks Roadmap, the interest charge process will be added. To perform the function outside of Workday would require a significant manual process.

This was the airport’s response to the recommendation when the original report was issued in September 2019:

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

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

**Recommendation 1.6**

**CONDUCT VARIANCE ANALYSIS** – The senior vice president of financial management should regularly perform and document a financial statement variance analysis at the individual account and fund level to identify unexpected variances and abnormal balances. In addition, variances and abnormalities should be investigated and corrections made as needed.

**AGENCY ACTION**

**FULLY IMPLEMENTED**

Original target date for completion: The agency said at the time of the original report that this was already implemented.

In responding to this recommendation in the original audit report, the airport said in September 2019 that officials were already performing variance analyses, at the fund level, as part of the airport’s normal monthly, quarterly, and annual close activities for the airport’s financial statements. The airport also said staff were reviewing financial statements for variances every quarter and once a year.

During follow-up, airport staff supplied us with the variance analysis for the second quarter of 2021, which showed an analysis down to the account level. The airport said the variance analysis is intended to be reviewed so correct numbers can be included in the airport’s financial statements.

Airport officials said they review and analyze any abnormalities. We reviewed an email verifying that this occurs. Additionally, we confirmed the numbers in the variance analysis from the second quarter of 2021 match the financial statements from that same quarter.

Therefore, we verified the recommendation was fully implemented.
Recommendation 1.7

RE_EVALUATE CLASSIFICATION OF RECEIVABLES – The senior vice president of financial management should assess the underlying nature of the receivables accounts and identify the appropriate category for financial reporting purposes.

AGENCY ACTION

Original target date for completion: The agency said at the time of the original report that this was already implemented.

In responding to this recommendation in the original audit report, airport officials said in September 2019 they were already reviewing the classification of general ledger receivable accounts for consistency and compliance with reporting guidance for financial statements. They said this was an ongoing process as changes occur in operations.

During our follow-up, airport managers provided an example of how they set up a new long-term receivable in 2021 as a result of a pandemic-related policy issued in 2020. The policy allowed a portion of airline carrier rents and fees incurred in 2021 to be deferred for up to five years. We confirmed a new account was set up and money was moved in Workday — the city’s system of record — in accordance with this policy.

Therefore, we verified this recommendation was fully implemented.

Recommendation 1.8

FORMALIZE WRITE-OFF POLICY – The senior vice president of financial management should develop and formalize a write-off policy and procedure for uncollectible accounts and distribute it to all relevant personnel.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

We compared the current 2020 procedure for collecting delinquent receivables to the 2017 procedure we assessed during the original audit. We found that revisions and updates related to the policy and procedure for uncollectible accounts included write-offs and vendor bankruptcy.

Based on these additions, we conclude the airport did develop and formalize a write-off policy and procedure. We also learned the airport obtains input from accounting and finance supervisors on proposed year-end updates of policies and procedures.

Although policies and procedures are not distributed to other staff, the
documents are posted to the shared drive available to all staff and process changes are communicated to staff as they happen.

Therefore, we consider this recommendation fully implemented.

**Recommendation 1.9**

**TRACK WRITE-OFFS** – The senior vice president of financial management should develop a process to identify and track accounts that are written off.

**AGENCY ACTION**

**FULLY IMPLEMENTED**

*Original target date for completion: The agency said at the time of the original report that this was already implemented.*

During follow-up, the airport said it has a process to identify and track accounts that are written off. We confirmed write-off approvals by the airport and the Controller’s Office are documented in Workday, the city’s system of record.

We also verified that airport staff maintain a list of write-offs in their analysis of the allowance for doubtful accounts. We reviewed evidence that the airport’s internal process includes actively pursuing collections by contacting customers to request payments.

Therefore, we confirm this recommendation was fully implemented.

**Recommendation 1.10**

**ENFORCE POLICY** – The senior vice president of financial management should enforce the Finance Division’s collection policy efforts on past-due accounts.

**AGENCY ACTION**

**FULLY IMPLEMENTED**

*Original target date for completion: Dec. 31, 2019*

We determined the senior vice president of financial management is enforcing the Finance Division’s collection policy efforts on past-due accounts. We confirmed the airport conducts monthly meetings for the customer accounts receivable team and the concessions team. Afterward, staff follow up on issues such as specific enforcement outcomes, which demonstrates how officials enforce the policy.

Furthermore, we reviewed an example showing officials:
1. Identified and reviewed staff’s efforts related to an outstanding receivable valued at nearly $391,000.
2. Communicated and attempted to collect the money.
3. Worked with the airport’s legal team and documented a write-off memo to the Controller’s Office.
4. Obtained approval in Workday from both airport staff and Controller’s Office staff.

In this case, the airport also used a customer cash surety payment to reduce the outstanding customer balance, which was written off.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.11

ENHANCE COLLECTION EFFORTS – The senior vice president of financial management should identify the accounts significantly past due and turn them over to a collection agency or use the city treasurer’s Asset Recovery Program.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

Airport officials are identifying accounts that are significantly past due, but we found the airport has not turned those accounts over to a collection agency or used the city treasurer’s Asset Recovery Program, as recommended. Instead, the airport continues to work with its revenue management teams each month to discuss accounts with outstanding balances.

These meetings lead to conversations with the customer and to formal collection letters. As necessary, the airport has provided customers with legal notices and used the airport’s legal team to address outstanding accounts. We reviewed two examples of the airport’s collection efforts, which documented that the airport had collected aged balances from an airline carrier and a concessionaire.

Although the airport has not turned over significantly past-due accounts to a collection agency or used the city treasurer’s Asset Recovery Program, as recommended, its approach accomplishes the same result while maintaining positive customer relationships.

Therefore, we consider this recommendation fully implemented.
Recommendation 1.12

DEVELOP ALLOWANCE METHODOLOGY BASED ON HISTORICAL EXPERIENCE – The senior vice president of financial management should document the methodology for estimating the allowance for doubtful accounts, including a policy for gathering, documenting, and maintaining historical information to support significant assumptions. The methodology should be based on an objective and unbiased determination of collectability using true historical experience. Significant management decisions that depart from the policy should be formally documented, evidenced by source documentation, and retained in accordance with the city’s record retention requirements.

AGENCY ACTION

FULLY IMPLEMENTED

Original target date for completion: Jan. 30, 2020

We found the airport analyzed 2019 data to develop a methodology for estimating the allowance for doubtful accounts based on historical experience.

Although airport officials acknowledged some advantages to this approach, they concluded the airport’s existing methodology for calculating the allowance for doubtful accounts was both consistent and appropriate, considering the types of customer accounts and transactions at the airport.

During our follow-up, airport officials also conducted a similar historical experience analysis and reaffirmed the airport’s methodology was sufficient.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.13

CONDUCT RATIO ANALYSIS – The senior vice president of financial management should regularly perform an analysis to evaluate the accuracy of the allowance for doubtful accounts estimate, such as comparing the beginning-of-year allowance for doubtful accounts to actual write-offs of accounts receivable recorded during the year.

AGENCY ACTION

FULLY IMPLEMENTED

Original target date for completion: Dec. 31, 2019

We confirmed the airport reviews customer accounts receivable balances every month with the accounts receivable team and the revenue management team responsible for contracts. These reviews include identifying accounts that may need to be written off or reserved for in the accounts receivable allowance for doubtful accounts — although the airport
does not compare actual write-offs for the year to the beginning-of-year allowance for doubtful accounts, as recommended.

The airport reported that each month, staff compare the balance for the accounts receivable allowance for doubtful accounts — as a percentage — to the gross accounts receivable balance to measure whether the ratio remains consistent over time. We reviewed the September 2020 accounts receivable allowance calculation and verified the comparison.

Meanwhile, the airport concluded its approach is more direct in assessing the adequacy of the accounts receivable allowance for doubtful accounts. As such, using another approach — such as ratio analysis — would not enhance or change management’s view that the accounts receivable allowance for doubtful balance is appropriate.

In the original audit report, we found the Finance Division was using customer surety information to adjust its calculation for the allowance for doubtful accounts although there were no controls to verify the completeness and accuracy of surety information. Therefore, the allowance was understated. In our follow-up work, we found the airport now excludes sureties from its computation of allowance for doubtful accounts. Therefore, this cannot result in overstating accounts receivable.

Therefore, we consider this recommendation fully implemented.

Recommendation 1.14

DEVELOP CHANGE MANAGEMENT PLAN – The chief executive officer should ensure a change management plan for the transition to PROPworks is developed.

AGENCY ACTION

Original target date for completion: The agency said at the time of the original report that this was already implemented.

During the original audit, we found no evidence that the airport had established a change management plan for the PROPworks reimplementation. A project plan provides a framework for a project and is continually adjusted as the project progresses.

In our follow-up, we learned the airport subsequently developed a project change management plan. The airport supplied evidence of the design and approval of PROPworks’ insurance and surety administration module. Although some deliverables are complete, others are not set to be complete until the end of 2021.
A PROPworks consultant told us project completion percentages are based on the work completed and the deliverables achieved. Some dates and times change based on the areas of work needing to be completed. The consultant reviews the project plan daily and updates the plan as changes occur. In addition, the consultant meets weekly with airport officials to discuss the project’s status.

Although the reimplementation project is not set to be completed until the second quarter of 2022, the recommendation was targeted only at creating a plan to implement the project. Because this methodical planning has been done, this recommendation was fully implemented.

**Recommendation 1.15**

**REVIEW POLICIES AND PROCEDURES** – The senior vice president of financial management should develop a schedule to review accounts receivable policies and procedures annually and update them as changes occur to ensure all processes are documented as the division implements them.

**AGENCY ACTION**

*Original target date for completion: Dec. 31, 2019*

Staff on the airport’s accounts receivable team said they have reviewed and updated policies and procedures on an annual basis since December 2019.

We confirmed accounting and finance policies and procedures are updated annually each December. For example, the rental car revenues policy and procedure was revised in December 2019 and again in December 2020.

Although necessary changes throughout the year are not immediately reflected in the policy and procedure, we found they are communicated in real time to staff affected by the policy change. Policies and procedures are then updated each December with the changes made during the year.

Therefore, this recommendation was fully implemented.
CONDUCT STAFFING ANALYSIS – The chief financial officer should work with the airport’s Human Resources Division and the Budget and Management Office, as needed, to ensure a short-term staffing analysis — as well as one following the implementation of PROWworks — is conducted of accounts receivable’s staff resources. The analysis should consider accounting’s roles and responsibilities and assess workload imbalance.

AGENCY ACTION

The airport disagreed with this recommendation in our original report. During follow-up, airport staff provided the following status update for this recommendation. It echoes their position from the original audit. While the airport says it has added staffing resources, the statement indicates the airport has not implemented the recommendation.

Although DEN Financial Accounting disagreed with the recommendation, subsequent to the Airport Accounts Receivable audit, the Accounts Receivable team was expanded with the hiring of an additional individual and shifting of existing resources to assist the team.

This was the airport’s response to the recommendation when the original report was issued in September 2019:

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

For the original report, we wrote the following addendum rebutting the airport’s response:

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

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

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

**Recommendation 1.17**

**HIRE TEMPORARY STAFF** – The senior vice president of financial management should hire temporary staff to assist with accounting tasks as needed.

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2019**

The original audit found accounts receivable staff were inundated with day-to-day tasks that did not always align with their job responsibilities. Staff were so busy with accounting tasks that they had limited time for strategic tasks. For example, one employee spent six months cleaning up one account.

During our follow-up work, we confirmed that in 2019 and 2020, the accounts receivable team hired two people to assist with operations and analyzing customer accounts. The airport suspended additional hiring during the pandemic.

The two additional staff members monitor contracts, conduct account maintenance and account cleanup, and resolve ongoing account issues, such as billings and cash receipts.
Recommendation 1.18

UPDATE WORKFORCE READINESS – The senior vice president of financial management should work with the airport’s Human Resources Division to establish a review of the Finance Division’s workforce readiness action plan, as well as updates to the plan when trigger events occur including large staffing changes or changes in software systems. This review should include a discussion of cross-training and the development of employees in the accounts receivable teams.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

During the original audit, we found the airport’s Finance Division had experienced significant turnover and organizational changes between 2016 and 2019. We also found the airport’s workforce readiness plan was outdated and not updated regularly as required.

During follow-up, we learned airport officials reviewed the workforce readiness action plan for 2019 and 2020 for each position class in the accounting and finance management team. All staff who were assessed are classified as “medium” critical. This indicates staff should be monitored to see whether any changes occur in their position’s criticality score.

The values assessed to each criteria area of focus in the readiness plan are not based on a city or airport plan but on guidance from the airport’s human resources team. According to the accounts receivable team, there is low turnover and the positions on the team are not critical to the continuity of airport operations.

Additionally, airport officials said they conduct ongoing cross-training to ensure staff are trained for when they have to assume another person’s position. We reviewed evidence of these trainings for accounts receivable staff, which included detailed procedures for the PROPworks reimplementation. Focused trainings also involved contract language and spreadsheet development.

Although the accounts receivable team received a “medium” criticality rating, the position that oversees the accounting and finance team was assessed as “critical” in the 2021 assessment. Nonetheless, airport leadership believes cross-training has been adequate for other employees to assume this position if needed.

Based on this analysis, we conclude this recommendation was fully implemented.
Office of the Auditor

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

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

Our Mission

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