AUDIT REPORT
Denver International Airport
Rental Car Agreements
February 2017

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

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

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

Audit Committee

Timothy M. O’Brien, CPA, Chairman
Rudolfo Payan, Vice Chairman
Jack Blumenthal
Leslie Mitchell
Florine Nath
Charles Scheibe
Ed Scholz

Audit Management

Valerie Walling, CPA, CMC®, Deputy Auditor
Heidi O’Neil, CPA, CGMA, Director of Financial Audits

Audit Staff

Sonia Montano, CGAP, CRMA, Audit Supervisor
Nancy Howe, MPA, CRMA, Lead Auditor
Patrick Schafer, MBA, CPA, CIA, CFE, Lead Auditor
Tyler Kahn, Senior IT Auditor

You can obtain copies of this report by contacting us:

Office of the Auditor
201 West Colfax Avenue, #705
Denver CO, 80202
(720) 913-5000 • Fax (720) 913-5247

Or download and view an electronic copy by visiting our website at: www.denvergov.org/auditor
Report number: A2016-014
We have completed an audit of Denver International Airport’s (DIA) Rental Car Agreements. The purpose of the audit was to determine whether DIA’s controls for managing rental car agreements are effective, adequate, and appropriate to ensure that the rental car companies are in compliance with revenue-related terms of the agreements.

We identified weaknesses in DIA’s Properties Division and Finance Unit that impact DIA’s ability to effectively collect all revenue due under the agreements. Specifically, the Properties Division did not enforce the agreement’s 20-mile radius clause, did not provide rental car companies with correct and timely payment amounts, and did not ensure timely remittance of a year-end revenue document and payment. We also found that rental car companies are leasing counter space in DIA without a current contract. Additionally, the Finance Unit incorrectly credited a refund and was unable to provide source documentation for interest write-offs and credit memo transactions. We also found inappropriate access and a lack of segregation of duties for the creation and approval of journal entries. Weaknesses that impacted both divisions include roles and responsibilities that need to be clarified and incorporated in updated policies and procedures, and the lack of staff in either division who verifies the rental car companies’ self-reported data to ensure the accompanying payment is accurate.

Through stronger controls for managing the rental car agreements, DIA will be able to ensure that rental car companies comply with the agreements and that the proper revenue is collected. Our report provides twelve recommendations to achieve this end.

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 DIA personnel who assisted and cooperated with us during the audit.
Denver International Airport – Rental Car Agreements
February 2017

Scope
We assessed Denver International Airport’s (DIA’s) administration of rental car agreements, including a review of internal controls related to the collection of revenue. Specifically, we sought to determine whether rental car companies are in compliance with certain revenue-related agreement terms and are reporting and submitting the correct revenue to DIA.

Background
There are 12 rental car companies operating at DIA, several of which are grouped with their subsidiaries under a single agreement with DIA. DIA generated $85 million, or 12 percent of its total operating revenue, from rental car activities in 2015.

Purpose
The purpose of the audit was to determine whether DIA’s controls for managing rental car agreements are effective, adequate, and appropriate to ensure that rental car companies are in compliance with revenue-related terms in the agreements.

Highlights
Our evaluation of DIA’s practices for managing rental car agreements identified weaknesses in DIA’s Properties Division and in its Finance Unit that impact DIA’s ability to effectively collect all revenue due under the agreements.

Weaknesses in the Properties Division’s practices include failing to enforce the agreement’s 20-mile radius clause, failing to provide rental car companies with correct and timely ground, facility, and minimum annual guaranteed amounts, and failing to ensure timely remittance of a certified annual revenue statement and a year-end concession payment.

We also found that roles and responsibilities in the Properties Division need to be clarified and the associated policies and procedures need to be updated. Additionally, the rental car companies self-report their revenue data and no staff in either the Properties Division or in the Finance Unit check or verify the data to ensure the accompanying payment is accurate. Finally, we discovered that Avis and Alamo are leasing counter space in the Jeppesen terminal at DIA without a current contract in place. We verified that these companies are paying for the counter space, but without an executed contract in place, DIA does not have a legal basis to require payment.

We also identified four areas where the Finance Unit’s practices for monitoring rental car companies’ compliance with the rental car agreements could be improved. First, we found that the Finance Unit incorrectly credited a significant refund for usage fees because it did not ensure that the credit memo was properly approved and recorded. Second, the Finance Unit was unable to provide source documentation for interest write-offs and credit memo transactions and, as such, we could not test to determine whether segregation of duties existed in handling these transactions. Third, we found inappropriate access and a lack of segregation of duties regarding the creation and approval of journal entries. Lastly, as with the Properties Division, and consistent with recommendations in another recent DIA audit, we determined that the Finance Unit’s policies and procedures need updating because they do not align with current practices.

To enhance the administration of rental car agreements, we offer eight recommendations to the Properties Division and four recommendations to the Finance Unit.

For a complete copy of this report, visit www.denvergov.org/auditor
Or contact the Auditor’s Office at 720.913.5000
TABLE OF CONTENTS

INTRODUCTION & BACKGROUND 1
- Twelve Rental Car Companies Operate at DIA 1
- Rental Car Agreements 3
- Reporting from Rental Car Companies to DIA 5

OBJECTIVE 6

SCOPE 6

METHODOLOGY 6

FINDING 7
- Denver International Airport’s Ineffective Control Environment for Managing Rental Car Agreements Results in Non-Compliance and Lost Revenue 7
- The Properties Division Lacks Controls Surrounding the Concession Agreement and Facilities and Ground Lease 7
- DIA’s Finance Unit Could Strengthen Financial Controls To Help Ensure that Rental Car Companies Are in Compliance with Terms of the Agreements 17
- Weaknesses in Denver International Airport’s Management of Rental Car Agreements Have Several Negative Effects 22

RECOMMENDATIONS 23

AGENCY RESPONSE 27
INTRODUCTION & BACKGROUND

Denver International Airport (DIA) is the primary airport serving the Denver metropolitan area. DIA, owned by the City and County of Denver’s (City’s) Aviation program, served more than 54 million passengers in 2015, making it the 6th-busiest airport in the nation and the 19th busiest in the world.¹ DIA reported that more than 5.2 million passengers traveled through DIA in October 2016, an increase of more than 8 percent from October 2015.²

DIA generated 12 percent of its total operating revenue from rental car activities in 2015.³ The $85 million DIA generated from its 2015 rental car activity ranks as its fourth largest revenue stream.⁴ By focusing on more than the traditional aviation related activities, DIA is striving to expand its overall revenue base by capturing more from its passengers. Rental car spending is one of the main opportunities DIA has to expand its revenue base. Based on operating revenue figures from DIA’s 2014 and 2015 audited annual financial report, rental car activity represents one of DIA’s strongest growth aspects, growing by 19 percent in 2014 and another 9 percent in 2015. One reason for such strong growth is DIA’s full range of rental car companies operating at DIA. The variety of rental car companies ranging from premium service brands such as Hertz to low cost providers such as Payless provides service to meet varying passenger preferences.

Twelve Rental Car Companies Operate at DIA

DIA contracts with eight entities through formal agreements to provide on-site rental car services. Several of these entities have more than one subsidiary company operating at DIA, all of which are contracted under a single agreement. For example, Enterprise Rent-A-Car has one contract with DIA to operate three rental car locations at DIA: Enterprise, Alamo, and National. All three locations are contracted under the agreement that DIA has with Enterprise Rent-A-Car. Table 1 shows the 12 rental car companies and the associated 8 agreements.

<table>
<thead>
<tr>
<th>Name of Contracted Entity</th>
<th>Associated Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>Enterprise, National, Alamo</td>
</tr>
<tr>
<td>Avis</td>
<td>Avis, Budget</td>
</tr>
<tr>
<td>Dollar</td>
<td>Dollar, Thrifty</td>
</tr>
<tr>
<td>Standalone Companies (Under Individual Contracted Agreements)</td>
<td>E-Z, Payless, Hertz, Advantage, Fox</td>
</tr>
</tbody>
</table>

Source: The table was developed by the Audit Services Division from information gathered from DIA’s Rental Car Agreements with each contracted entity.

³ Operating revenue is revenue generated from DIA’s main sources of operation such as aeronautics, parking, rental car activity, concessions, and hotel operations.
⁴ Total rental car revenue includes concession fees, terminal space rental fees, ground space rental fees, facility rental fees, and customer facility charges.
Satellite Offices—In addition to the 12 rental car companies operating onsite at DIA, some of the larger rental car companies have numerous branch offices, referred to as satellite offices, located throughout the City of Denver. Despite these satellite offices being located outside the confines of the airport, their activity still falls under the purview of the Concession Agreement. Specifically, the Concession Agreement stipulates that any satellite office located within a 20-mile radius of the Jeppesen Terminal is subject to the same payments under the Concession Agreement as the 12 onsite locations discussed below in the section titled Concession Agreement and Terminal Building Premises Lease. The rationale for applying the terms of the Concession Agreement to the satellite offices is to ensure revenue directly related to airport customers is collected. Without the millions of travelers that DIA attracts, there would be minimal demand for rental cars. In essence, DIA is creating a market for the rental car companies operating at and in the vicinity of the airport. In exchange for access to this market, DIA collects a concession fee from all onsite offices and satellites within a 20-mile radius.

The definition of airport customers is an important one for the purposes of this audit. Airport customers, as defined in rental car agreements, include customers who have arrived at DIA within 24 hours prior to entering into a rental car agreement. Any customer renting a vehicle from a satellite office is asked to self-identify as an airport customer by checking a box on a form when completing associated paperwork. All customers who rent a car at on-site locations at the airport are assumed to be airport customers.

Commercial Unit—The rental car program at DIA is managed by DIA’s Commercial Unit. The Commercial Unit provides oversight of airport business such as airline leases, rental cars, parking, and commercial property management. Within the Commercial Unit is the Property Management sub-group (Properties Division). The Properties Division is responsible for managing rental car activity, airline activities, and property management duties, such as entering into lease and concession agreements with the rental car companies and airlines.

Revenue and Market Share—DIA administers the fourth-largest airport rental car market in the nation, receiving approximately $85 million in revenue in 2015, making up 12 percent of the total airport revenue.\(^5\) Graph 1 below demonstrates the market share and revenue generated by each of the rental car companies at DIA. Hertz is the largest at 20 percent, followed by Avis, Enterprise, National, and Alamo.

\(^5\) Ibid.
FIGURE 1. DIA Rental Car Revenue Market Share, 2015

![Graph showing market share of rental car companies at DIA, with Hertz, Avis, Enterprise, National, Alamo, Budget, Dollar, Advantage, Payless, Thrifty, E-Z, Fox, and Firefly listed.]

Source: The graph was developed by the Audit Services Division, from Monthly Revenue reports from www.flydenver.com.

Note: The Firefly Car Rental Company exited the Denver market in May 2016 and no longer conducts business with DIA.

Rental Car Agreements

DIA has two contracts with each contracted rental car entity: the first is a Concession Agreement and Terminal Building Premises Lease, and the second is a Car Rental Facilities and Ground Lease. All contracts are standardized and contain identical terms and conditions for each of the contracted entities. The current agreements are effective January 1, 2014, through December 31, 2020.

Concession Agreement and Terminal Building Premises Lease

The Concession Agreement and Terminal Building Premises Lease (Concession Agreement) contains terms for concession fees and customer facility charges (CFCs), both of which are remitted to DIA by the rental car companies monthly. Concession fees are either 10 percent of the annual reportable revenues derived from operations related to airport customers, or the minimum annual guaranteed amount (MAG), whichever is greater. Some months, the amount of rental car activity is proportionately low, and as such, only the MAG is paid, whereas other months have higher rental car activity and ten percent of rental car revenue is paid, resulting in a higher monthly payment. The MAG is determined to be either 85 percent of the combined total dollar amount of the rental company’s percentage of revenue inclusions in the previous year, or the highest MAG payment in any previous calendar year going back to 1999, whichever is greater. For instance, if the prior year’s percent compensation was $5 million, then the MAG rate would be 85 percent of that rate, or $4.25 million, unless a prior MAG amount was greater than $4.25 million since 1999. In this case, then the higher MAG amount would be charged for the present year.
The MAG is paid on the 1st of every month, and in the event that revenue inclusions are greater than the MAG, the difference is paid on the 20th of each month. The Concession Agreements specify that the rental car companies should ensure that they:

- Assess all airport customers the CFC for the correct number of transaction days (a 24-hour period for which an airport customer used a rental car, regardless of the length of the rental period)
- Collect the correct amount of terminal lease rental payments
- Properly identify all airport customers and collect the correct amount of concession fees per airport customer
- Pay interest on late payments and deficiencies exceeding 3 percent of total fees
- Remit certified monthly revenue reports, and a certified annual revenue report, in addition to an annual audited statement

**Revenue Inclusions**—Each Concession Agreement states which charges are to be included in the concession fee payment calculations that are paid on the 20th of each month. Following are some of the inclusions:

- All charges (e.g., time/mileage charges) for airport customers
- Insurance charges
- Charges for vehicles delivered within a 20-mile radius from the airport
- Proceeds from long-term vehicle leases
- Amount charged to airport customers for vehicle damages or lost vehicles
- Charges to airport customers at commencement of rental transaction for furnishing or replacing fuel
- Charges to the company as a pass through to the airport customer’s concession fee
- Extra add-ons, such as GPS, child carriers, ski/bicycle roof-top carriers, and traveling accessories

**Revenue Exclusions**—In addition to the revenue inclusions that are listed out in the agreements, each contract additionally states exclusionary items that are not to be added to the concession fee payment calculations. These include:

- Federal, state, county, and city sales taxes and other taxes
- Amounts received as insurance proceeds for damage to vehicles or lost/abandoned vehicles
- Revenue from disposal of salvage vehicles or the wholesale disposal or transfer of fleet vehicles
- Amounts received as payment for red light and parking tickets, tolls, tows, and impound fees
- Non-revenue rentals to employees of the company
- Customer Facility Charges
Car Rental Facilities and Ground Lease

To operate a rental car company on DIA land, the company must enter into a Car Rental Facilities and Ground Lease (Facilities and Ground Lease) with DIA to operate on land and in facilities that are owned by the airport. This lease differentiates between the ground—the parcels of property—and the facilities—the real property, buildings, improvements, and fixtures—involved in the agreement. The lease also outlines what types of activities are allowed on the leased premises. Provisions in the lease ensure that DIA collects the correct amount of ground and facility lease rental payments.

Like concession fees and CFCs, ground and facility lease rental payments are also remitted to DIA at the beginning of each month. These rates are established annually by DIA, based on the square footage rented by each rental car company. Prior to the beginning of each year, DIA compiles a list of all applicable leasing rates and distributes them to each rental car company. Of the $530 million in gross revenues generated by the rental car companies in 2015, $85 million was paid to DIA for concession fees and CFCs.

Reporting from Rental Car Companies to DIA

As part of the rental car agreement terms, rental car companies must submit monthly reports that state gross receipts, concession fees, and CFCs to DIA for each office operating at DIA, or within the 20-mile radius. The monthly reports are submitted to DIA on the 1st of each month. In addition to the monthly reports, rental car companies are responsible for providing DIA with an annual report by April 15th of the following year. These annual reports are certified by an authorized representative from each respective company. The annual reports list out monthly numbers and annual totals for reportable revenues, MAG paid, and authorized deductions, which is excluded from the reportable revenue. When DIA receives this report, a true-up process is to be conducted, which includes comparing the monthly numbers from the annual report to the numbers in the corresponding monthly reports. Any differences are to be reconciled.
OBJECTIVE

The objective of the audit was to determine whether DIA’s controls in managing rental car agreements are effective, adequate, and appropriate to ensure that companies are in compliance with terms of the agreements. The audit included an emphasis on compliance with revenue-related terms.

SCOPE

We assessed Denver International Airport’s (DIA’s) administration of rental car agreements, including a review of internal controls surrounding the management of the agreements and collection of revenue. Specifically, we sought to determine whether rental car companies are in compliance with certain revenue-related agreement terms and are reporting and submitting the correct revenue to DIA.

METHODOLOGY

We applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Reviewing prior Denver Auditor’s Office reports and relevant audit reports from other audit organizations
- Reviewing the rental car agreements between the City and two rental car companies, Avis and Alamo
- Interviewing key personnel from the Properties Division and Finance Unit, as well as personnel from the rental car companies, to obtain contextual information about the rental car process and relationship with DIA
- Reviewing the policies and procedures for DIA’s Properties Division and Finance Unit and comparing them to actual practices
- Reviewing the monthly reports and annual certification from the two rental car companies chosen for testing
- Validating calculations within the monthly and annual revenue reports that are provided by rental car companies
- Assessing controls surrounding the financial system, AMS
- Conducting a fraud analysis
- Testing the accuracy of concession fees, CFCs, and lease payments (terminal, ground, and facility) paid to DIA
- Reviewing contract administration practices for adequacy and alignment with the agreements and policies and procedures
FINDING

Denver International Airport’s Ineffective Control Environment for Managing Rental Car Agreements Results in Non-Compliance and Lost Revenue

Revenue generated from the 12 rental car companies operating at DIA was $85 million for 2015.6 In evaluating the administration of DIA’s agreements with each of these companies—both the Concession Agreement and Terminal Building Premises Lease (Concession Agreement) and the Car Rental Facilities and Ground Lease (Facilities and Ground Lease)—we found weaknesses that impact DIA’s ability to effectively collect all revenue due. We based these conclusions on our review of internal controls surrounding the management of the agreements and revenue collection practices.

Based on our assessment, we found that management of the rental car program needs improvement in two key areas. First, the oversight of the rental car agreements by the Properties Division is lacking and has resulted in lost revenue from satellite offices, incorrect fee payments, and non-compliance with agreement terms. Second, we found that the Finance Unit should strengthen financial controls over managing revenue reported by rental car companies and access to the current financial system. As such, we have made several recommendations to address control weaknesses and strengthen policies and procedures to ensure that DIA is collecting and recording the correct revenue.

The Properties Division Lacks Controls Surrounding the Concession Agreement and Facilities and Ground Lease

In evaluating the Properties Division’s administration of the Concession Agreements and Facilities and Ground Leases entered into with each of the 12 rental car companies, we identified significant weaknesses that impact the airport’s ability to effectively collect revenue due. Administration practices that we found to be ineffective including failing to enforce the agreement’s 20-mile radius clause; failing to provide rental car companies with correct ground, facility, and minimum annual guaranteed (MAG) amounts; and failing to enforce timely remittance of concession payments and certified annual revenue statements. A lack of proper administration in these areas precludes the Properties Division from effectively collecting all revenue due under the Concession Agreement and the Facilities and Ground Lease.

Revenue and Contract Compliance Testing—For the purpose of this audit, we conducted revenue and contract compliance testing on the Concession Agreement and the Facilities and Ground Lease for two companies operating at DIA—Avis and Alamo. In addition to our audit work, the DIA Internal Audit Division was also performing audit work over rental car company activity at DIA covering a similar time frame but with a differently defined scope of work. To avoid duplicating audit work with the DIA Internal Audit Division, we removed those rental car companies being audited by the DIA Internal Audit Division and then selected the remaining two rental car companies possessing the largest market share.

---

6 Total rental car revenue includes concession fees, terminal space rental fees, ground space rental fees, facility rental fees, and customer facility charges.
The Properties Division is Not Enforcing Revenue Collection for Rental Car Satellite Offices

Three sections in the Concession Agreement that DIA has entered into with the 12 rental car companies operating at DIA inform how the companies should calculate their annual gross receipts, based on number of airport customers, for the purposes of paying fees to DIA. Section 6.2 requires a rental car company to pay as concession fees an amount equal to 10 percent of the company’s annual gross receipts generated from airport customers. Section 1.1 of the Concession Agreement defines an “airport customer” as a customer of a rental car company who has arrived at DIA within 24 hours previous to entering into a motor vehicle rental agreement within a 20-mile radius of the Jeppesen Terminal. Section 6.2 requires that all motor vehicle rental agreements be printed in such a way as to allow customers to designate whether they are an airport customer. In addition to the concession fee, Section 6.6 of the Concession Agreement requires that a customer facility charge (CFC) of $2.15 per transaction day shall be imposed on all airport customers.7

As part of our revenue and compliance testing, we examined whether Avis was identifying airport customers at their two satellite offices. The audit team reviewed concession fee and CFC payments made to DIA from 2014 through 2016 and found that Avis was not remitting concession or CFC fees from either of its two satellite offices. Further, we noted that the customer contract used at both satellite offices does not include a place for customers to designate whether they are an airport customer. According to the Concession Agreement, any rental car company that fails to collect airport customer designation information shall then treat all customers as airport customers for purposes of computing compensation due to DIA.

As a result, all customers who rented vehicles from Avis’s two satellite offices from 2014 through 2016 should have been considered airport customers and, by extension, generated a concession fee of 10 percent of rental revenues, plus a $2.15 CFC fee charged for each day a car was rented by each customer. Additionally, Section 6.6 of the Concession Agreement provides for an 18 percent interest fee to be applied to all payments required under the agreement that are in default. The interest shall accrue until the payments in default are paid in full.

To assess how much revenue may be due to DIA from Avis, we obtained reports from Avis detailing transactions through the company’s two satellite offices for 2014, 2015, and 2016. Next, we determined total revenue subject to the concession fee and multiplied the result by 10 percent.8 Additionally, we calculated the total number of transaction days and multiplied the result by $2.15 to account for the CFC fee. Lastly, the interest fee of 18 percent per annum was added to the concession and CFC fees. In total, we determined that Avis owes DIA approximately $1.46 million for activity transacted through its two satellite offices for the time period tested. Table 2 shows our calculations in detail.

---

7 A per transaction day assessment means the $2.15 CFC charge would be applied for each day a rental car customer rented a car under their customer contract.
8 Not all revenue a rental car company receives is subject to a concession fee. Section 6.2 of the Concession Agreement permits some items to be deducted or excluded from total revenue prior to applying the 10 percent concession fee. The Introduction and Background section of this report explains these exclusions in detail.
TABLE 2. Estimated Amounts Due from Avis for Satellite Offices, 2014 – 2016

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Concession Fee</th>
<th>CFC Fee</th>
<th>Interest Fee</th>
<th>Period Estimate Due DIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar Year 2014</td>
<td>$222,161</td>
<td>$106,019</td>
<td>$211,028</td>
<td>$539,208</td>
</tr>
<tr>
<td>Calendar Year 2015</td>
<td>$251,560</td>
<td>$119,495</td>
<td>$145,601</td>
<td>$516,656</td>
</tr>
<tr>
<td>Calendar Year 2016</td>
<td>$233,549</td>
<td>$113,382</td>
<td>$62,446</td>
<td>$409,377</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$707,270</strong></td>
<td><strong>$338,896</strong></td>
<td><strong>$419,075</strong></td>
<td><strong>$1,465,241</strong></td>
</tr>
</tbody>
</table>

**Source:** Calculation based on data retrieved from annual customer activity reports reported by Avis’s two satellite offices.

After inquiring about the collection of fees from satellite offices, we were informed that the Properties Division has not enforced the agreement terms requiring rental car companies to submit fees for airport customers at satellite offices. Furthermore, Properties Division staff was unable to provide an accounting of all satellite offices within a 20-mile radius of the airport terminal. Therefore, we conducted research to identify all satellite offices of the 12 rental car companies operating at DIA that are located within a 20-mile radius of the Jeppesen Terminal and would be responsible for submitting airport customer fees.9

The prior concession agreement ending in 2013 explicitly stated that the 20-mile radius was to be measured by driving distance. However, the current concession agreement, effective in 2014, lacks such specific language. The distinction is critical because the number of satellite offices falling within the 20-mile radius varies depending on whether the method of measurement used is driving distance or aerial distance. Using driving distance, the audit team identified a total of 10 satellite offices. Table 3 shows specific details regarding the number of satellite offices by company name.

TABLE 3. Satellite Offices Operating Within 20-Mile Driving Radius of Jeppesen Terminal

<table>
<thead>
<tr>
<th>Rental Car Company</th>
<th>Number of Satellite Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>2</td>
</tr>
<tr>
<td>Hertz*</td>
<td>2</td>
</tr>
<tr>
<td>Enterprise</td>
<td>4</td>
</tr>
<tr>
<td>Avis</td>
<td>2</td>
</tr>
</tbody>
</table>

**Source:** Table developed by the Auditor’s Office based on data obtained from each of the rental car companies’ websites as of December 2016.

**Note:** Asterisk (*) indicates that according to DIA personnel, Hertz has reported having 8 satellite office.

Throughout the course of the audit, we discussed with key personnel the Properties Division’s failure to enforce the Concession Agreement’s 20-mile radius clause. As a result, the Properties Division has taken steps to collect past due concession and CFC fees owed from satellite offices that failed to remit fees for airport customers. As of December 2016, Avis has restated its 2015 Certified Annual

9 A satellite office is defined as an office, aside from the on-site location at DIA, of any of the 12 brands operating at DIA that is within a 20-mile radius of the Jeppesen Terminal.
Revenue Statement to account for its two satellite offices. The restatement resulted in an additional $144,650 payment to DIA.\textsuperscript{10} However, according to our calculations, the amount owed is significantly higher.

**RECOMMENDATION 1.1**

The SVP, Airline Affairs & Commercial Property should clarify whether the Concession Agreement’s 20-mile radius clause is to be measured by driving distance or aerial distance, create a listing of all current satellite offices that are within a 20-mile radius of the Jeppesen Terminal, and develop procedures to identify when new satellite offices are established.

*Agency Response: Agree, Implementation Date - March 1, 2017*

**RECOMMENDATION 1.2**

The SVP, Airline Affairs & Commercial Property should ensure that all rental car company customer contracts be designed to allow customers to designate on each agreement whether the customer is considered an airport customer.

*Agency Response: Agree, Implementation Date - June 1, 2017*

**RECOMMENDATION 1.3**

The SVP, Airline Affairs & Commercial Property should identify which of the satellite offices have failed to remit concession and CFC fees for airport customers over the period from 2014 through 2016 and collect the amount due, including interest.

*Agency Response: Agree, Implementation Date - July 1, 2017*

**Properties Division Did Not Provide Rental Car Companies with Accurate and Timely Rental Rates and MAG Rates**

Under Section 5.01 of the Facilities and Ground Lease, both ground and facility rental rates shall be reestablished on an annual basis, becoming effective January 1 of each year. Ground and facility rental rates are payable by the rental car companies on the first day of each month, in advance. Therefore, the Properties Division must provide the rental car companies with updated ground and facility rental rates prior to January 1 to allow the companies to pay the correct amount on time.

\textsuperscript{10} Budget Rent a Car is a subsidiary of Avis and, therefore, Avis has also submitted $70,304 in fees for airport customers at Budget’s two satellite offices. In addition, since Alamo is a subsidiary of Enterprise, the company representative informed auditors that revenues for airport customers at Enterprise’s four satellite offices have been submitted regularly.
Similarly, under Section 6.2 of the Concession Agreement, each rental company shall pay a MAG equal to the larger of 85 percent of the percentage-of-revenue-payable by the company in the preceding calendar year or the highest MAG amount on record for the company in any of the previous calendar years since 1999. Annually, the Properties Division is responsible for calculating the MAG and providing it to the rental car companies.

**Failure to Collect Facility Rent and Ground Rent**—According to the Properties Division’s policies and procedures, each year when ground and facility rates are reestablished, Properties Division staff send out a letter and a spreadsheet supporting the rental rate calculations to the 12 rental companies operating at DIA. These letters are to be sent at the beginning of September. All 12 rental companies receive the same joint letter and same spreadsheet. The two documents are to be delivered via email as well as Federal Express (for tracking purposes) to each company.

We identified a breakdown in the Properties Division’s procedure for informing rental car companies of reestablished rental rates. In 2014 and 2015, the Properties Division failed to provide Avis and Alamo with reestablished ground and facility rental rates until April and March respectively. As previously stated, to be timely, reestablished rental rates should be provided to the rental companies prior to the January 1 annual effective date. The Properties Division’s untimely deliverance resulted in Avis and Alamo paying outdated ground and facility rent for the first four months of 2014 and 2015. In April, when the reestablished rental rates were received by Alamo and Avis, the two companies made true-up payments to make up the difference between the four months of outdated rental rates actually paid and the reestablished rates. However, we determined that not all true-up payments were made. Avis underpaid facility rent by a total of approximately $6,600 for 2014; Alamo underpaid facility rent by $949 and underpaid ground rent by slightly more than $1,000 in 2014.

To determine how these underpayments occurred, we reviewed relevant source documentation and determined that invoices were not provided by the Properties Division for all four months. Payments were made only for the months that were invoiced.

![Facility and ground rent underpaid by approximately $8,550.](image)

**RECOMMENDATION 1.4**

The SVP, Airline Affairs & Commercial Property should establish procedures to ensure that updated rental rates are delivered to all 12 rental car companies in a timely manner that is compliant with the Facilities and Ground Lease as well as the Properties Division’s policies and procedures.

*Agency Response: Agree, Implementation Date – April 30, 2017*

**Failure to Accurately Calculate and Collect MAG Rate**—During our review of MAG payments, we determined that Alamo underpaid the annual MAG two years in a row: by $902,800 in 2015 and $434,654 in 2014. When determining why this occurred, we found that the Properties Division provided Alamo with a miscalculated monthly MAG rate in 2015, but only by $31; in 2014, the MAG rate was correct. Thus, the underpayments were not caused by the Properties Division giving the incorrect rate.
The amount of concession fees a rental car company pays is determined by the larger of the annual MAG or 10 percent of the company’s rental revenues for the year. Since Alamo’s 10 percent of rental revenue monthly payments exceeded the annual MAG for both 2014 and 2015, the calculated annual MAG underpayments were nullified. Nonetheless, Properties not only failed to provide Alamo with accurate monthly MAG amounts, it also failed to ensure the proper MAG payments were collected. Additionally, the audit team noted that Alamo overstated its August 2014 CFC fee by $224. This lack of oversight increases the risk that DIA will not collect all payments it is owed under the agreement.

**RECOMMENDATION 1.5**

The SVP, Airline Affairs & Commercial Property should implement procedures to ensure that both the correct MAG rates are provided to the rental car companies as well as to ensure all MAG payments received are in the correct amount.

Agency Response: Agree, Implementation Date – April 30, 2017

**Properties Division Did Not Ensure Year-End Certified Annual Revenue Statements and Year-End Revenue Concession Payments Were Received Timely**

Under Section 6.2 of the Concession Agreement, all rental car companies are required to submit a revenue statement detailing all rental car revenues and business transacted during the preceding calendar year by April 15. This revenue statement, referred to as a Certified Annual Revenue Statement, must be certified by an authorized representative of the company. Typically, rental car companies remit the Certified Annual Revenue Statement along with a cover letter explaining what year the submitted statement covers, who the certifying officer of the company is, and the date of submission. Based on the date of the cover letter that accompanied Avis’s 2015 Certified Annual Revenue Statement, it appears the Properties Division did not receive the information by the deadline of April 15, 2016.

Additionally, included as part of the Certified Annual Revenue Statement is a schedule showing the amount of concession fees owed for the entire calendar year, calculated as the larger of 10 percent of rental car revenues or the annual MAG, compared to what the rental car company actually paid for the entire calendar year. This schedule is referred to by both the rental car companies and the Properties Division as the “year-end true-up process.” When this schedule is prepared at year-end, often the result is either an additional balance due by the rental car company or a balance owed back to the company from DIA.

The reason for the true-up process is because each month a rental company pays the larger of the monthly MAG or 10 percent of rental car revenues. Some months only the MAG is paid, resulting in a proportionately small monthly payment. Likewise, some months the amount of rental activity is high, so the monthly MAG is exceeded, and 10 percent of rental car revenue is paid, resulting in a proportionately large monthly payment. At year-end, when all twelve months’ payments are compared against the larger of 1) the annual MAG or 2) 10 percent of annual rental car revenues, either a positive or negative balance will exist. A positive balance represents the amount that is to be credited back to the rental car company for overpayment. On the other
hand, a negative balance represents the amount that is to be additionally paid by the rental car company to DIA.

The Concession Agreement requires that any additional true-up amounts due to DIA by a rental car company be promptly paid by the company. Further, the Properties Division’s policies and procedures stipulate that, when an excess amount is due to DIA, a rental car company should submit payment along with the Certified Annual Revenue Statement. However, it appears that Avis did not submit the $384,199 balance it owed to DIA as part of its 2014 year-end true-up process until September 2015—five months after Avis submitted its 2014 Certified Annual Revenue Statement. Not ensuring prompt payment of year-end true-up payments increases the risk of uncollected revenue.

RECOMMENDATION 1.6

The SVP, Airline Affairs & Commercial Property should establish procedures to monitor the timeliness of the submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments.

Agency Response: Agree, Implementation Date – April 30, 2017

Properties Division Practices Do Not Align with Policies and Procedures

We found that roles and responsibilities in the Properties Division need to be clarified and the associated policies and procedures need to be updated. Specifically, audit work comparing key controls in the Properties Division’s policies and procedures to actual practices revealed a number of areas where the Properties Division does not consistently adhere to processes required in the policies and procedures. Similarly, we found examples where the policies and procedures need updating or strengthening.

Current Practices in the Properties Division Do Not Align with Policies and Procedures—We identified a number of areas where current Properties Division practices differed from those outlined in the policies and procedures. To assess the control environment in the Properties Division, we identified controls in the policies and procedures that would enhance the Properties Division’s ability to monitor the rental car agreements and compared them to current practices. This review revealed four areas where not only is the Properties Division not complying with its policies and procedures, but doing these things on a regular basis would help Properties better oversee the rental car agreements and fulfill its contract administrator role.

First, the Car Rental Properties Manager does not obtain a copy of the concession revenue monthly reports, as required by the policies and procedures. In addition to obtaining a copy of the reports, the policies and procedures specify that the Car Rental Properties Manager should review the deductions on the monthly reports for appropriateness and confirm the concession fee calculation. The Manager is then required to assess the information by inputting the data into a spreadsheet, reviewing the activity for reasonableness, and conducting various comparisons, including comparing the current month to the prior month, the current month to the same month prior year, the net revenue per acre, and the net revenue per square foot. Properties staff reported that they do not do perform these activities. The spreadsheet is filled in by Finance Unit personnel. Another staff member in Finance previously managed this spreadsheet, but is no longer employed by the City. As a result, it is unclear who will be responsible for tracking this information going
forward. The Director of Rental Car Services reported that they want a contract administrator to review this information and anticipate being able to do this when a currently open position is filled.

Second, the Car Rental Properties Manager is not involved in the annual statement process as is outlined in the policies and procedures. This person does not receive the annual statements from the rental car companies and does not conduct the reconciliation. This is also performed by staff in the Finance Unit.

Third, Properties staff confirmed that they do not conduct regular tenant file reviews as required by the policies and procedures. Staff reported that there is a document to record a quarterly tenant file review, but they would not provide it to auditors because it is not up to date, so we concluded that this review is not completed on a regular basis as is required by the policies and procedures.

Finally, the Properties Division does not prepare the reports related to rental car companies' revenue as outlined in the policies and procedures. The following three reports required by policies and procedures are not produced:

- **Airport Revenue Report**—This is a monthly report on the operating activity of the various disciplines, or revenue-generating areas, at DIA. Properties Division staff provided an Airport Concessions Revenue Report, but it did not include rental cars.

- **Analysis of the rental car facility rent and concession fee activity**—This is a monthly revenue analysis. Properties Division staff was unable to provide this analysis. The Director of Rental Car Services reported that they are working on a “revenue dashboard” to capture this information.

- **Revenue Forecast Report**—According to the policies and procedures, this “is a monthly report that tracks numerous statistics across all Property Management disciplines.”\(^\text{11}\) Some of the statistics to be included in the report are passenger counts by originating and destination, by month and by airline, operating revenues by discipline, revenue per passenger, revenue growth versus passenger growth, and landing fees versus enplanements. Properties staff reported that this is produced by Finance, along with revenue versus collection amounts, but we did not receive a report with this type of information from Finance.

Properties staff indicated that most reporting and analysis related to rental car revenues is performed by the Finance Unit. We identified three reports that the Finance Unit produces on a regular basis that are available to Properties staff via DIA’s shared drive:

- The Car Rental Revenue report with rental car revenue filled in for each month in the year

- The report comparing current rental car revenue to the prior year, produced on a monthly and an annual basis

- The Aged Open Receivables report

Properties staff provided reports not outlined in the policies and procedures which include, year-to-year comparisons of data points beyond gross revenue and reports that indicate some revenue forecasting is being conducted. Although these reports can be used to analyze revenue data, not all information was up-to-date, indicating that DIA may not be consistently analyzing it. In addition, Properties personnel provided limited support for such review or analysis. Staff reported

---

\(^{11}\) Property Management Car Rental Activity and Financial Reporting, procedure #170 on page 23.
that responsibility for producing the various reports has changed with changing roles at DIA. We asked high-level staff in the Properties Division how they use the information and support provided was that revenue information is included in discussions of total airport revenue in quarterly meetings with airline representatives.

Obtaining and monitoring the rental car companies’ monthly reports and annual statements and conducting regular file reviews would help the Properties Division monitor rental car companies’ revenues and ensure that payments are accurate. Further, producing or obtaining reports can help Properties better manage rental car services and ensure that rental car companies are in compliance with reporting and payment requirements.

**Some Policies and Procedures Need To Be Updated**—We also identified requirements in the policies and procedures that are not critical control areas, but that are outdated and need to be clarified and updated, as follows:

- The policies and procedures state that the Contract Administrator reviews the Aged Receivables report and develops the collection strategy, then sends documentation of the strategy to the Car Rental Properties Manager. However, the Contract Administrator is currently filling both these positions.

- The policies and procedures specify rental car related documentation that must be retained. For example, in addition to the monthly reports and annual statements, Properties must retain copies of the spreadsheets used to calculate changes to the concession fee or facility rent amount, and the accompanying notification letters sent to the rental car companies. In obtaining this information during the audit, we found that it is not consistently retained in a single location. For example, we obtained a copy of the emails sent to the rental car companies notifying them of the updated rates for 2014 and 2015, but these emails came from a single employee. If a concern was raised about rates or communication of the rates, Properties should have and be able to provide documentation to support their actions. This is also important because PROPworks will be utilized going forward and it does not keep historical rate information.

- The policies and procedures regarding annual changes only address the facility rent and/or concession fee; they do not address any changes made to the ground rent or the terminal space rent. The policies and procedures should address all the rent amounts that can change from year to year.

- The rental car company is required to send a copy of the annual statement to the City Treasurer, and the Car Rental Properties Manager is required to contact the Treasurer to confirm that they received a copy. However, Properties personnel were not aware of this requirement or the reason for it.

The Properties Division’s policies and procedures are dated June 2009, and Properties Division staff acknowledged that they are in need of updating. However, more important than ensuring that policies and procedures are current is ensuring that they are complete and thorough to help the Properties Division meet its responsibility for overseeing the rental car agreements and providing adequate contract administration. The Standards for Internal Control in the Federal Government (Standards), promulgated by the U.S. Government Accountability Office, provide guidance on establishing a system of internal control and providing oversight of that system to help ensure the agency fulfills its responsibilities and achieves its objectives. The 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.

**Payment Information from Rental Car Companies Is Self-Reported and Is Not Verified**

Audit work revealed that no staff in the Properties Division or in the Finance Unit check or verify the revenue data that is self-reported by the rental car companies. Properties Division staff confirmed that they do not require or request information or documentation from the rental car companies to support the monthly and annual information submitted (e.g., gross revenue, deductions, and other data such as transaction days for the CFC payment).

As in the Properties Division, staff in the Finance Unit confirmed that they do not require or request information or documentation from the rental car companies to support their self-reported revenue information. Additionally, Finance does not request supporting documentation when rental car companies report adjusted numbers. We also found that when conducting the true-up process at year-end, if an amount on the annual statement differs from an amount on the monthly report, it appears that Finance use the amount reported on the annual statement.

Staff explained that the monthly reports and annual statements are certified by a company representative. However, 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. We sampled 56 customer contracts from Alamo to verify that the revenue amounts reported on the contracts were properly reported to the Properties Division. Alamo was unable to locate 4 of the 56 (8 percent) customer contracts. Alamo does not archive electronic copies of its customer contracts, retaining only original hard copies. The Properties Division’s failure to monitor customer contracts (i.e., support documentation) increases the risk of revenue-related errors and omissions on the part of the rental car companies going undetected.

Executive Order 8 specifies that contracts are considered one of the highest administrative priorities within the City and directs each department or agency to ensure contract compliance throughout the life of the contract. Because the Properties Division is responsible for contract administration, it should develop practices that will help ensure that rental car companies submit accurate revenue in compliance with the agreements. This would include establishing procedures to periodically verify that information reported by rental car companies under the Facilities and Ground Lease and Concession Agreement are received and accurate, including ground and facility, MAG, and true-up payments. This can be done on a risk-based or spot-check basis.

---

**RECOMMENDATION 1.7**

The SVP, Airline Affairs & Commercial Property should identify key controls for ensuring that rental car companies pay the accurate fee amounts as outlined in the rental car agreements, identify the staff responsible for associated duties, and update its policies and procedures accordingly.

**Agency Response:** Agree, Implementation Date – April 30, 2017

---

12 Executive Order 8, Section 1.0.
Terminal Space Is Currently Leased without a Contract in Place

During audit work, we discovered that Avis and Alamo are leasing counter space in the terminal without a current contract and according to the Contract Administrator, the other rental car companies were in a similar situation. One of the lease terms in the Concession Agreement executed in November 2014 was for “terminal building premises”, or the counter space in the terminal where customers can rent vehicles. Properties staff reported that when the Concession Agreement was amended in 2015, the terminal space leases were removed because DIA expected the counter space to be removed as part of the redevelopment of the terminal’s Great Hall. The rental car companies ceased operations at their counters at the end of 2015. However, redevelopment fell behind schedule and, upon request from the rental car companies, DIA agreed to allow the companies to continue operating their counters on a short-term basis.

Because the Properties Division expected the rental car companies to use the counter space for approximately three months at the beginning of 2016, DIA sought to put a short-term solution in place. For each rental car company, the Properties Division executed a permit for the month of January 2016, and drafted a two-month permit for each company for February and March 2016. However, during this time, DIA management decided that continued operations at the counter space would no longer be short-term. Because permits are used for short-term agreements, DIA decided that the counters should be under a lease, so the two-month permits were not executed.

Properties staff initiated one lease for review and approval of DIA management and reported that they are drafting the other seven leases. However, as of the conclusion of audit work, the leases had not been finalized. As a result, the rental car companies are operating at counter space that is not subject to a current executed contract.

Despite the lack of a lease, we verified that Avis and Alamo are paying for the counter space. However, this informal arrangement runs contrary to City policy. The City’s Contract Basics Handbook, dated October 30, 2012, states that a contract is created when one party gives something of value to another party and expects to receive something of value in return. In addition, Executive Order 8 outlines a systematic contracting process by which to ensure that all requirements of the Executive Order are met, since contracts create legal obligations. The lack of a current executed contract leaves DIA vulnerable to the possibility that rental car companies will not continue to pay. Without an executed contract in place, DIA would not have a legal basis to require payment.

**RECOMMENDATION 1.8**

The SVP, Airline Affairs & Commercial Property should finalize and execute the contracts for counter space in the terminal that are currently in process.

*Agency Response: Agree, Implementation Date – April 30, 2017*

DIA’s Finance Unit Could Strengthen Financial Controls To Help Ensure that Rental Car Companies Are in Compliance with Terms of the Agreements

Our audit identified several areas where the DIA Finance Unit’s practices for monitoring rental car companies’ compliance with the rental car agreements could be improved. First, we found that the Finance Unit incorrectly credited a refund for usage fees to the facility rent account, where
the rental car companies had on record that the credit would be issued against their MAG payments and not their facility rent. Second, the Finance Unit was unable to provide source documentation for interest write-offs and credit memo transactions and, as such, we could not test to determine whether segregation of duties existed in handling these transactions. Third, with regard to creating and approving journal entries, we found that inappropriate system access and lack of segregation of duties existed. Lastly, we determined that DIA’s financial practices are not in alignment with their policies and procedures. The following subsections explain these weaknesses in greater detail.

The DIA Finance Unit Incorrectly Recorded Credit Memos and Could Not Provide Interest Write-Off and Credit Memo Source Documentation—We found two areas where the DIA Finance Unit lacks adequate controls to ensure that credit memos and interest write-offs are properly approved and recorded. First, we noted that in 2014, the rental car companies operating at DIA received a refund in the form of a credit memo for usage fees that were to be returned to rental car companies as a result of a bond series being retired. Usage fee payments from the rental car companies are pledged towards bond payments, and when the bonds are paid off with excess, the excess money is returned to the rental car companies. The credit memo, which totaled $941,000, was originally to be credited against each company’s MAG payments and recorded in DIA’s Concession Revenue account in the general ledger. However, this credit was instead issued against the facility rent account in the general ledger, resulting in a debit balance in the revenue account. We determined that this happened because the DIA Finance Unit lacks adequate controls to ensure that credit memos are properly approved and recorded. Recording such a large credit against the facility rent would take almost a year and a half to offset, whereas if the credit had been appropriately applied to the MAG account, it would have been fully offset after three months. Failure to properly record credit memos in the general ledger could lead to unauthorized transactions, which may not be detected in a timely manner.

Second, we were unable to determine whether segregation of duties exists in interest write-offs and credit memos because the DIA Finance Unit was unable to locate and provide the source documentation for any interest write-offs and credit memo transactions collected in our sample. Therefore, we were unable to conclude whether DIA properly segregated the duties of the preparer and approver of the journal entries. However, we did find that credit memos and interest write-offs were properly calculated for both 2014 and 2015. When it exists, a lack of segregation of duties increases the risk of improperly recorded or authorized credit memos and interest write-offs. According to the Finance Department’s Revenue-Accounts Receivable Procedures, sub-process 4.16-2 states that the Accounting Tech should forward the hard copy of the write-offs and memos to the Supervisor in Revenue Accounting, who should file the invoice with supporting documentation in a Credit Memo Binder.

**RECOMMENDATION 1.9**

The SVP of Financial Management should implement internal controls to properly record credit memos, and store support documentation.

*Agency Response: Agree, Implementation Date – March 31, 2017*
Inappropriate Access Exists in DIA Finance Unit’s Accounting System—Our audit work determined that former and current employees had inappropriate access to DIA’s accounting system, AMS Advantage® (AMS), specifically with access to creating and approving journal entries. Overall, we found 17 user accounts with access to both create and approve journal entries.

In addition to the inappropriate access for both creating and approving journal entries, we found that 7 AMS system users appeared to have inappropriate access to create journal entries. Out of 38 users with access to create journal entries, we noted the following:

- 31 users had appropriate access to create journal entries.
- 3 users had inappropriate access subsequent to termination. However, these users’ Active Directory (AD) network access was appropriately removed on their date of termination. Without network access, these users would not have been able to access DIA’s accounting system. DIA’s Information Technology (IT) team has subsequently removed these users’ AMS access.
- Access for 3 other users is currently being reviewed by DIA management because they do not appear to be appropriate based on user responsibilities.
- 1 user had inappropriate access to create journal entries, although general access to the accounting system was required. DIA’s IT team has subsequently limited this user’s access to prevent access to creating journal entries.

In addition to finding inappropriate access to create journal entries, our audit work noted inappropriate access to approving journal entries. Out of the 25 users with access to approve journal entries, we noted the following:

- 5 current users had inappropriate access to approve journal entries.
- 5 other users had inappropriate access subsequent to termination. However, these users’ AD network access was appropriately removed on their date of termination. Without network access, these users would not have been able to access DIA’s accounting system. DIA’s IT team has subsequently removed these users’ AMS access.

No rules or policies are in place to prohibit approvers from approving journal entries that they created, which represents a lack of segregation of duties. Inappropriate access, without proper segregation of duties, increases the risk of fictitious or premature revenue recognition, which could ultimately result in fraud. Recent turnover in DIA management has caused a delay in regular access reviews and, as such, access has not been reviewed recently. According to the American Institute of CPAs, internal controls that are commonly evaluated regarding journal entries include segregation of duties regarding the authorizing, posting, reviewing, and reconciling of journal entries.

---

13 AMS (American Management Systems) Advantage® is the financial management system currently used by Denver International Airport. AMS is slated to be replaced by the City’s Workday system in 2017.
**RECOMMENDATION 1.10**

The SVP of Financial Management should ensure that access reviews for creating and approving journal entries within DIA’s accounting system be implemented. Additionally, internal controls should be designed to introduce proper segregation of duties so users do not have the ability to approve a journal entry that they created.

**Agency Response: Agree, Implementation Date - February 28, 2017**

---

**Finance Unit Practices Do Not Align with Policies and Procedures**

As in the Properties Division, our audit work showed that practices in the Finance Unit do not consistently adhere to established policies and procedures, and that the policies and procedures are out of date. Audit work confirmed that the Finance Unit has staff dedicated to processing rental car companies’ payments and reports. These staff monitor whether rental car companies submit payments and reports as required. Finance Unit staff follow up when payments are late or inaccurate. Our testing found that rental car companies’ reports and payments are submitted timely. However, our interviews and gap analysis testing, which included comparing policies and procedures to actual processes, revealed weaknesses in the Finance Unit’s practices. These weaknesses inhibit the Finance Unit’s ability to ensure that rental car companies comply with monthly payments and reports as well as annual statement submission requirements.

The Auditor’s Office recently identified similar weaknesses in an audit of DIA’s airline agreements, which DIA is presently working to remedy. In response to the recommendations we made in the airline agreements audit report, DIA outlined several actions it will take by the end of January 2017 to improve its policies and procedures. Specifically, DIA is migrating to a new financial system called Workday, as is the City and County of Denver. DIA will also be implementing PROPworks as its new revenue accounting system. As part of these projects, DIA Finance personnel report that they are in the process of reviewing and updating all revenue related procedures.

We found three specific areas where the Finance Unit does not adhere to the control-related practices that are outlined in its policies and procedures. First, the monthly revenue spreadsheet, which is completed on a monthly basis, is not being sent to the rental car companies. Second, the Finance Unit does not conduct quarterly reconciliations, one of which is required by the policies and procedures. This is due to a process change associated with the implementation of Workday. Third, Finance Unit staff were unable to demonstrate that reports are stored in a consistent way and in a consistent location.

In addition to the Finance Unit not always following their established policies and procedures, we identified a number of examples where the policies and procedures need to be updated to

---


15 Work on this rental car agreements audit was completed prior to DIA’s recommendation implementation date of January 31, 2017. At that time, the Auditor’s Office had not yet started follow-up work on the DIA airline agreements audit to determine whether the revenue-related procedures have been reviewed and updated.

16 The City recently elected to replace PeopleSoft with Workday to manage all human resources, payroll, and financial business processes. Employees will use Workday to manage their benefits, pay-related information, and personal information. The City’s financial community will use Workday for financial business processes such as creating requisitions, paying vendors, and processing journal entries.
reflect current practices. For example, some procedures refer to practices that are no longer relevant, such as filing hard copy records; DIA now keeps all records electronically. In another area, we noted a provision that conflicts with the Concession Agreement. The policies and procedures require that annual statements be certified by independent accountants, yet the Concession Agreement only requires certification by an authorized representative of the rental car company.

Other areas of the policies and procedures lack sufficient clarity surrounding roles. For example, one procedure specifies that the Accounts Receivable Accountant creates invoices and credit memos, but we determined through interviews that a different person actually performs these duties. Interview data also revealed confusion regarding who is responsible for the year-end true-up process. Finally, we identified some provisions where we question whether the Finance Unit is the appropriate entity to handle the procedure or if it would be better handled by the Properties Division. For example, the Finance Unit’s policies and procedures require the comparison of current rental car revenues to corresponding results from the prior year. However, as the entity charged with managing the rental car agreements, the Properties Division is responsible for tracking and analyzing this type of revenue information.

As referenced in our previous discussion of the Properties Division, the U.S. Government Accountability Office (GAO) offers relevant guidance regarding the creation of robust policies and procedures. GAO’s 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 that the agency fulfills its responsibilities and achieves its objectives. Additionally, the 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 that roles and responsibilities are clear and that established practices provide robust oversight of the rental car agreements.

**RECOMMENDATION 1.11**

The SVP of Financial Management should update the Finance Unit’s policies and procedures to ensure that they reflect current practices and provide sufficient clarity regarding staff responsible for key controls.

*Agency Response: Agree, Implementation Date – February 28, 2017*

**RECOMMENDATION 1.12**

The SVP of Financial Management should collaborate with the SVP of Airline Affairs and Commercial to establish surrounding clarity of roles between the two groups where policies and procedures overlap.

*Agency Response: Agree, Implementation Date – February 28, 2017*
Weaknesses in Denver International Airport's Management of Rental Car Agreements Have Several Negative Effects

We identified three negative impacts that result from the weaknesses discussed. First, the weak oversight and control environment in both the Properties Division and Finance Unit increases the risk of DIA losing revenue. For example, failure to monitor satellite offices led to lost CFC and concession revenue and interest payments, potentially to a much greater extent beyond what we tested for in this audit. In the case of the year-end true-up process, DIA is forgoing the use of the additional revenue until the true-up payments are received. In addition, DIA has to forgo use of the revenue from the time rent payments were due until it actually receives the late rent payment. With regard to allowing self-reported data from rental car companies, reports may include inaccurate data, which would result in inaccurate amounts paid to DIA.

Second, in the present control environment the risk of fraudulent transactions increases. Specifically, credit memos and interest write-offs could be improperly recorded in the general ledger and unauthorized transactions could be made and not be detected in a timely manner. Further, inappropriate access to create and approve journal entries could lead to fictitious or premature revenue recognition, which may be a result of fraud. This may also be the case for inappropriate segregation of duties, in which some staff have access to approve journal entries that they created.

Finally, these weaknesses can create additional administrative burdens. For example, late submission of the Certified Annual Statement delays both the annual true-up process as well as any review or reconciliation that DIA performs of gross revenue, deductions, exclusions, transaction days, and CFCs. Additionally, when updated fee and lease amounts are not communicated to the rental car companies in a timely manner, the outdated amounts paid by the rental car companies must be adjusted, creating added work for both the rental car companies and DIA’s Finance staff.
**RECOMMENDATIONS**

We offer the following 12 recommendations to improve Denver International Airport’s administration of rental car agreements 8 related to the Properties Division and 4 related to the Finance Unit.

1.1 **Enhance Oversight of Satellite Offices** - The SVP, Airline Affairs & Commercial Property should clarify whether the Concession Agreement’s 20-mile radius clause is to be measured by driving distance or aerial distance, create a listing of all current satellite offices that are within a 20-mile radius of the Jeppesen Terminal, and develop procedures to identify when new satellite offices are established.

   **Auditee Response: Agree, Implementation Date - March 1, 2017**

   Auditee Narrative: The Properties Division is in the process of updating the Rental Car Policies and Procedures. The new policies and procedures will follow a three-step verification process in accordance with applicable lease terms. This process will clarify the 20-mile radius clause to be measured by driving distance and not aerial distance; outline the number of satellite locations within the radius clause; and confirmation of operational parameters for reporting accurate transactions.

1.2 **Identify Airport Customers** - The SVP, Airline Affairs & Commercial Property should ensure that all rental car company customer contracts be designed to allow customers to designate on each agreement whether the customer is considered an airport customer.

   **Auditee Response: Agree, Implementation Date - June 1, 2017**

   Auditee Narrative: The new Policies and Procedures will include an annual notification to the rental car companies to submit proof of customer contract verification for each valid location.

1.3 **Collect Fees for Airport Customers** - The SVP, Airline Affairs & Commercial Property should identify which of the satellite offices have failed to remit concession and CFC fees for airport customers over the period from 2014 through 2016 and collect the amount due, including interest.

   **Auditee Response: Agree, Implementation Date - July 1, 2017**

   Auditee Narrative: The Properties Division is coordinating with the Finance and Legal Units to identify and collect concession and CFC fees from the satellite offices which failed to remit over the period from 2014 through 2016.

1.4 **Provide Updated Rates** - The SVP, Airline Affairs & Commercial Property should establish procedures to ensure that updated rental rates are delivered to all 12 rental car companies in a timely manner that is compliant with the Facilities and Ground Lease as well as the Properties Division’s policies and procedures.

   **Auditee Response: Agree, Implementation Date - April 30, 2017**
Auditee Narrative: The Division’s new policies and procedures will ensure that updated rental rates are delivered to all 12 rental car companies in compliance with the Facilities and Ground Lease. Additionally, the Commercial Property Manager will confirm rental payments are in accordance with the new rates.

1.5 Provide and Review MAG Amounts - The SVP, Airline Affairs & Commercial Property should implement procedures to ensure that both the correct MAG rates are provided to the rental car companies as well as to ensure all MAG payments received are in the correct amount.

**Auditee Response: Agree, Implementation Date - April 30, 2017**

Auditee Narrative: The Properties Division will ensure that updated MAG rates are delivered to all 12 rental car companies in compliance with the Concession Agreement. The Division will also incorporate into the policies and procedures an annual review by the Commercial Property Manager of the MAG payments to ensure compliance.

1.6 Timely Submission of Statements - The SVP, Airline Affairs & Commercial Property should establish procedures to monitor the timeliness of the submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments.

**Auditee Response: Agree, Implementation Date - April 30, 2017**

Auditee Narrative: The Division’s new policies and procedures will include collaboration with the Finance Unit to monitor timely submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments. The policies and procedures will include notification to rental car companies who have failed to submit their Annual Statements according to the Concession Agreement as well as any required additional year-end concession payments.

1.7 Identify Key Controls - The SVP, Airline Affairs & Commercial Property should identify key controls for ensuring that rental car companies pay the accurate fee amounts as outlined in the rental car agreements, identify the staff responsible for associated duties, and update its policies and procedures accordingly.

**Auditee Response: Agree, Implementation Date - April 30, 2017**

Auditee Narrative: The Division’s new policies and procedures will include collaboration with the Finance Unit to verify the correct fee amounts are submitted timely. Additionally, the Policies and Procedures will include at least an annual review by the Commercial Property Manager of all fees and payments submitted to ensure contract compliance.

1.8 Terminal Space - The SVP, Airline Affairs & Commercial Property should finalize and execute the contracts for counter space in the terminal that are currently in process.

**Auditee Response: Agree, Implementation Date - April 30, 2017**
Auditee Narrative: The Terminal Counter Space Agreements are currently in process and should be fully executed by Target date.

1.9 **Credit Memos** The SVP of Financial Management should implement internal controls to properly record credit memos, and store support documentation.

**Auditee Response: Agree, Implementation Date - March 31, 2017**

Auditee Narrative: A policy has been created and will be implemented February, 2017, requiring that a credit memo can only be issued within the same revenue item that the overpayment originated from. The policy also includes specific authorization limits for a credit memo approval. Additionally, and as noted in the 2016 Airline Agreement Audit response, we are in the process of updating every accounting procedure in DEN’s Finance division in anticipation of implementing Workday financials in 2017. Workday will deliver capability to attach supporting documentation to a credit memo transaction. Meanwhile and until Workday is implemented, DEN Finance will maintain a documentation file for credit memo’s by customer.

1.10 **Access Controls** The SVP of Financial Management should ensure that access reviews for creating and approving journal entries within DIA’s accounting system be implemented. Additionally, internal controls should be designed to introduce proper segregation of duties so users do not have the ability to approve a journal entry that they created.

**Auditee Response: Agree, Implementation Date - February 28, 2017**

Auditee Narrative: DEN Finance created a roles based access matrix ensuring separation of duties for both AMS and Peoplesoft in January 2017. Maintenance to both systems using the new matrix was performed in late January. Additionally, an access control process and procedure has been completed and will be administered by DEN Financial Management within the General Accounting section within the Controller’s group. This team will remain the central point of contact for financial systems access and maintenance at DEN once Workday is implemented.

1.11 **Update Financial Policies and Procedures** The SVP of Financial Management should update the Finance Unit’s policies and procedures to ensure that they reflect current practices and provide sufficient clarity regarding staff responsible for key controls.

**Auditee Response: Agree, Implementation Date - February 28, 2017**

Auditee Narrative: We are in the process of evaluating and updating every procedure in Finance in anticipation of implementing Workday financials. Part of our process going forward includes a mandatory annual review of every procedure. We also migrated Rental Car revenue accounting from Excel to PROPWorks in October, 2016. PROPWorks is the standard software for major airports in the USA.

1.12 **Clarify Properties Policies and Procedures** The SVP of Financial Management should collaborate with the SVP of Airline Affairs and Commercial to establish surrounding clarity of roles between the two groups where policies and procedures overlap.

**Auditee Response: Agree, Implementation Date - February 28, 2017**
Auditee Narrative: The Rental Car accounting procedure is being “peer” reviewed by the Revenue Management team and vice versa. As part of the cross functional procedure review, we will clarify and confirm roles and responsibilities. All of DEN Finance’s policies and procedures will be accessible to the entire airport through a Sharepoint site.
February 3, 2017

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 Rental Car Agreements.

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 12, 2017. 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 Ineffective Control Environment for Managing Rental Car Agreements Results in Non-Compliance and Lost Revenue.

RECOMMENDATION 1.1
The SVP of Airline Affairs and Commercial should clarify whether the Concession Agreement’s 20-mile radius clause is to be measured by driving distance or aerial distance, create a listing of all current satellite offices that are within a 20-mile radius of the Jeppesen Terminal, and develop procedures to identify when new satellite offices are established.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>03/01/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1
The Properties Division is in the process of updating the Rental Car Policies and Procedures. The new policies and procedures will follow a three-step verification process in accordance with applicable lease terms. This process will clarify the 20-mile radius clause to be measured by driving distance and not aerial distance; outline the number of satellite locations within the radius clause; and confirmation of operational parameters for reporting accurate transactions.
### RECOMMENDATION 1.2
The SVP of Airline Affairs and Commercial should ensure that all rental car company customer contracts be designed to allow customers to designate on each agreement whether the customer is considered an airport customer.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>06/01/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.2**
The new Policies and Procedures will include an annual notification to the rental car companies to submit proof of customer contract verification for each valid location.

### RECOMMENDATION 1.3
The SVP of Airline Affairs and Commercial should identify which of the satellite offices have failed to remit concession and CFC fees for airport customers over the period from 2014 through 2016 and collect the amount due, including interest.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>07/01/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.3**
The Properties Division is coordinating with the Finance and Legal Units to identify and collect concession and CFC fees from the satellite offices which failed to remit over the period from 2014 through 2016.
RECOMMENDATION 1.4
The SVP of Airline Affairs and Commercial should establish procedures to ensure that updated rental rates are delivered to all 12 rental car companies in a timely manner that is compliant with the Facilities and Ground Lease as well as the Properties Division’s policies and procedures.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>04/30/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.4
The Division’s new policies and procedures will ensure that updated rental rates are delivered to all 12 rental car companies in compliance with the Facilities and Ground Lease. Additionally, the Commercial Property Manager will confirm rental payments are in accordance with the new rates.

RECOMMENDATION 1.5
The SVP of Airline Affairs and Commercial should implement procedures to ensure that both the correct MAG rates are provided to the rental car companies as well as to ensure all MAG payments received are in the correct amount.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>04/30/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.5
The Properties Division will ensure that updated MAG rates are delivered to all 12 rental car companies in compliance with the Concession Agreement. The Division will also incorporate into the policies and procedures an annual review by the Commercial Property Manager of the MAG payments to ensure compliance.
### RECOMMENDATION 1.6

The SVP of Airline Affairs and Commercial should establish procedures to monitor the timeliness of the submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>04/30/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.6**

The Division’s new policies and procedures will include collaboration with the Finance Unit to monitor timely submission of both the Certified Annual Revenue Statements as well as any required additional year-end concession payments. The policies and procedures will include notification to rental car companies who have failed to submit their Annual Statements according to the Concession Agreement as well as any required additional year-end concession payments.

### RECOMMENDATION 1.7

The SVP of Airline Affairs and Commercial should identify key controls for ensuring that rental car companies pay the accurate fee amounts as outlined in the rental car agreements, identify the staff responsible for associated duties, and update its policies and procedures accordingly.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>04/30/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.7**

The Division’s new policies and procedures will include collaboration with the Finance Unit to verify the correct fee amounts are submitted timely. Additionally, the Policies and Procedures will include at least an annual review by the Commercial Property Manager of all fees and payments submitted to ensure contract compliance.
RECOMMENDATION 1.8
The SVP of Airline Affairs and Commercial should finalize and execute the contracts for counter space in the terminal that are currently in process.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>04/30/2017</td>
<td>Mukesh (Mookie) Patel, SVP, Airline Affairs &amp; Commercial Property (303)342-2501</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.8
The Terminal Counter Space Agreements are currently in process and should be fully executed by Target date.

RECOMMENDATION 1.9
The SVP of Financial Management should implement internal controls to properly record credit memos, and store support documentation.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>March 31, 2017</td>
<td>Hugh Curran SVP, Financial Management (303)342-2296</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.9
A policy has been created and will be implemented February, 2017, requiring that a credit memo can only be issued within the same revenue item that the overpayment originated from. The policy also includes specific authorization limits for a credit memo approval. Additionally, and as noted in the 2016 Airline Agreement Audit response, we are in the process of updating every accounting procedure in DEN’s Finance division in anticipation of implementing Workday financials in 2017. Workday will deliver capability to attach supporting documentation to a credit memo transaction. Meanwhile and until Workday is implemented, DEN Finance will maintain a documentation file for credit memo’s by customer.
RECOMMENDATION 1.10
The SVP of Financial Management should ensure that access reviews for creating and approving journal entries within DIA’s accounting system be implemented. Additionally, internal controls should be designed to introduce proper segregation of duties so users do not have the ability to approve a journal entry that they created.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>February 28, 2017</td>
<td>Hugh Curran SVP, Financial Management (303)342-2296</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.10
DEN Finance created a roles based access matrix ensuring separation of duties for both AMS and Peoplesoft in January 2017. Maintenance to both systems using the new matrix was performed in late January. Additionally, an access control process and procedure has been completed and will be administered by DEN Financial Management within the General Accounting section within the Controller’s group. This team will remain the central point of contact for financial systems access and maintenance at DEN once Workday is implemented.

RECOMMENDATION 1.11
The SVP of Financial Management should update the Finance Unit’s policies and procedures to ensure that they reflect current practices and provide sufficient clarity regarding staff responsible for key controls.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>February 28, 2017</td>
<td>Hugh Curran SVP, Financial Management (303)342-2296</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.11
We are in the process of evaluating and updating every procedure in Finance in anticipation of implementing Workday financials. Part of our process going forward includes a mandatory annual review of every procedure. We also migrated Rental Car revenue accounting from Excel to PROPWorks in October, 2016. PROPWork’s is the standard software for major airports in the USA.
RECOMMENDATION 1.12
The SVP of Financial Management should collaborate with the SVP of Airline Affairs and Commercial to establish surrounding clarity of roles between the two groups where policies and procedures overlap.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
</table>
| Agree                                  | February 28, 2017                                                                          | Hugh Curran  
SVP, Financial Management  
(303)342-2296 |

Narrative for Recommendation 1.12
The Rental Car accounting procedure is being “peer” reviewed by the Revenue Management team and vice versa. As part of the cross functional procedure review, we will clarify and confirm roles and responsibilities. All of DEN Finance’s policies and procedures will be accessible to the entire airport through a Sharepoint site.

As always we appreciate your assistance in assessing and improving our control system. If you have any questions or concerns, please feel free to contact me at (303)342-2296.

Cordially,

Hugh Curran, CMA  
SVP Financial Management  
Denver International Airport

cc: Valerie Walling, Deputy Auditor, CPA, CMC  
Sonia Montano, Audit Supervisor  
Hany Abouyoussef, Director of Accounting & Controller  
Francisco Alozo, Director Rental Car Programs  
Patrick Heck, EVP & Chief Commercial Officer  
Mookie Patel, SVP Airline Affairs & Commercial Property  
Gisela Shanahan, EVP & Chief Financial Officer  
Rich Van Hess, Sr. Manager, Accounting