FOLLOW-UP REPORT
Interstate Highway Construction Inc. Contract
Denver International Airport and Division of Small Business Opportunity
April 2021

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City and County of Denver
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Cover photo courtesy of Denver International Airport.
AUDITOR'S LETTER

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

In our follow-up effort for the “Interstate Highway Construction Inc. Contract” examination report completed by CliftonLarsonAllen LLP and issued in November 2019, we determined the Division of Small Business Opportunity partially implemented the recommendation we made in the original report. Although the original report examined the Interstate Highway Construction contract with Denver International Airport, the recommendation was related to Small Business Opportunity’s subcontractor payment processes. Despite Small Business Opportunity’s efforts, auditors determined the risks associated with the audit team’s initial findings have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original examination and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for the recommendation.

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

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Highlights from Original Audit

Ineffective Tracking System for Subcontractors

A detailed list of payments to subcontractors relating to the contract were requested from the B2G Contract Management System. In response to questions during the process of reconciling the list of subcontractor payments and compliance with the “disadvantaged business entity” goal listed in the contract, four separate lists were provided. All four lists contained different information and as part of the examination, a payment of $118,066 had been incorrectly recorded in the B2G Contract Management System to one subcontractor. The subcontractor that had the payment incorrectly recorded was not considered a disadvantaged business entity, but the subcontractor that received payment was a certified disadvantaged business entity.

The Division of Small Business Opportunity explained that the subcontractor payments are imported into the B2G Contract Management System from Textura and the Workday enterprise resource planning system. During the construction phase of the project, the City and County of Denver converted from PeopleSoft to Workday, which caused issues importing into the B2G Contract Management System due to crosswalk differences in contract numbers and purchase order numbers associated with the projects in each system. Manual adjustments were performed to attempt to correct the subcontractor payments, but not all errors were identified and corrected.

According to the division, this project was listed in the B2G Contract Management System as having exceeded the 15% disadvantaged business entity goal by 0.04%. However, with the potential inaccuracies of the information included in system, the calculation of the disadvantaged business entity goal being achieved may be inaccurate.

Why This Matters

In accordance with the requirements of the disadvantaged business entity regulation, contractors are committed to meet the participation goals established in contracts. Therefore, it is important that subcontractor payment data is recorded accurately to monitor and ensure compliance with the established goals.
While the Division of Small Business Opportunity took steps to help mitigate the risks identified in the original examination, by not fully implementing the recommendation not all risks have been addressed. For example, the new standard operating procedure related to post-award contract monitoring has not been in place long enough to evaluate its effectiveness and documentation of any differences in subcontractor payments were not available to assess. Additionally, at the time of our follow-up, the division was still revising the B2G Contract Management System. These factors contributed to our conclusion of partially implemented.
We recommend that Denver International Airport Coordinate with the Division of Small Business Opportunity to enhance the internal controls surrounding the process for tracking and monitoring payments made to subcontractors within the B2G Contract Management System to ensure the amounts listed in the system accurately reflect the amount paid to each subcontractor.

AGENCY ACTION

Original target date for completion: Jan. 31, 2020

The Division of Small Business Opportunity developed, approved, and implemented a standard operating procedure for post-award contract monitoring to enhance the internal controls surrounding the process for tracking and monitoring payments made to subcontractors within the B2G Contract Management System to ensure the amounts listed in the system accurately reflect the amount paid to each subcontractor. While the standard operating procedure has been implemented, the process is still too new to evaluate effectiveness.

We reviewed the standard operating procedure that was effective in July 2020 and found that it includes controls to verify payment information in the B2G Contract Management System after the payment import has taken place. In addition, if payments in the B2G Contract Management System do not match Workday, or are missing, the compliance officer will reach out to the firm to confirm payment. As mentioned, the division was unable to provide details on the effectiveness of the standard operating procedure until more contracts are closed out. In addition, documentation of any variances in payments identified under the new process, were not available.

In the agency’s original response to the report, it was noted that the consultant, Dynamic Information Solutions, LLC, was hired to examine the various technologies and business processes around Small Business Opportunity’s program to identify potential points of failure, processes for improvement, and recommendations for technology integration or replacement. This effort was to result in a report and proposed road map for how best to move forward and address any points of failure in the system. The report from Dynamic Information Solutions, LLC suggested creating a new system to replace the B2G Contract Management System, but due to the COVID pandemic, the division has decided to revise the current system instead. The process to revise the B2G Contract Management System is
an ongoing effort and it is too early for Small Business Opportunity to provide an update on the results. However, a few other enhancements to the division’s processes have included monthly and bi-weekly meetings with the vendor, enhanced features for payments and exports, bi-monthly system training, continuous communication, and continued development of standard operating procedures. We also found that Small Business Opportunity has not developed a strategic plan, as noted in the original response to the report.

As a result of these efforts, we conclude this recommendation is partially implemented.
Office of the Auditor

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