

AUDIT REPORT
Denver Arts & Venues
Red Rocks Event Contracts
March 2017

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



Timothy M. O'Brien, CPA
Denver Auditor



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March 16, 2017

AUDITOR'S REPORT

We have completed an audit of Red Rocks Events Contracts. The purpose of the audit was to determine whether venue users comply with contract terms and whether Denver Arts & Venues and Red Rocks personnel monitor, control, and account for venue user revenues.

Our audit revealed that venue users generally comply with contracted terms and that Denver Arts & Venues and Red Rocks personnel are properly monitoring, controlling, and accounting for the use of Red Rocks as an event space. Our audit did, however, identify several areas for improvement regarding internal controls surrounding event user agreements. Specifically, we noted that management is not always ensuring that all contracts are executed before the events take place. Second, we found that not all invoiced amounts are being properly supported with authorizing documentation. Third, the exclusive ticketing agent has not provided assurance that its system provides reliable ticket sales information. Fourth, Denver Arts & Venues is not using electronic funds transfer for venue use payments. Finally, Denver Arts & Venues personnel are not documenting management decisions when interest penalties are waived.

Through stronger controls over managing venue user agreements, Denver Arts & Venues will be better positioned to ensure that promoters and other users comply with the agreements and that the proper revenue is collected. Our report provides five recommendations to achieve this end.

This contract compliance 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 Red Rocks and Denver Arts & Venues operational and accounting personnel who assisted and cooperated with us during the audit.

Denver Auditor's Office

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

Timothy M. O'Brien, CPA
Auditor



Red Rocks Event Contracts March 2017

Scope

We audited Denver Arts & Venues administration of Red Rocks Venue User Agreements. Specifically, we sought to determine whether venue users complied with revenue-related agreement terms and are reporting and submitting the correct revenue. We excluded event food and beverage and merchandising concessions, which are contracted separately from the entertainers who perform at the space.

Background

Red Rocks is an outdoor entertainment venue that the City has owned since 1928. It generated \$31.2 million in revenue in 2016 and \$23.5 million in 2015.

Purpose

The purpose of the audit was to determine whether Red Rocks venue users comply with contract terms and whether Denver Arts & Venues and Red Rocks personnel properly monitor, control, account for, and report venue user revenues and contract compliance.

REPORT HIGHLIGHTS

Highlights

Generally, we found that Red Rocks and Denver Arts & Venues personnel properly monitor, calculate, control, account for, and report remittances of amounts owed by the venue users in compliance with standard Red Rocks venue user contract terms. However, we did identify a few minor internal control exceptions. By strengthening internal controls surrounding venue user agreements, the City will be better positioned to ensure that it is receiving all revenues due in a timely and accurate manner.

The audit identified several areas for improvement of the internal controls currently in place surrounding the agreements for events held at Red Rocks. First, we found that event contracts are often not executed prior to the event date. Second, authorization documentation is not maintained for invoice charges for entertainer awards. Third, Denver Arts & Venues personnel did not obtain formal assurance to fully assess whether ticket sales information provided by its exclusive ticket seller for all Denver Arts & Venues venue events is correct. Fourth, we observed that event settlements are paid using a physical check versus minimizing the risks of loss and theft and increasing efficiency by utilizing electronic funds transfer. Finally, we found that there was no documentation for waiving required interest penalties for late payments.

To enhance internal controls surrounding venue user agreements, we offer five recommendations to Denver Arts & Venues personnel.

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

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INTRODUCTION & BACKGROUND

The City Owns and Generates Revenue from Red Rocks Amphitheatre

Red Rocks Amphitheatre (Red Rocks) is a geologically formed, open-air venue located in the foothills near Morrison, Colorado. Since the early 1900s, Red Rocks has been used as an entertainment venue, and it was purchased by the City and County of Denver in 1928. Red Rocks is considered in the concert tour industry as the premier amphitheater in the world, with tickets sales of nearly 1 million in 2016 and 700 thousand in 2015¹ Red Rocks collected approximately \$31.5 million in revenue in 2016 from 177 events² and \$23.5 million in 2015 from 124 events. Table 1 breaks down revenues by event type in 2015 and 2016.

TABLE 1. Estimated Revenue Breakdown by Event Type (dollars in thousands)

Event Type	2015	2016
Concerts	\$ 20,242	\$ 25,900
Film	583	773
Fitness	114	217
Graduation	133	170
Religious	165	--
Other	<u>2,263*</u>	<u>4,440*</u>
Total	\$ <u>23,500</u>	\$ <u>31,500</u>

Source: Denver Arts and Venues

Note: * includes other revenues collected that are not tied specifically to an event type

Red Rocks is managed by a City agency called Denver Arts & Venues through its Arenas program, which also manages the Denver Coliseum. The mission of Denver Arts & Venues is to enhance Denver's quality of life and economic vitality through premier venues, arts, and entertainment opportunities.³ The Arenas program management activities provided to Red Rocks include booking, patron/client services, event oversight, facilities maintenance, and food and beverage contract management.

Red Rocks primarily hosts large concert events. In late 2014, the City contracted with a subsidiary of Anschutz Entertainment Group (AEG), AXS Digital, LLC (AXS), to be the exclusive ticket seller for all City venues, including Red Rocks. Additionally, AEG Live and Live Nation Entertainment both signed incentive agreements with the City to book entertainment talent into Denver venues. Other events booked at Red Rocks by smaller organizations include the Denver Film Society's Film on the Rocks summer cinema series, Core Power Yoga's sponsorship of a Yoga on the Rocks fitness series, various high school graduations, as well as other fitness and religious gatherings. These smaller events accounted for approximately 2 percent of the events held at Red Rocks during 2016.

¹ "2016 Year End Worldwide Ticket Sales Top 100 Amphitheatre Venues," Pollstar Pro, accessed February 16, 2017, <http://www.pollstarpro.com/files/Charts2016/2016YearEndWorldwideTicketSalesTop100AmphitheatreVenues.pdf>.

² Denver Arts and Venues Finance Department, February 25, 2017.

³ "About A&V," Denver Arts & Venues, accessed February 22, 2017, <http://artsandvenuesdenver.com/about/>.

The City Contracts with Event Promoters through Venue User Agreements

A venue user agreement is a contract between an event promoter and a performance or entertainment space to formally document agreed-upon terms of the event. Denver Arts & Venues utilizes a standard venue user agreement for booking performances and other events at Red Rocks, specifying terms for the cost of the facility lease rental, reimbursement for City equipment and labor, and parking fees, among others.

Additionally, the venue user agreement specifies the requirement that the Facilities Development Admissions (FDA) tax be assessed at the rate of 10 percent of the purchase price for each ticket, required for all entertainment events held at a City-owned or City-leased property.⁴ Revenues generated by the FDA tax, or “seat” tax, service the debt incurred on and maintenance of City buildings. Depending on the contract, smaller revenue items, such as commemorative awards for entertainers, box office labor, and other miscellaneous charges, are also included in event settlements between the event promoter and the City.

Concert promoters and event organizers are required to sign the venue user agreement and provide proof of applicable insurance coverage prior to performing at Red Rocks. They are also required to submit letters of credit for non-payment or cancellation and pay an advance deposit prior to the event date.



Key Accounting Procedures Associated with Red Rocks Events

The Red Rocks Base Operator is responsible for preparing a preliminary event settlement at the conclusion of each event, which includes preliminary ticket sales information from AXS, labor hours provided by the event staffing vendor, Argus, and labor hours submitted by the stagehands who assisted in carrying out the production. Fire and EMS personnel also submit a record of labor hours provided. All estimates are

compiled in a spreadsheet, reviewed by the Red Rocks Manager on Duty, and agreed to with the promoter the night of the event.

Within a few days after the event, a final event settlement is generated using supporting vendor billing invoices received by a Denver Arts & Venues Finance Department Associate Accountant. Event settlement Invoices are generated using QuickBooks, the agency’s accounting system of record. Promoters are required to pay invoices within 30 days of the invoice date to avoid incurring an 18 percent interest charge.

Monthly accounting entries are prepared by a separate Denver Arts & Venues Finance Department Associate Accountant and recorded into the Arts and Venues Special Revenue Fund. Event settlement check payments are accepted, deposited, and recorded in the fund. Facilities Development Admission tax payments are accepted by the City’s Manager of Revenue via wire transfer.

⁴ Article VII, Denver Revised Municipal Code.

OBJECTIVE

The objective of the audit was to assess the degree to which Red Rocks and Denver Arts & Venues personnel properly monitor, control, account, and report for remittances of amounts owed from contracted Red Rocks venue use. Additionally, we audited whether the standard Red Rocks Venue User Agreement template complies with appropriate rules, regulations, and ordinances and that agreements are properly executed prior to the event date.

SCOPE

The audit assessed compliance with Red Rocks venue user agreements for events held at Red Rocks during fiscal years 2015 and 2016. The audit focused on event facility rental and parking fees, FDA tax, and equipment and labor reimbursements, as well as miscellaneous revenues collected. Total revenue tested in 2015 was \$4 million of \$14.2 million (or 28 percent) of these revenue types and \$3 million of \$17.0 million (or 18 percent) in 2016. We excluded event food and beverage and merchandising concessions, which are contracted with a separate vendor. The exclusive ticketing agreement with AXS and incentive agreements with promoters AEG Live and Live Nation, as well as other various revenue contracts, were also excluded from this audit.

METHODOLOGY

We utilized several methodologies to gather and analyze sufficient information related to the audit objective. The methodologies included the following:

- Planning
 - Interviewing key personnel from Denver Arts & Venues to obtain contextual information about the event revenue collection and settlement process
 - Reviewing internal controls related to event revenue and settlement process
 - Discussing with Denver Arts & Venues management and staff the results of our trend and variance analysis
 - Conducting an onsite visit to observe preliminary event settlement process
- Sampled Events Testing
 - Choosing an event sample using dollar-value stratified random sampling and specific sampling to account for different types of events
 - Summarizing key contract terms of all sampled events
 - Verifying gross and net revenues for sampled events according to contract terms
 - Verifying rates charged for equipment and labor according to contract terms
 - Recalculating amounts due based on supporting documentation and contract terms
 - Assessing proper recording of revenue and receipts into the accounting system of record
 - Recalculating financial transactions to evaluate accuracy
 - Determining timely remittance of event settlement revenue

- Verifying evidence of insurance and bonding requirements

FINDING

Adjustments to City's Oversight of Red Rocks Venue User Agreements Could Provide Even Stronger Assurance of Proper Revenue Collection

Consistent with the Auditor's charter-assigned responsibility to conduct contract compliance audits, this audit examined contracting activity associated with events at Red Rocks Amphitheatre (Red Rocks). Specifically, we audited the event settlement documentation for 27 of the 301 events hosted at Red Rocks in 2015 and 2016. Generally, we found that Red Rocks and Denver Arts & Venues personnel properly monitor, calculate, control, account for, and report remittances of amounts owed by the venue users in compliance with standard Red Rocks venue user contract terms.

The audit did, however, identify several areas for improvement of the internal controls that are currently in place surrounding the agreements that are executed for events held at Red Rocks. First, some event contracts are not properly executed prior to the event, which could negatively impact the resolution of any potential disputes. Second, documentation authorizing invoice charges for entertainer awards was not present for nearly all events sampled. Third, Red Rocks had not obtained documentation asserting to the reliability of ticket sales reporting. Without such assurance that the ticketing system has the appropriate controls in place, there is risk of inaccurate ticket sales information and the possibility that personal information of ticket purchasers could be compromised.⁵ Fourth, we found that venue user settlements are paid using checks instead of an electronic funds transfer. Using electronic funds transfer would improve efficiency while mitigating risk of loss of paper payments. Finally, we found no documentation for waived interest penalty payments. By strengthening associated controls, the City will be better positioned to ensure that it is receiving all revenues due in a timely and accurate manner.

Red Rocks Event Contracts Are Often Not Properly Executed Prior to the Event Date

During our testing, we found that the signed portion of approximately 40 percent of the venue user agreements in our sample were not collected prior to the event taking place. This practice runs contrary to contracting requirements specified in the City's Executive Order 8. Although Section 6.2 of the Order excludes bookings of events into City facilities for a period of 30 days or less from obtaining all signatures required for full execution (the Mayor, the Auditor, etc.), Denver Arts & Venues is required to obtain the signature of the venue user prior to the event date, in addition to required deposits, certificates of insurance, and letters of credit.

During the audit, we tested a sample of 27 event contracts for compliance and found that for 11 of the 27 events, Denver Arts & Venues had not obtained the signature of the venue user to execute the agreement before the date of the event. This appears to be a breakdown in the Denver Arts & Venues internal Contracting Policy for the Booking Department, which requires the Booking Manager to ensure that signature pages or a fully executed agreement be received prior to the event date and placed into the City's document management system, Alfresco. Ensuring that the City has executed agreements prior to an event may mitigate potential risks that could arise from a potential dispute between the venue user and the City.

⁵ During the audit, Denver Arts & Venues obtained a report from an independent firm asserting to the reliability of system controls for the ticketing agent.

RECOMMENDATION 1.1

Denver Arts & Venues management should monitor that signature pages or fully executed agreements are properly obtained prior to the event date and added timely to the City's document management system.

Agency Response: Agree, Implementation Date – 2017 Season

Denver Arts & Venues Is Not Ensuring Authorization for Entertainer Awards

Another internal control weakness we discovered involves awards that Red Rocks presents to entertainers who perform at the venue. All headlining acts are presented a sandstone award known as a "Piece of the Rock" with the artist's name carved into it. The cost of these awards is charged back to the venue user through the settlement invoice. Most entertainers play as a larger group and although the first award is offered free of charge every person in the group often receives their own Piece of the Rock.



During audit testing, we discovered a lack of proper documentation wherein venue users authorize the purchase of these awards as carried out through the settlement invoice process. The only documentation available to support this line item charge is a dummy invoice created outside of the Denver Arts & Venues system of record, QuickBooks. For nearly all events in our sample, we found only an unsigned dummy invoice rather than proper documentation authorizing the invoice charge for the awards.

The U.S. Government Accountability Office's Standards for Internal Control in the Federal Government, also known as the Green Book, require proper execution of transactions to show that transactions are authorized and executed only by persons acting within the scope of their activity. Applied to this situation, a proper control would be to have a process by which Denver Arts & Venues formally requests approval by the venue user to charge for the awards and to ensure that the number of awards being prepared accurately reflects the number of performers.⁶

⁶ "Standards for Internal Control in the Federal Government" p. 48, United States Government Accountability Office, accessed February 23, 2017, <http://www.gao.gov/assets/670/665712.pdf>.

RECOMMENDATION 1.2

Red Rocks and Denver Arts & Venues personnel should obtain authorizing documentation for the entertainer awards that are being charged to the event settlement.

Agency Response: Agree, Implementation Date – 2017 Season

Denver Arts & Venues Has Not Obtained Formal Assurance Regarding the Reliability of Red Rocks Ticket Sales Reporting

In November 2014, the City contracted with AXS Digital, LLC (AXS), an Anschutz Entertainment Group (AEG) subsidiary, to be the exclusive event ticketing vendor for all City venues, including Red Rocks, through December 2019. To settle events with the venue user, Red Rocks and Denver Arts & Venues rely heavily on reports provided by AXS Digital regarding the number of tickets sold. For systems like the one used by AXS Digital, best business practice indicates that service providers should provide assurance that the system will provide clients with accurate information. Specifically, the American Institute of CPAs developed the Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, which requires that service providers offer their customers assurance that information provided by the system is accurate and reliable by reporting on the suitability of the design and operating effectiveness of the controls in the system. This assurance is formally provided by an independent firm, which produces an SSAE 16 or Service Organization Control report after an examination engagement.

During our audit, Denver Arts & Venues management stated they had not asked for, and were unaware whether AXS Digital produces, an SSAE 16 report for their ticketing system. In the absence of the assurance that would be provided by such a report, risk exists that the ticketing agency's system could be compromised due to lack of effective system and operating controls. This may result in underreported ticket sales or breaches of Denver Arts & Venues' customers' personal data. During the audit, Denver Arts & Venues obtained an SSAE 16 report asserting to the reliability of controls for AXS Digital ticketing system.

RECOMMENDATION 1.3

Denver Arts & Venues management should strengthen its internal controls by requesting, obtaining, and reviewing an SSAE 16 report for the ticketing system, or similar assurance, at least annually.

Agency Response: Agree, Implementation Date – Completed February 14, 2017

Venue Users Pay Event Settlements to the City with Checks Rather Than Electronic Payments

During the audit, we discovered that the two main venue users, AEG and Live Nation, as well as some other promoters pay event settlement invoices using a physical check rather than electronic funds transfer, which is increasingly the standard practice in monetary business transactions. The

use of checks also presents an inherent risk in the event that the check is lost or stolen before it can be deposited into a City bank account. Of the 27 events in our sample, we noted that 19 physical checks were received, totaling approximately \$7.2 million. Although we did not discover any evidence of lost or stolen checks, this risk exists.

The City's Fiscal Accountability Rule 3.4 regarding receipts and deposits does not preclude the use of checks in receiving payments from vendors. A Government Finance Officers Association Best Practice guide approved by their Executive Board in 2008, recommended "that state and local governments perform cost/benefit analysis, implement safeguards, and routinely evaluate opportunities to make and receive electronic payments."⁷ This practice encourages a reduction in handling physical financial instruments whenever possible to reduce risk and increase cost effectiveness.

During our audit, we noted that Facility Development Admission fees collected by the venue user are remitted to the City's Manager of Finance via wire transfer. Additionally, according to the Denver Arts & Venues Director of Finance, the agency has discussed with the Cash, Risk and Capital Funding Division of the City's Department of Finance the possibility of moving to electronic funds transfer for event settlement remittances using an Automated Clearing House. Although the suggestion was not approved due to transaction costs, the City's Director of Cash and Investments supports moving agencies to electronic funds transfer even though the FAR does not expressly require it.

RECOMMENDATION 1.4

The Denver Arts & Venues Director of Finance should work with the Cash, Risk and Capital Funding Division to develop a formal risk and efficiency analysis to determine whether electronic funds transfer is a proper solution for payment of event settlements.

Agency Response: Agree, Implementation Date – June 14, 2017

Waived Interest Penalties Are Not Documented

The audit identified one area for improvement regarding the provisions within the agreements that are executed for events held at Red Rocks. Specifically, some event settlements are not being paid timely. The venue user agreement requires that an event settlement invoice be paid within 30 days of issuance at a penalty of 18 percent interest of the total amount. During audit work, we found 6 invoices that were not paid timely in compliance with the contract for a collective total of 128 days and a total interest amount of approximately \$1,500.

When asked about these late payments, the Denver Arts & Venues Director of Finance explained that collection of interest on some late payments is not done when delays in payment are not considered to be substantial enough to warrant penalizing their two main promoters. However, the venue user agreement requires collection of an interest penalty on any late payment. Additionally, there was no documentation in the file explaining why the interest penalty was not

⁷ "Best Practice: Electronic Payment and Electronic Collection Systems", Government Financial Officers Association, accessed February 21, 2017, <http://www.gfoa.org/sites/default/files/GFOATIMBPECommerce.pdf>.

collected. Without documenting the departure from contract terms, Denver Arts & Venues is allowing venue users to be out of compliance with contract terms as well as not collecting revenue due the City. Although the interest penalties calculated for the six invoices is not considered material, the practice of not documenting interest waiver decisions weakens the internal controls surrounding contract management. The U.S. Government Accountability Office's Green Book standards specify that management should design appropriate internal control activities for the entity's internal control system.⁸ Properly documenting decisions to waive required interest penalties is an example of this type of internal control activity.

RECOMMENDATION 1.5

Denver Arts & Venues should document the rationale for all decisions to waive interest penalties assessed on late payments from venue users.

Agency Response: Agree, Implementation Date – May 15, 2017

⁸ U.S. Government Accountability Office, "Standards for Internal Control in the Federal Government," p. 45-46, accessed February 23, 2017, <http://www.gao.gov/assets/670/665712.pdf>.

RECOMMENDATIONS

We offer the following five recommendations to assist Denver Arts & Venues and Red Rocks with strengthening internal controls associated with Red Rocks venue user agreements.

- 1.1 **Timely Contract Execution**—Denver Arts & Venues management should monitor that signature pages or fully executed agreements are properly obtained prior to the event date and added timely to the City’s document management system.

Auditee Response: Agree, Implementation Date – 2017 Season

Auditee Narrative: Denver Arts & Venues agrees that signature pages are required to be obtained prior to the event date of each event and added to the City’s document management system (Alfresco) in a timely manner. The agency acknowledges that Audit team’s review of the sample event contracts revealed some contracts where the signature page was not received prior to the event. We believe that most of those signature pages had been received prior to the event but were not found as they were in an e-mail archive folder that was lost during the migration to Office 365 (documentation regarding the lost archive was provided). The Booking Manager is making modification to procedures that ensure that the roughly 160 signature pages received each year are monitored, received and stored in the event folder prior to the event and that the agreements are added to Alfresco in a timely manner.

- 1.2 **Award Charge Authorization**—Red Rocks and Denver Arts & Venues personnel should obtain authorizing documentation for the entertainer awards that are being charged to the event settlement.

Auditee Response: Agree, Implementation Date – 2017 Season

Auditee Narrative: Denver Arts & Venues agrees with the audit findings recommendation to obtain authorizing documentation for the “Piece of the Rock” awards that are billed back to the promoter. A standard form will be developed that will indicate that the promoter agrees to pay for the number of awards requested and the form will be placed in the corresponding event folder.

- 1.3 **Service Provider Controls**—Denver Arts & Venues management should strengthen its internal controls by requesting, obtaining, and reviewing an SSAE 16 report for the ticketing system, or similar assurance, at least annually.

Auditee Response: Agree, Implementation Date – Completed February 14, 2017

Auditee Narrative: Denver Arts & Venues agrees with the audit findings recommendation; the SSAE 16 was obtained for the period under audit. The SSAE 16 report was issued by Deloitte, October 7, 2016. On February 13, 2017, Denver Arts & Venues obtained a letter that covered the period from June 1, 2016 to December 31, 2016. The Denver Arts & Venues director of Finance read the SSAE 16 report and letter and noted no significant findings.

- 1.4 **Electronic Funds Transfer**—The Denver Arts & Venues Director of Finance should work with the Cash, Risk and Capital Funding Division to develop a formal risk and efficiency analysis to determine whether electronic funds transfer is a proper solution for payment of event settlements.

Auditee Response: Agree, Implementation Date – June 14, 2017

Auditee Narrative: Denver Arts & Venues agrees with the audit findings recommendation. However, the implementation is contingent upon the payer (e.g., promoters) agreeing to the change since the executed contract does not specify electronic payments as the required payment form. Denver Arts & Venues Director of Finance will work with the payers and request electronic payments. Moreover, the Director of Finance will work with Cash, Risk & Capital Fund and the Department of Finance to accommodate electronic payments on a recurring basis.

- 1.5 **Document Waived Interest Penalties**—Denver Arts & Venues should document the rationale for all decisions to waive interest penalties assessed on late payments from venue users.

Auditee Response: Agree, Implementation Date – May 15, 2017

Auditee Narrative: Denver Arts & Venues agrees with the audit findings recommendation. There are a number of valid reasons the venue user may delay payment: for example, clarification of a user charge or a minor misunderstanding of the labor charges etc. Nevertheless, documenting the factors for waiving the interest charge is prudent and Denver Arts & Venues Director of Finance will institute the documentation process.

AGENCY RESPONSE



Denver Arts & Venues

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March 8, 2017

Auditor Timothy O'Brien, CPA
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Dear Mr. O'Brien,

The Office of the Auditor has conducted a performance audit of Red Rocks Event Contracts.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on February 27, 2017. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1: Adjustments to City's Oversight of Red Rocks Venue User Agreements Could Provide Even Stronger Assurance of Proper Revenue Collection

RECOMMENDATION 1.1

Denver Arts & Venues management should monitor that signature pages or fully executed agreements are properly obtained prior to the event date and added timely to the City's document management system.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Implementation will be done for the 2017 season	Jeannette Murrietta 720-865-2484

Narrative for Recommendation 1.1

Denver Arts & Venues agrees that signature pages are required to be obtained prior the event date of each event and added to the City's document management system (Alfresco) in a timely manner. The agency acknowledges that Audit team's review of the sample event contracts revealed some contracts where the signature page was not received prior to the event. We believe that most of those signature pages had been received prior to the event but were not found as they were in an e-mail archive folder that was lost during the migration to Office 365 (documentation regarding the lost archive was provided). The Booking Manager is making modifications to procedures that ensure that the roughly 160 signature pages received each year are monitored, received and stored in the event folder prior to the event and that the agreements are added too Alfresco in a timely manner.

RECOMMENDATION 1.2

Red Rocks and Denver Arts & Venues personnel should begin to obtain authorizing documentation for the entertainer awards that are being charged to the event settlement.

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Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Implemented for the 2017 Season	Devon Petersen 720-865-2464

Narrative for Recommendation 1.2

Denver Arts & Venues agrees with the audit findings recommendation to obtain authorizing documentation for the “Piece of the Rock” awards that are billed back to the promoter. A standard form will be developed that will indicate that the promoter agrees to pay for the number of awards requested and the form will be placed in the corresponding event folder.

RECOMMENDATION 1.3		
Denver Arts & Venues management should strengthen its internal controls by requesting, obtaining, and reviewing an SSAE 16 report for the ticketing system, or similar assurance, at least annually.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Completed February 14, 2017	Brian Brodbeck 720-865-4258

Narrative for Recommendation 1.3

Denver Arts & Venues agrees with the audit findings recommendation; the SSAE 16 was obtained for the period under audit. The SSAE 16 report was issued by Deloitte, October 7, 2016. On February 13, 2017, Denver Arts & Venues obtained a letter that covered the period from June 1, 2016 to December 31, 2016. The Denver Arts & Venues Director of Finance read the SSAE 16 report and letter and noted no significant findings.

RECOMMENDATION 1.4		
The Denver Arts & Venues Director of Finance should work with the Cash, Risk and Capital Funding Division to develop a formal risk and efficiency analysis to determine whether electronic funds transfer is a proper solution for payment of event settlements.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	June 14, 2017	Frank Delmonte 720-865-4233

Narrative for Recommendation 1.4

Denver Arts & Venues agrees with the audit findings recommendation. However, the implementation is contingent upon the payers (e.g., promoters) agreeing to the change since the executed contract does not specify electronic payments as the required payment form. Denver Arts & Venues Director of Finance will work with the payers and request electronic payments. Moreover, the Director of Finance will work with Cash, Risk & Capital Fund and the Department of Finance to accommodate electronic payments on a recurring basis.

RECOMMENDATION 1.5		
Denver Arts & Venues should document the rationale for all decisions to waive interest penalties assessed on late payments from venue users.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	May 15, 2017	Frank Delmonte 720-865-4233

Narrative for Recommendation 1.5

Denver Arts & Venues agrees with the audit findings recommendation. There are a number of valid reasons the venue user may delay payment: for example, clarification of a user charge or a minor misunderstanding of the labor charges etc. Nevertheless, documenting the factors or reasons for waiving the interest charge is prudent and Denver Arts & Venues Director of Finance will institute the documentation process.

Please contact Kent Rice at 720 865-4202 with any questions.

Sincerely,

Kent Rice
Executive Director

- cc: Valerie Walling, Deputy Auditor, CPA, CMC
- Dawn Wiseman, Audit Supervisor, CRMA
- Heidi O’Neil, CPA, CGMA, Director of Financial Audits
- Mark Heiser, Chief Operating Officer, Denver Arts and Venues
- Frank Delmonte, Director of Finance, Denver Arts and Venues
- Tad Bowman, Venue Director, Red Rocks and Coliseum