



Denver Auditor's Office  
Team: Sonia Montano, CGAP, CRMA  
Kharis Eppstein, CGAP  
Amy Barnes, CFE, CGAP  
Audit Director: Dawn Wiseman, CRMA

*All photographs provided courtesy of Denver International Airport*

# Auditing Agreements Between Public and Private Entities: Challenges and Considerations for an Evolving Audit Environment

## Westin Hotel Revenue Audit



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# Learning Objectives

This session will discuss the relationships between private entities and local government and the challenges associated with auditing contractual agreements when there is a misalignment in practices, goals, and transparency. After this session, attendees will be able to:

Understand risks associated with contractual agreements between private entities and local governments

Recognize the point in an audit when you have an audit impairment and should report on current findings, which may include the impairment

Identify when certain contractual arrangements may lead to similar audit limitations



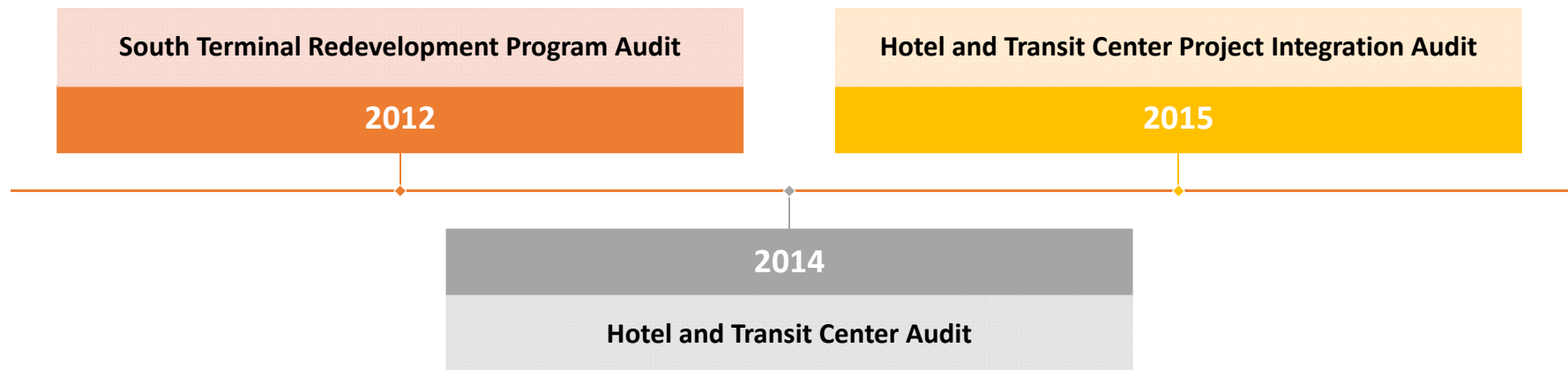
# The Addition of the Westin

- The completion of the Westin Hotel and transit center was the final piece of the airport's original 1989 master plan
- Three elements: the transit center, an open-air plaza, and a hotel and conference center



# Prior Audits

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# Hotel Management Agreement

- Between City and County of Denver and Starwood, which was acquired by Marriott in September 2016
- Covered various topics including general management and responsibilities, fees and expenses, and the agreement term
- Oversight provided by Denver International Airport's Revenue Management and Finance divisions, a third-party asset manager
- External controls review and financial audit were conducted by Blesser and Associates and RubinBrown LLP



# Scope and Objectives

- An assessment of the airport's oversight of the agreement, between January 2016 and June 2018
- Three objectives:
  - The airport's controls related to revenues and expenses
  - The airport's review of performance management contract terms
  - The airport's verification that Westin employees were aware of and effectively implementing internal controls



# Challenges

- Marriott impeded our audit efforts, citing a 'proprietary information' clause
  - External reviews of the hotel
  - Standard operating procedures (corporate and site-specific)
  - Customer feedback details
  - Documentation of self-reported financial transactions
- Conflicting Sections of the Agreement/City Charter regarding Auditor authority





# What We Did...

- Discussed non-disclosure agreement
- Worked with Deputy Auditor, airport legal services, and the City Attorney's Office
- Ceased audit work and reported out on the impairment



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# Finding 1

Denial of Access to Data Prevents Auditors from Evaluating Marriott's and Westin's Operation of the Westin or Providing Assurance that Both are in Compliance with the Hotel Management Agreement.



# Finding 2

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Airport Management Has Not Clearly Defined Project Monitoring and Asset Management Roles and Responsibilities for the Hotel Management Agreement.

# Denver Auditor Asks City To Sue DIA Airport Hotel Operator



9NEWS (KUSA)

February 21 · 🌐

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Denver's city auditor says Marriott International has impeded audit efforts by withholding key financial information regarding the Westin Hotel at Denver International Airport.



## Auditor's office: Marriott International blocking requests for DIA hotel info

Denver's city auditor says Marriott International has impeded audit efforts by withholding key financial information regarding the Westin Hotel at Denver International Airport.

## Denver Auditor: Marriott Stood In The Way Of DIA Hotel Financial Audit

In the News

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# Future Third-Party or Public-Private Partnerships audit considerations

- Delays
- Access Issues
- Possible Litigation



**Denver  
International  
Airport  
Great Hall  
Project**



# National Western Center



- Key Partners
- Agreement Terms
- City's Oversight Role



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*Photo courtesy of Mayor's Office of the National Western Center*



# Questions?



Sonia Montano, Audit Supervisor  
[Sonia.Montano@denvergov.org](mailto:Sonia.Montano@denvergov.org)

Kharis Eppstein, Audit Supervisor  
[Kharis.Eppstein@denvergov.org](mailto:Kharis.Eppstein@denvergov.org)

Amy Barnes, Lead Auditor  
[Amy.Barnes@denvergov.org](mailto:Amy.Barnes@denvergov.org)



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