



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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24-09 Colorado Springs Utilities Fleet Maintenance Insourcing

April 2024

Purpose

The purpose of this audit was to monitor the Colorado Springs Utilities (Utilities) fleet insourcing transition project, including readiness to internally staff and effectively begin providing maintenance services for Utilities fleet by January 2, 2024. A separate but related audit was conducted for the City of Colorado Springs (City) insourcing project, see audit report 24-10.

Highlights

We conclude that overall, the insourcing project was successful and well managed. Improvements can be made related to the estimation of costs associated with outsourced vehicle maintenance services. We identified one opportunity for improvement and several commendable practices during our review.

The external contract, initiated in 2014, for combined maintenance services for City and Utilities vehicles, expired at the end of 2023. In September 2022, the City and Utilities established a timeline and oversight teams to facilitate the fleet services procurement process for continued outsourced services. In early 2023, leadership decided to cancel that process, and to transition City and Utilities vehicle maintenance services to be separately provided and internally staffed. The audit report for the procurement process was published in August 2023, 23-16 City of Colorado Springs and Colorado Springs Utilities Fleet Management and Maintenance Services Procurement.

Utilities fleet included approximately 2,500 vehicles at multiple locations. The enterprise successfully insourced vehicle maintenance activities as of January 2, 2024, with attention to risks associated with safety and readiness. The project included staffing, procurement, and facility lease negotiation and preparation processes, accomplished in coordination with the City. Utilities also remodeled and outfitted a fleet maintenance facility, referred to as Hancock Fleet Facility, by converting the previous Investment Recovery building.

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Management Response

Management was in agreement with our recommendation.

Opportunity for Improvement:

1. Supply chain management should ensure that future cost estimates include all subcontract costs based on historical data and projected increases, if any.

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Highlights (continued)

We observed commendable project management practices during the audit. These included the assignment of a dedicated project manager, designated team members from supporting departments, ongoing project coordination meetings, and periodic internal and external communications related to project status.

The audit was conducted in coordination with Utilities personnel. We would like to thank the staff for their assistance and support during this review.

In 2025, the Office of the Auditor anticipates conducting a follow-up audit to determine if the financial and performance objectives of this vehicle maintenance insourcing project were achieved.

Opportunity 1

The difference between the original fleet operations and maintenance cost estimate of \$6,853,531 and the 2024 forecast of \$7,834,559 is \$981,028, or 14%. This was primarily due to subcontract costs that were inadvertently omitted from the original estimate.

Recommendation

Supply chain management should ensure that future cost estimates include all subcontract costs based on historical data and projected increases, if any.

Management Response

We agree with the opportunity for improvement. In moving into the execution phase of this insourcing effort we have noted process related opportunities for continuous improvement. As fleet operations continue, we anticipate that the application of these lessons learned will enable more accurately forecasted estimates of the cost of the program.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.