



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-12 Colorado Springs Utilities Capital Improvement Projects

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Purpose

The purpose of this audit was to assess the effectiveness, efficiency, and economy of specific capital improvement projects. Building on the Capital Project Management Audit Report issued in May 2015, we assessed the effectiveness of recent changes made to the project management processes at Colorado Springs Utilities.

Highlights

Based on our review, we conclude Colorado Springs Utilities has made project management an organization-wide priority. Effective process improvements were noted as well as progress on the implementation of the previous audit recommendations. Standardized project status reporting had not yet been achieved but was in progress. Implementation of the previous recommendations was expected to be phased in over time. An audit for continued monitoring is also included in the 2017 Audit Plan. No new observations were made in this report.

Twenty-three projects were identified and evaluated for current management practices within five areas: scope, schedule, budget, project documentation, and reporting to senior management. We excluded the Southern Delivery System (SDS) and emission control projects at Drake and Nixon power plants, as they were reviewed in individual audits. Our sample was randomly selected and represents a variety of size, magnitude, and complexity of projects. The projects selected were evaluated based on project management administrative practices similar to the 2015 Capital Projects Audit Report. The projects were not evaluated on project performance in terms of operational effectiveness. All projects within the sample were ongoing and were allocated budget dollars in both 2016 and 2017. The projects included in the sample represent 26.4% of the total proposed capital projects budget in the 2017 Annual Operating and Financial Plan (AOP).

Water Services initially implemented a Project Management Handbook, which was being revised for adoption by Energy Services. Implementation of the revised Handbook by both the Water and Energy divisions was on schedule. An IT Project Management Process Guide had been implemented by the Customer and Corporate Services division while a more robust project management handbook was under development. Various project management tools continue to be developed within each division to further assist project managers and increase management visibility. Best practices were noted which included:

- the use of a web based construction and project collaboration tool implemented by Water Services,
- project dashboard reports in use by Energy Services, and
- an integrated IT project reporting and prioritization tool developed for Customer and Corporate Services.

Continued use and development of these tools were increasing the transparency of project status and reporting to senior management.

Management Response

No management response was requested for this audit because there were no new recommendations made.

17-12 COLORADO SPRINGS UTILITIES CAPITAL IMPROVEMENT PROJECTS

The Utilities Board voted to create a Program Management Review Committee on January 18, 2017. The stated purpose of this committee is to “Support the Utilities Board’s responsibility of oversight and accountability by reviewing major program performance for large programs and reviewing compliance with Utilities Board policies.” We encourage the development of enterprise-wide standardized project status reporting that will support the mission of the Program Management Review Committee.

We would like to thank all the project managers and management personnel that assisted with this audit.

Follow up on previous recommendations

The previous audit report on this subject was issued in 2015 and included three recommendations. The recommendations were to be phased in over multiple years beginning with Water Services. Based on the responses to our 2016 Annual Follow-up audit and current review, implementation of the recommendations appeared to be on schedule.

<i>Previous Recommendations</i>	<i>Status</i>	<i>Implementation Details</i>
<i>Recommendation 1</i> — We recommend the adoption of a robust, flexible, minimum project management framework. Expectations for project managers should be clarified and communicated as part of training on the framework.	Implementation in progress	The Project Management Handbook was initially designed and implemented by the Water Services division and has undergone revisions in collaboration with Energy Services and will be used by the Water and Energy divisions. The Customer and Corporate Services division has also implemented a Process Guide for IT Project Management while a more official Project Management Handbook is being developed.
<i>Recommendation 2</i> — We recommend standardized tools and procedures be provided to help project managers plan, execute, and control their projects.	Implementation in progress	The handbooks under development by each division help to satisfy this recommendation. Department level tools were in place and under development including a web based collaboration tool for construction projects in Water Services, Energy Services monthly project dashboard, and an IT Project Management Dashboard.
<i>Recommendation 3</i> — We recommend capital project reporting capabilities be improved to allow senior managers and other stakeholders appropriate visibility into project status regarding scope, schedule, and cost.	Implementation in progress	Though all three divisions have some kind of required reporting within departments, standardized project reporting across the organization has not yet occurred. Efforts were underway to create an organization-wide standard project status report in 2017 to present to the newly established Program Management Review Committee of the Utilities Board.

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.