



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-17 Colorado Springs Utilities Financial Forecast Model

June 2017

Purpose

The purpose of this audit was to assess the validity and accuracy of the Financial Forecast Model, which was utilized in the rate making and results monitoring processes by Colorado Springs Utilities.

Highlights

We reviewed the procedures for access control, update, and output validation for the Financial Forecast model (model). Based on our review, we conclude procedures provided reasonable assurance that the model was accurately updated and that output was consistent and reliable. Access to the model was restricted.

The model was used by Colorado Springs Utilities Planning and Financial Services Division (PFD) to develop the Annual Operating Plan (AOP), annual revenue requirements, and rates. Model inputs included metrics requirements, forecasted sales volumes, and planned uses of cash to include operations, debt service, and capital. Based on these inputs, the model produced revenue requirements for each service used to develop utilities rates.

Additionally, the model was used to compare year to date actual results against the AOP. Reports were produced for management and governance review. Using the model, ad hoc scenarios could be produced for management to determine the impact of potential changes such as spending reductions or changes in revenue forecasts.

Inputs to the model were supplied by various departments throughout Colorado Springs Utilities. Inputs were also supplied throughout the year to reflect actual results. On a monthly basis, operations personnel updated spending forecasts using a planning software system. The updated forecast was then entered into the model by PFD personnel. Actual revenue and spending data was obtained from Utilities accounting system and entered into the model. Management was actively involved in review of reports produced by the model including scenario analysis.

Commendable Practice: A desk manual was recently completed to provide process guidance. This effort will help ensure consistent operations for the model.

Continuous Improvement Opportunity

We observed that the model did not include a change tab to document dates and details of any changes to the model. While changes were infrequent, a change tab would document the history of changes for future reference.

Management Response

We agree. Management plans to insert a tab/worksheet to document changes to the model.

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.