



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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18-07 Colorado Springs Utilities Real Estate Record Retention

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Purpose

The purpose of this audit was to evaluate how real estate records for Colorado Springs Utilities were being handled and retained by the City's Real Estate Services (RES) Office. We examined the internal controls related to record availability and completeness.

Highlights

We conclude that both the City and Utilities have procedure documentation that is out of date and not consistent with current practices. Original recorded documentation from third party contractors could be improved and user access authorization procedures developed for additional security. The following pages document our four observations and four opportunities for improvement.

City Code Section 7.7 Part 18 Acquisition and Disposition of Real Property Interests, dictates that Utilities shall follow the City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interests (RES Manual), and also gives the City Real Estate Services Manager the authority "to promulgate and adopt reasonable rules, regulations and standard operating procedures (SOPs) regarding the administration and operation of the Real Estate Services Office and management of the City's real property assets." The City's RES Manual may only be amended by City Council resolution.

The audit period was 2013-2017. We reviewed transactions recorded via the SPEAR (Standard Process for Easement Acquisition and Reference) process, which is primarily for new development; Southern Delivery System (SDS) transactions processed by a third party contractor; and all other Utility related transactions, such as Permanent Easements and Temporary Construction Easements. We also assessed the physical security of the files, as well as security of the database utilized to track file inventory and maintain electronic copies of original documentation.

We would like to thank Utilities' staff and the City Real Estate Services Office for assisting us with this audit.

Management Response

Management agrees with the recommendations. See pages 2-4 for details.

Recommendations

1. SOPs should be updated along with each revision to the RES Manual
2. RES should remove database access from unnecessary users, develop a process to periodically check user access, and work with City Information Technology Department to develop a formal access approval process.
3. RES should establish criteria for acceptance of files from consultants.
4. RES should track receipt of original documentation for storage.

Opportunities for Improvement

1. Consider guidance for long term storage.
2. Ensure policy and procedure documentation reflect approved practices for SPEARs.
3. Establish a process to ensure recorded SPEARs are available in the GIS database.
4. Develop consistent practices for file number assignment and location identification.

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Observation 1

Sampled Standard Operating Procedures (SOPs) have not been updated since originally developed in 2008. These SOPs were developed to guide RES staff through the City Council approved RES Manual's processes for acquisition and disposal of real property interests. The most current version of the RES Manual is dated February 2016.

If SOPs do not reflect current approved practices, then mistakes could be made leading to a potential legal liability for the City.

Management Response

Management agrees. After the RES Manual Revisions are approved by City Council Resolution (projected for Summer 2018), RES will update the SOPs. Updates to the SOPs are anticipated to be completed by First Quarter 2019.

Recommendation

Standard Operating Procedures should be updated along with each revision to the RES Manual, to reflect City Council approved practices.

Observation 2

At the time of testing we observed unauthorized users with access to RES's official recordation tracking database. Only users approved by the RES Manager should have access to the database.

Unauthorized users could obtain access to confidential information and/or modify records in the official tracking system for all transactions recorded in the name of the City. While there were unauthorized users with access to the database, RES did not find evidence that the data had been manipulated by these users.

Management Response

Management agrees. Access for the identified unauthorized users was promptly removed. RES will work with City IT to implement the review process and to establish a formal approval process. Completion by 2nd Quarter 2018. This process will also be updated in the RES SOPs.

Recommendation

RES should:

- Remove access from unnecessary users.
- Develop a periodic process to check user access to the database.
- Work with City IT to develop a formal approval process to obtain access to the database.

Observation 3

Files delivered from the SDS third party contractor in late 2017 were not organized to the standards previously established and observed by the OCA. Closed files were also not delivered timely.

Files should be organized and contain original key documents demonstrating adherence to the RES Manual.

Management Response

Colorado Springs Utilities agrees with the recommendation. Effective immediately, Utilities will work with RES to establish criteria for the transfer and acceptance of completed real estate transactions, to include a delivery tracking schedule.

Recommendation

Utilities should work with RES to establish criteria for the transfer and acceptance of transactions completed by consultants, including a required delivery schedule.

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Observation 4

RES does not currently track receipt of closed transaction files from third parties. Per the RES Manual, “RES is the custodian of the City’s real estate asset records and shall take all necessary steps to protect these records in perpetuity.”

Maintaining an accurate inventory of closed complete real estate files “ensures legal compliance with City Code, Rules and Procedures of City Council, Colorado Springs Utilities Policy Governance, RES SOPs, and state and federal law.”

Management Response

Management agrees. RES has reinstated the file numbering process for all RES files which allows for file tracking and efficient project close out.

Recommendation

In addition to tracking all transactions recorded in the name of the City, RES should also track receipt of all required documentation for storage.

Opportunity 1

The City has adopted the State Archives Colorado Municipal Records Retention Schedule (CMRRS) which dictates the minimum retention period for records held by RES. Many of the records held by RES require long term or permanent storage per the CMRRS. The CMRRS Appendix G includes recommended guidance on protecting records requiring long term storage. These records may be in paper or electronic format. Currently RES retains most required records as paper documents stored onsite. Appendix G of the CMRRS recommends utilizing secure offsite storage for duplicate copies and provides guidance on appropriate protections for electronic copies.

Management Response

Management agrees and will work with the City Clerk’s office to consider the appropriate method to protect records requiring long term or permanent storage.

Recommendation

RES should consider utilizing a secure offsite storage facility to store duplicate copies of records requiring long term or permanent storage. For any electronic storage of records, RES should confirm the recommendations of the CMRRS Appendix G are being followed to the extent feasible.

Opportunity 2

Utilities maintains all original documentation for easements recorded through the SPEAR (Standard Procedures for Easement Acquisition and Reference) process at their facilities. This is a violation of their approved published procedures, which indicate that the original recorded easements will be forwarded to City RES for storage.

When current practices do not follow approved policies and procedures, unintended errors can be made and original documentation, which is required to be permanently maintained, could be misplaced.

Management Response

RES and Utilities agree. We will work to establish a process and update policies as needed to document the changes regarding SPEARs. Completion 3rd Quarter 2018.

Recommendation

Utilities and City RES should work together to ensure that their policy and procedure documents reflect current approved practices for the retention and processing of SPEARs.

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Opportunity 3

At the time of audit testing, 42% of the recorded SPEARs sampled were not available in Utilities' GIS database when searched for by RES. The unavailable SPEARs were subsequently found via another source. Since Utilities GIS database is considered to be the most useful and reliable source for easement tracking, recorded easements should be attached in the database.

Permanent Easements contain specific details of granted utility easements and should be available for ease of reference in the GIS database.

Management Response

RES and Utilities agree with the recommendation and will work on a process to ensure RES can view documentation of SPEARs as needed. Completed.

Recommendation

Establish a process that ensures recorded documentation is uploaded and available to view in Utilities' GIS database.

Opportunity 4

We observed inconsistencies around the assignment of file numbers and completeness in the recordation tracking data provide by RES. File numbers in the tracking system are the only available cross reference to locate physical files. Transactions processed and recorded by third parties are tracked, but physical location of the original documents are not.

The RES Manual indicates that RES is "responsible for updating and maintaining an inventory of all City-owned property assets," in which physical location of original documentation should be available.

Management Response

Management agrees. RES is working with IT to enhance the RES database. File numbers are now being assigned to the files that identify physical location and track project close out. Completion 3rd Quarter 2018.

Recommendation

Develop consistent practices for file number assignment, and consider identifying the physical location of original documentation within the recordation tracking log.