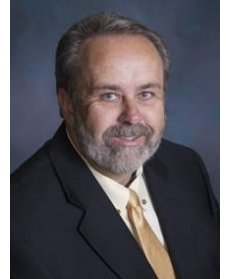




# 2015 Office of the City Auditor Annual Accomplishments

Date: April 21, 2016  
To: President Bennett, President Pro-Tem Gaebler, City Council, and Citizens  
Re: 2015 Accomplishments Report



*Denny L. Nester, City Auditor*

The Office of the City Auditor provides value to the citizens of Colorado Springs by providing an independent, objective, and comprehensive review of the operations of the City and its enterprises. We evaluate financial controls along with the efficiency and effectiveness of operations. We look for ways to improve systems and activities. The results of these reviews (audits) are reported publicly on our website.

2015 proved to be a productive year for the Office of the City Auditor. We issued 39 public reports compared to 33 in the 2014 and 26 in both 2012 & 2013. We audited some areas that had not been previously audited such as the Colorado Springs Urban Renewal Authority and the Briargate Special Improvements Maintenance District. We also audited the Ethics Program as implemented at the Colorado Springs Airport.

The audits we performed often verified that activities were conducted appropriately. For example, the City Attorney's use of Outside Legal Counsel (OLC) was audited and we found that they had adequate criteria in place to determine the need to use OLC and processes to control selection of OLC firms were consistently followed. Appropriate oversight of OLC activities was provided by an in-house attorney assigned as a liaison to each OLC firm.

Recognizing that capital projects consume a great deal of the resources of the City and Colorado Springs Utilities, we audited several major projects such as the installation of SO<sub>2</sub> scrubbers at the Drake Power Plant, Southern Delivery System, Nixon SO<sub>2</sub> Scrubber System procurement, and other capital projects at both the City and Colorado Springs Utilities. Several recommendations were made with the goal of enhancing project management.

In September, the Office of the City Auditor hosted the Mountain & Plains Intergovernmental Audit Forum at the Antlers Hotel. This forum brought auditors from the federal, state, and other local governments to learn and share with each other. The Office also prepared a bid to host the 2018 Association of Local Government Auditors annual conference, and we were awarded that honor. In November, a representative of the association visited Colorado Springs to tour local hotels and prepare contracts for the conference, which will be held in May 2018.

The Office continued to support local professional organizations such as the Colorado Springs Chapter of the Association of Certified Fraud Examiners, the Colorado Springs Institute of Internal Auditors, and the Public Agency Audit Leaders Roundtable in Denver. The Office is a registered CPE sponsor with the National Association of State Boards of Accountancy (NASBA). We helped minimize the cost of providing CPE for each entity by sharing the cost of the sponsorship. Staff from our office participated in these organizations as speakers, officers, and Board Members. We also continued our involvement in national associations such as the Association of Local Government Auditors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Denny Nester". The signature is fluid and cursive.

Denny Nester, MBA, CPA, CIA, CFE, CGAP, CGFM  
City Auditor

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## Bringing positive attention to Colorado Springs

*Colorado Springs is the state's second largest city, and first in the hearts of many visitors as a place of astonishing beauty. We hope to expand that perception to include the educational opportunities available.*

In September 2015, Colorado Springs hosted the annual meeting of the Mountain and Plains Internal Audit Forum (MPIAF) at the Antlers Hotel. This forum brought together auditors from federal, state, and other local governments to learn and share with one another. We were honored to have The Honorable John Roth, Inspector General of the U.S. Department of Homeland Security, as one of the many highly qualified and prestigious speakers. This event was a great opportunity to showcase many of the positive attributes of Colorado Springs to professionals from across the region.

In addition, the Office of the City Auditor is excited to share that Colorado Springs has been chosen as the site for the 2018 Association of Local Government Auditors (ALGA) Conference. We expect over 400 professionals from across the nation and internationally to attend. The positive exposure of this event is very energizing.

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## City Council's Office of the City Auditor

*"...ensure management actions have been effectively implemented."*

The mission of the Office of the City Auditor is to provide City Council with an independent, objective, and comprehensive auditing program for operations of the City. Our auditing program includes:

- ♦Evaluating the adequacy of financial controls, records, and operations
- ♦Evaluating the effectiveness and efficiency of organizational operations
- ♦Providing Council, management, and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

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**The Audit Committee** assists City Council in fulfilling oversight responsibilities for the City's financial reporting processes, systems of internal control, compliance with legal and regulatory requirements, and internal and external audit processes, including those for all of the City's enterprises.

The 2015 Audit Committee was composed of two members of City Council; Merv Bennett and Andy Pico; and three members from the business community; Marvin Fiala, Bridget Toelle, and Dave Wood. Meetings are generally held on the third Thursday of each month at City Hall.

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## Attention to education

Members of the Office of the City Auditor take pride in the work they do. In order to best serve the citizens of Colorado Springs and provide recommendations and observations that adhere to industry, governmental, and best practice standards, continuing education is a priority of the department. In 2015, Vickie Classen and Natalie Lovell were certified as Project Management Professionals (PMP). Sally Barber became a Certified Internal Auditor (CIA). Shawn Alessio successfully completed the Certified Public Accountant (CPA) testing and Megan Fees obtained the designation of Certified Financial Examiner (CFE). We are proud that staff continue to expand their knowledge of various areas of auditing to better serve the Colorado Springs community.



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## Attention to business

The Office of the City Auditor is divided into three groups: Financial, Performance, and Information Technology. All reports may be found at <https://coloradosprings.gov/city-auditor/page/2015-audit-reports>. Below is a list of the audits and studies completed by each group in 2015.

**Financial Group Audits:** Utilities Rates Audits to include Gas and Electric Cost Adjustments; Executive Limitations 4 and 7 at Utilities; Utilities Interest Rate Hedging; Utilities Comparison of Projected to Actual Revenue; Wind Power Tariff; Utilities Accrued Revenue; Healthcare Costs for Utilities; City Compensation; City Consulting; City Cash Receipts; Airport Ethics; Airport Ground Transportation Review; Fire Department Pensions Follow-up; Briargate Special Improvement District.

**Performance Group Audits:** Drake Scrubber; 2014 SDS Monitoring; Nixon SO<sup>2</sup> Scrubber Procurement; External Report on E-11 - Enterprise Risk Management; Utilities Purchasing System; Debt Management for Utilities; Utilities Capital Projects; Multiyear Water Rate Follow-up; 2015 Fleet Audit for City and Utilities; City Utilization of Outside Legal Counsel; City Mobile Device Accuracy; City Capital Projects Management; Urban Renewal Authority.

**Information Technology Audits:** Utility Metering; Utilities Smart Grid Implementation; Utilities Financial and Human Resource Software; Utilities Geographic Information Systems; City's Protection of Personally Identifiable Information; City Information Technology Governance Monitoring; City Special Tax Revenue (LART/PPRTA); City Procurement and Leasing of Information Technology Equipment.

In addition to the audits that result in public reports, we performed projects that did not result in a report. For example, we assisted the external financial auditors of both the City and Colorado Springs Utilities. We also attended City Council, Utilities Board, and other committee meetings to monitor activities and provide assistance when appropriate. We also monitored the changes that are occurring in Information Technology.

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## Attention to Colorado Springs Utilities



Colorado Springs Utilities faces many challenges. Changing regulations, increased demand for services, and managing pricing just to name a few. The Office of the City Auditor examines many areas of Utilities annually. Projects such as the Southern Delivery System (SDS) and Nixon SO<sup>2</sup> Scrubber Procurement were addressed in 2015 as in previous years. The Office of the City Auditor issued 21 reports for Colorado Springs Utilities in 2015. Continued oversight of projects and pricing helps ensure that citizen-owners interests are addressed.

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## Attention to detail

In 2015, the Office of the City Auditor assessed the internal controls used in day-to-day operations and transactions of the Colorado Springs Urban Renewal Authority (CSURA). Information was gathered concerning the effectiveness of the Authority as compared to similar organizations.

Report 15-31 concluded that CSURA utilized reasonable internal controls. Nine urban renewal areas approved by City Council were represented on the current financial statements. Recommendations regarding written procedures, contracts, and sales tax data collection will help improve the system for future projects. CSURA is an important asset, key to the continued development of Colorado Springs.

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## Staffed for success in 2016

Denny Nester, MBA, CPA, CIA, CFE, CGAP, CGFM, City Auditor  
Jacqueline Rowland, CPA, CFE, PMP, Assistant City Auditor  
Sally Barber, CPA, CFE, CIA, Financial Audit Supervisor  
Vickie Classen, CPA, CIA, CGAP, CGMA, PMP, Performance Audit Supervisor  
Dale Rickard, CISA, CDP, IS Audit Supervisor  
Shawn Alessio, CPA, CFE, Senior Auditor  
Jennifer Carpenter, CPA, CIA, CFE, Senior Auditor  
Megan Fees, CIA, CFE, Auditor  
Bridgit Le Vie, Auditor  
Natalie Lovell, CCIFP, PMP, Senior Auditor  
Robert Rodriguez, Auditor  
Mark Stidd, MSM, CISA, IS Auditor



## Fraud hotline

The Office of the City Auditor operates a fraud hotline inviting employees and the public to report suspected fraud, waste, or abuse of City, Utilities, or Airport resources. Waste and abuse can include improper or misuse of authority, property, equipment or records, waste of public funds, or other irregularities. Fraudulent acts might include misappropriation of funds, accepting or seeking anything of material value from consultants, contractors, or vendors, stealing City property, disclosing confidential information to outside parties, or profiteering as a result of insider knowledge of City activities.

In 2015, the fraud reporting program for the Office of the City Auditor received 44 inquiries. Of those, 10 issues were reviewed with City of Colorado Springs management for response. The remainder were not related to City resources and, consequently, were referred to the Colorado Springs Police Department or to other state and federal agencies.

## A Duty to Report (ADTR)

Report anonymously online using a web-based form at [coloradosprings.gov/cityfraud](http://coloradosprings.gov/cityfraud)

The telephone hotline's caller ID has been disabled to allow for anonymous reporting. 719-385-ADTR.

The Hotline PO Box provides another way to anonymously report fraud, waste and abuse. Address mail to:

Denny Nester, City Auditor  
P.O. Box 2241  
Colorado Springs, CO 80901

E-mail is not truly anonymous, but may be sent to [CityAuditManagement@springsgov.com](mailto:CityAuditManagement@springsgov.com).

