



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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22-12 Colorado Springs Utilities Board Instruction I-2, Financial Conditions and Activities, and I-8, Asset Protection

April 2022

Purpose

The purpose of this high level compliance review was to determine whether Colorado Springs Utilities (Utilities) complied with Utilities Board Instructions to the Chief Executive Officer, Policy I-2, Financial Condition and Activities, and I-8, Asset Protection. In addition to verifying management’s 2021 quarterly and semi-annual monitoring reports, our objectives included assurance that any known violations were reported to the Utilities Board.

Highlights

Based on our review, we conclude that Colorado Springs Utilities and the Chief Executive Officer were in compliance with Utilities Board Instructions to the Chief Executive Officer, Policy I-2, Financial Condition and Activities, and Policy I-8, Asset Protection. We identified one opportunity to strengthen reporting to governance.

The Office of the City Auditor (OCA) completed our review as directed by the Utilities Board. Under Policy Guidelines - G3 Compliance Report Frequency and Method, the OCA is required to monitor compliance with Policies I-2, Financial Condition and Activities, and I-8, Asset Protection annually.

Policy I-2 states “The Chief Executive Officer shall direct that financial condition and activities, and actual expenditures are consistent with Board expected results.” Policy I-8 states, “The Chief Executive Officer shall direct that enterprise assets are protected, adequately maintained, and not unnecessarily risked.” Our audit included verification of the accuracy and reliability of statements made in the monitoring reports prepared by Colorado Springs Utilities for the Utilities Board. Procedures included obtaining supporting documents, policies, reports, and data recalculations.

We would like to thank Utilities staff for their supportive cooperation during this review.

Management Response

Management was in agreement with our recommendation.

Opportunity for Improvement

1. Utilities Procurement Department should work with governance related to the I-2 provision 2 to:

- Clarify the definition of blanket contracts.
- Clearly specify stakeholder reporting needs related to the contracts over \$500,000 report.
- Consider policy updates, as needed.

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Opportunity 1

- Colorado Springs Utilities was in compliance with I-2 provision 2. However, I-2 report definitions for contracts over \$500,000 were complex and may not be well understood by stakeholders.

I-2 provision 2: Inform the Utilities Board of contracts that have been issued over \$500,000, not to include blanket contracts.

The I-2 report included contracts issued that exceeded \$500,000 as well as the first quarter that a contract exceeded \$500,000.

Utilities considered blanket contracts to be for goods or services that required multiple payments over a period of time. Blanket contracts were not included on the contracts over \$500,000 report.

Utilities business practice was to issue purchase orders or task orders as releases against blanket contracts. Any individual purchase order or release over \$500,000 against blanket contracts was included in the I-2 quarterly report.

Management Response

“Blanket Contracts” are currently defined via the “type” selected in our Procure to Pay system Maximo (system of record).

Utilities is prepared to modify or adjust the reporting on the I-2 report per direction from the Utility Board.

Utilities is also prepared to offer suggestions and alternatives to the \$500,000 presentation approach and to the I-2 itself.

Recommendation

Utilities Procurement Department should work with governance related to the I-2 provision 2 to:

- Clarify the definition of blanket contracts.
- Clearly specify stakeholder reporting needs related to the contracts over \$500,000 report.
- Consider any policy updates, as needed.