



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

## 13-05 City Investments

April 2013

### **Purpose**

The purpose of this audit was to determine whether City Investments complied with the City Investment Policy and to determine whether the internal control environment was adequate to safeguard City Investments.

### **Highlights**

We performed an examination of the City Investment Funds for the period of September 30, 2011, through September 30, 2012. This examination included a review of operating investments, reserve investments, and investments held by the Cemetery Endowment Fund.

Based on our review, we conclude that as of September 30, 2012, the City Investment Funds complied with the City Investment Advisory Policy. Additionally, the City had adequate internal controls in place to ensure the objectives of the Investment Policy were being met.

The Investment Policy was adopted in September 1993 and updated in November 2011. The primary objectives of the Investment Policy were to preserve capital and protect investment principal, maintain sufficient liquidity to meet anticipated cash flows, diversify investments to avoid incurring unreasonable market risk, and attainment of a market rate of return.

The Cemetery Endowment Fund had its own Investment Policy, which was similar to the City's Investment Policy. The Cemetery's annual operations were partially to wholly funded by the investment income produced by the Fund, and the principal was not used to fund operations.

During 2011, the City solicited competitive bids for the investment advisory role with a Request for Proposal. From that process, the City decided to use the services of two different investment advisory firms. The investment advisor roles were split between managing reserve investments and operating investments.

*(continued on page 2)*

### **Management Response**

We did not request a response from City Management. No observations were identified that need to be addressed.

### **Recommendations**

There were no recommendations resulting from our review.

# 13-05 City Investments

April 2013

(Highlights continued from page 1)

As of September 30, 2012, the City held approximately \$172.2 million in investment funds held at fair market value (FMV). This included approximately \$110.4 million in operating investments and \$61.8 million in reserve investments. These amounts did not include investments held by the Cemetery Endowment fund, Colorado Springs Utilities, or Memorial Health System. The investment funds are pooled together from different City funds such as the General Fund, TOPS Fund, Airport CIP Fund, PSST Fund, and others. The earnings from the pooled investments are then allocated back to the individual funds based on their proportional share of the earnings.

City Investment holdings as of September 30, 2012, were as follows:

<b>City Investment Holdings as of 09/30/2012</b>	
<b>Security Type</b>	<b>City Investments at Fair Market Value</b>
U.S. Treasuries	\$48,706,127
U.S. Agencies	\$80,062,963
Municipal Bonds	\$2,194,745
Corporate Bonds	\$26,974,382
Commercial Paper	\$7,990,905
Cash and Cash Equivalents	\$6,279,336
<b>Total City Investments</b>	<b>\$172,208,458</b>

The net realized annual return on investment for the year ended September 30, 2012, was .64% for operating investments, and 1.14% for reserve investments.

Please let me know if you have any questions or comments.

Respectfully,



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

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

City Council's Office of the City Auditor  
City Hall ♦ 107 North Nevada Avenue ♦ Suite 200 ♦ Mail Code 1542  
Colorado Springs CO 80901-1575  
Tel 719-385-5991 ♦ Fax 719-385-5699 ♦ Reporting Hotline ♦ 719-385-2387  
[www.SpringsGov.com/OCA](http://www.SpringsGov.com/OCA)