



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

13-09 Annual External Report on Executive Limitation (EL) 11— Enterprise Risk Management

March 2013

Purpose

The purpose of this monitoring report is to perform a high level review of compliance with Executive Limitation (EL) 11 and to ensure that any known violations have been reported to the Utilities Board. The review period was for January 1, 2012, through December 31, 2012.

Highlights

The Office of the City Auditor completed the external monitoring as directed by City Council acting in its capacity as the Utilities Board under Governance Policy Board-CEO Linkage (BL) 5, Monitoring Chief Executive Officer Performance. This review covered policy EL 11 Enterprise Risk Management for the period of January 1, 2012, through December 31, 2012.

The review was accomplished by determining whether policies and procedures related to risk management were in place. Personnel responsible for administering policies were interviewed and Risk Management Committee meeting minutes reviewed. Additionally, staff from the Office of the City Auditor attended the Risk Management Committee meetings.

The audit did not include a review of risks identified and managed by Utilities, or test of controls and systems that ensure policy compliance.

Enterprise Risk Management 2013 Initiative Challenges include establishing an enterprise-wide risk assessment process that engages the organization in risk identification, prioritization and mitigation.

Based upon our review of the operations and activities of the Risk Management Committee and Utilities staff, the Utilities, and, therefore, the Chief Executive Officer, have policies and procedures in place that ensure material compliance with all components of EL 11 Enterprise Risk Management.

Respectfully,

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

Recommendations

No formal recommendations were made.

Management Response

No response was requested from Colorado Springs Utilities

CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

COLORADO SPRINGS, COLORADO

About our Office

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.

Authorization and Organizational Placement

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

Audit Standards

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.

The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.