



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

13-22 Gas Cost Adjustment

November 2013

Purpose

The purpose of this audit was to evaluate whether Colorado Springs Utilities prepared the Gas Cost Adjustment (GCA) in accordance with the approved tariff. The methodology was compared to prior filings for consistency, and calculations were tested for accuracy.

Summary

Based on our review of the calculations and related background information, we conclude that the GCA was calculated in accordance with the approved tariff.

Colorado Springs Utilities communication to Council for meeting date November 12, 2013, noted "natural gas prices have fallen since the last GCA and current forecasts show this trend continuing" as the reason for the GCA credit increase. However, based upon our review, the primary cause for the GCA change was a correction for double counted costs in the forecast.

GCA

- The last GCA adjustment was effective January 1, 2013 resulting in a refund of (\$.1700) per unit
- Colorado Springs Utilities proposes in this filing to increase the refund rate from (\$.1700) to (\$.1850) per unit effective December 1, 2013. Without this increase to the refund Colorado Springs Utilities is projecting a \$9.1 million over collection by April, 2014.

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

Respectfully,

A handwritten signature in black ink, appearing to read "Denny L. Nester".

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.