



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 18-09 Colorado Springs Utilities Annual External Report on Executive Limitations (4) Asset Protection and (7) Financial Conditions and Activities

April 2018

### **Purpose**

The purpose of this review was to determine whether Colorado Springs Utilities and the Utilities Chief Executive Officer complied with the existing Executive Limitations (EL) 4, Asset Protection Policy Prohibitions 1, 4, 6, 7, and 9, along with all of EL 7, the Financial Condition and Activities Policy Prohibitions for the year ended December 31, 2017. In addition to verifying management’s report, the Office of the City Auditor would report any known violations if such violations were not reported by management.

### **Opportunity For Improvement**

1. Colorado Springs Utilities in conjunction with Real Estate Services should ensure that real estate transaction detail is accurate in future EL 4 Prohibition 9 comments.

### **Highlights**

We conclude that the Chief Executive Officer was in material compliance with policy prohibitions EL 4 and EL 7 with the exception of EL 7 Prohibition 3. As reported by Colorado Springs Utilities management to the Utilities Board, Adjusted Debt Service Coverage (ADSC) for 2017 was 1.89, below the 2.0 required by EL 7 Prohibition 3.

We noted one opportunity for improvement concerning EL 4 Prohibition 9, which would assist governance in their oversight role.

Our audit included the review of source documentation, and other audit procedures as we deemed necessary. We verified the accuracy and reliability of the statements made along with information presented in the EL 4 and EL 7 reports prepared by Colorado Springs Utilities for the Utilities Board.

The Utilities Board monitored the organization’s operations through boundaries established by the Executive Limitations Policies. The Office of the City Auditor annually verifies compliance with Executive Limitations 4 and 7. Key components of the prohibitions were:

- Asset Protection (EL 4) - required that Colorado Springs Utilities have policies and procedures in place that ensure sound business practices to protect assets. These included purchasing and real estate regulations, investment procedures, bonding requirements for personnel with access to funds, and controls over receipt and disbursement of funds.

Financial Condition and Activities (EL 7) - required compliance with financial measures such as cash on hand and debt service coverage. Additionally, this limitation required management to inform the Utilities Board of expenditures in excess of appropriations and major new or cancelled projects.

*Please see page two of this report for observation details.*

### **Management Response**

Management agrees with the recommendation, see page 2 of this report for full management response.

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### **Opportunity 1**

Executive Limitation (EL) 4 - Asset Protection Monitoring Report presented to the Utilities Board in March 2018 incorrectly stated no relocations had occurred in 2017.

Policy Prohibition 9 in EL 4 requires compliance with 'The City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interests.' Our review concluded Utilities complied with the Manual as required.

Colorado Springs Utilities reported real estate transactions in their comments to EL 4 Prohibition 9. The detailed transaction list did not include real estate relocations for 2017. Proper processes were utilized in order to compensate the individuals for relocation, but the March report erroneously stated no relocations had occurred for 2017.

### **Utilities Management Response:**

Utilities PFD compiles the information for this EL. We ask the City Real Estate office to provide updates to this specific limitation item.

While the report erroneously stated that there were no relocations, the limitation itself was adhered to. Utilities agrees to work with City Real Estate Services to ensure future transactions are accurately reported.

### **Recommendation**

Colorado Springs Utilities in conjunction with Real Estate Services should ensure that real estate transaction detail is accurate and complete in future EL 4 Prohibition 9 comments.