



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Jacqueline M. Rowland
City Auditor, CPA CFE PMP

24-03 Colorado Springs Utilities Invoice Pricing Controls Review

January 2024

Purpose

The purpose of this audit was to conduct a narrow scope review to determine if controls were in place to ensure contract invoice prices were correct.

Highlights

We conclude that overall, controls were in place to ensure correct contract invoice prices. We identified one observation for improved controls related to items marked in the system to accept price upon delivery. During the COVID-19 pandemic, supply chain disruptions and pricing uncertainty prompted the use of price upon delivery with some vendors.

Colorado Springs Utilities Procurement and Contract Services (PCS) requested that the Office of the City Auditor perform a review to identify the risk of incorrect invoice payments. Our review included interviews with Accounts Payable Department and PCS personnel to gain an understanding of controls in place that ensured invoice payments agreed to contract pricing, as well as review of sample contract activity in the asset management system. Our audit scope included the twelve months ended August 2023.

Please see page two of this report for observation details.

Recommendations

Utilities PCS management should:

- Review pricing for those items with pricing on delivery indicated and update if no longer applicable.
- Develop process documentation for pricing on delivery including retention of supporting documentation, guidance on when use is warranted, and regular review to ensure special pricing terms are still needed.

Management Response

Management was in agreement with our recommendations.

City Council's Office of the City Auditor

City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575

Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387

www.ColoradoSprings.gov

24-03 COLORADO SPRINGS UTILITIES INVOICE PRICING CONTROLS REVIEW

Observation 1

At the time of our review, Utilities PCS reports identified thirty-eight contracts in the asset management system with pricing upon delivery for some items. If price on delivery was indicated in the system, invoices would not have to agree to contract prices and overpayments could result.

We observed there was not a standard process to document the use of price upon delivery. Pricing for items should be obtained at least annually unless circumstances warrant otherwise, such as for long lead time, scarce or volatily priced items. Currently, there may be some scarce or long lead-time items that require price on use post pandemic, but these are infrequent.

Management Response

We agree with the recommendation outlined above. A process document will need to be developed and the impacted contracts will all need to be reviewed and updated. We are meeting December 12, 2023 to put together a schedule to complete these tasks, but anticipate the completion date for all recommended changes to be July 1, 2024.

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