2018 Office of the City Auditor Annual Accomplishments

Denny L. Nester, City Auditor

Date:

To: President Skorman, President Pro-Tem Gaebler, City Council, and Citizens

Re: 2018 Accomplishments Report

The Office of the City Auditor provides value to the citizens of Colorado Springs by providing an independent, objective, and comprehensive review of the operations of the City and its enterprises. We evaluate financial controls along with the efficiency and effectiveness of operations. We look for ways to improve systems and activities. The results of these reviews (audits) are reported publicly on our website.

2018 was a very busy year for our office. In addition to our scheduled audits, the Office undertook two major projects—hosting a national conference and undergoing a peer review.

The National Conference: In early May, we hosted the Association of Local Government Auditors (ALGA) National Conference along with the Biennial Intergovernmental Audit Forum. These back-to-back events brought over 500 auditors to Colorado Springs. As the host, we helped facilitate transportation to many local tourist venues. We led or helped to facilitate tours to Pikes Peak America's Mountain, Garden of the Gods, the Colorado Wolf and Wildlife Center, and the Olympic Training Center. Everyone in the office played a role in hosting and attending the conferences. Vickie Classen, Audit Supervisor, led an educational seminar highlighting the value our office added by helping the City's Streets Department and Colorado Springs Utilities to coordinate on road projects that were funded by Ballot Measure 2C. Vickie also taught a seminar related to audit standards. We are very proud of the leadership role Vickie is taking in ALGA. An evening event at the Olympic Training Center was a highlight of the conference. Immediately following the ALGA conference, the Biennial Intergovernmental Audit Forum was held where auditors from the Federal, State, and Local governments came together to learn from each other and share their accomplishments. Assistant City Auditor, Jacqueline Rowland took the lead in hosting this event as a member of the planning committee. Speakers at this event included the Comptroller General of the United States, Gene Dodaro along with former CEO of Microsoft, Steve Ballmer. Both events were huge successes.

The Peer Review: In October, the Office underwent a peer review to verify that we comply with the International Professional Practices Framework promulgated by the Institute of internal Auditors. The review was coordinated through ALGA to help minimize costs. Auditors from El Paso, Texas; Clarksville, Tennessee; and Ventura, California reviewed samples of the work we had completed during the prior five years and found that the Office operated in conformance with these audit standards. The peer reviewers applauded Colorado Springs for the way our Office is supported by the City Charter and City Code. They also gave kudos to the Office for achieving the roles of a Trusted Advisor and Partner with our clients. They were impressed by the qualified staff that we have and the maturity of the Office.

Respectfully submitted,

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

Learn more at coloradosprings.gov

City Council's Office of the City Auditor

"...ensure management actions have been effectively implemented."

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.

The Audit Committee assists City Council in fulfilling oversight responsibilities for the City's financial reporting processes, systems of internal control, compliance with legal and regulatory requirements, and internal and external audit processes, including those for all of the City's enterprises.

The 2018 Audit Committee was composed of two members of City Council; Merv Bennett and Andy Pico; and three members from the business community. Dave Wood and Brian McAllister served for all of 2018 while Marvin Fiala was replaced with committee alternate Welensky Nathan in September 2018. W. Paul Bradley served as committee alternate for all of 2018. Meetings are generally held on the third Thursday of each month at City Hall.

Providing Assurance to the City and Its Enterprises

The Office of the City Auditor is divided into three groups: Financial, Information Technology, and Performance. All reports may be found at https://coloradosprings.gov/city-auditor. Below is a list of the audits and studies completed by each group in 2018.

Financial Group Audits: Airport Administrative Prorate Review; LART Funds Used for Airport Advertising; Colorado Springs Utilities September 2017 High Water Bills Review; Utilities Electric and/or Gas Cost Adjustments (x4); Utilities Electric Cost Adjustment and Gas Cost Adjustment Verification Review; Utilities 2019 Rate Case; Utilities Annual External Report Executive Limitations (4) Asset Protection and (7) Financial Conditions and Activities; Utilities Procurement Audit; Utilities Water and Wastewater Forecast; Utilities Monitoring Review Billing System Modifications for City Residential Stormwater Fee; City Procurement Card Monitoring 2017; City Cash Receipts Audit of Sales Tax and Pikes Peak America's Mountain; City Financial Assurances; Westcott Fire Protection District; UC Health Contract Compliance.

Information Technology Audits: Airport Invoicing Application Audit; Utilities Capacity Planning; Utilities Disaster Recovery and Business Continuity.

Performance Group Audits: City and Utilities Qualifying Stormwater Expenses 2017; Fleet Management and Maintenance Service Agreement; Utilities Executive Limitation 11 - Enterprise Risk Management; Utilities Real Estate Services; Utilities Drake Shutdown; Utilities Southern Delivery System Partner Billing; Banning Lewis Ranch Annexation; 2C Impacts on Subsurface Infrastructure; 2C Warranty and Inspection Process; City Ballot Measure 2C Maintenance of Effort Spending 2017; City Police Impound Lot; City Qualifying Stormwater Expenditure Verification; City Trails, Open Space, and Parks (TOPS) Fund.

In addition to the audits that result in public reports, we performed projects that did not result in a report. For example, we assisted the external financial auditors of both the City and Colorado Springs Utilities. We also attended City Council, Utilities Board, and other committee meetings to monitor activities and provide assistance when appropriate. We were also called upon to provide some assistance to management as consultants, which did not result in a public report.

2018 By the Numbers

Audits That Matter

36 Leadership Meetings

City Auditor met individually with City Council, City, Utilities, and Airport leaders to discuss potential audits

472 Potential Projects

The risk assessment model used to develop the annual audit plan included 472 potential projects ranked in 10 categories

6 Requested Audits

6 Audit Reports requested by governance or senior management

Utilizing Resources Effectively

35 Reports Issued

Audits issued by area:

3 Airport
18 Utilities
11 City and
3 City/Utilities combined

12,981 Project Hours

Direct project hours charged and accountable to planned budgets

(2 staff positions were open for several months)

61 Follow-ups

Open Audit Recommendations followed up for implementation status

Building Stakeholder Relationships

70 Strategic Attendances

City Council, Utilities Board, and related Council or Board Committee meetings attended

6 Listening and Learning

City and/or Utilities departments invited and spoke at City Auditor Staff meetings

On-Going Employee Engagement

Internal employee feedback meetings held with action items and follow-up. Formation of a Senior Auditor Committee is one of many outcomes from this process.

Providing Educational Opportunities

Continuing education is important for many reasons and provides benefits to both the individual auditor and organization. Besides enabling auditors to keep current with professional and industry practices, well trained auditors tend to be more productive. In 2018, the office logged over 540 hours of continuing education. In addition to attending workshops, seminars, and conferences, staff participate on boards and committees for local and national organizations. The Office of the City Auditor serves as a sponsor organization for the National Association of State Boards of Accountancy (NASBA) allowing us to provide Continuing Professional Education (CPE) programs working with other local organizations such as the Colorado Springs Institute of Internal Auditors (CSIIA), the Colorado Springs Association of Certified Fraud Examiners (ACFE) Chapter, and the Public Agency Audit Leaders Roundtable (PAALR), which includes audit leaders from many agencies such as Denver Water, Denver International Airport, other cities, and educational institutions.

Association of Certified Fraud Examiners
Colorado Springs Chapter #133

Staffed for success in 2018

Denny Nester, MBA, CPA, CIA, CFE, CGAP, CGFM, City Auditor
Jacqueline Rowland, CPA, CFE, PMP, Assistant City Auditor
Dale Rickard, CISA, CDP, IS Audit Supervisor
Sally Barber, CPA, CFE, CIA, Financial Audit Supervisor
Vickie Classen, CPA, CIA, CGAP, CGMA, PMP, Performance Audit Supervisor
Shawn Alessio, CPA, CFE, Senior Auditor
Jennifer Carpenter, CPA, CIA, CFE, Senior Auditor
Tom Baird, MBA, Senior Auditor
Sandy Snee, CPA, IFRS, CISA, IS Auditor II
Fang Judkins, MS Accounting, CPA, Auditor II
Linda Helsley, MS Finance, MS Project Management, Auditor II
Aaron Kacala, Auditor II
Greg Anderson, IS Auditor II

Fraud hotline

The Office of the City Auditor operates a fraud hotline inviting employees and the public to report suspected fraud, waste, or abuse of City, Utilities, or other enterprise resources. Waste and abuse can include improper or misuse of authority, property, equipment or records, waste of public funds, or other irregularities. Fraudulent acts might include misappropriation of funds, accepting or seeking anything of material value from consultants, contractors, or vendors, stealing City property, disclosing confidential information to outside parties, or profiteering as a result of insider knowledge of City activities.

In 2018, the fraud reporting program for the Office of the City Auditor received 39 inquiries. Of those, 8 issues were reviewed with City of Colorado Springs or Colorado Springs Utilities management for response. The remainder were not related to City resources and, consequently, were referred to the Colorado Springs Police Department or to other state and federal agencies.

A Duty to Report (ADTR)

Report anonymously online using a web-based form at coloradosprings.gov/cityfraud

The telephone hotline's caller ID has been disabled to allow for anonymous reporting. 719-385-ADTR.

The Hotline PO Box provides another way to anonymously report fraud, waste and abuse. Address mail to:

Denny Nester, City Auditor
P.O. Box 2241
Colorado Springs, CO 80901

E-mail is not truly anonymous, but may be sent to CityAuditManagement@springsgov.com.