



Office of the City Auditor

Public Report

Date: January 16, 2007

To: Honorable Mayor and Members of City Council

Re: 05-404 – Colorado Springs Airport Capital Project Monitoring

AUTHORIZATION AND BACKGROUND

We performed an audit of the Airport Terminal Expansion and Concession Upgrade Capital Project. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically part 706, which states:

1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.

The Terminal Expansion and Concession Upgrade projects included a terminal building expansion to mitigate passenger congestion at the security checkpoint and expanded concession services available at the Airport. The expansion included the addition of 6,200 square feet of concession space in the central core of the terminal building, 3,500 square feet for expansion of the security checkpoint, and 4,000 additional square feet for the food court located in the airport terminal. The expansions and upgrades offered airport users more comfortable waiting areas, enhances services and more efficient and faster processing at the security checkpoint.

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE

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ORGANIZATION PLACEMENT

The City Auditor's Office of the City of Colorado Springs is structured in a manner to provide organizational independence from the entities it audits. This is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit was the Colorado Springs Airport, which is under the direction of the City Manager. The City Manager is a City Council Appointee.

SCOPE AND METHODOLOGY

We conducted our audit in a manner that meets or exceeds the Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. Our audit included such tests of records and other supporting documentation as we deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

The purpose of this audit was to evaluate whether the Colorado Springs Airport had addressed the Capital Project risks that were identified in the "Capital Projects Monitoring-2000" report that was dated August 21, 2000. The twelve risks that were identified are:

1. The project may not be necessary.
2. The project may not be completed.
3. The contracting entity may not get the best prices for service and construction.
4. Completed project may not meet needs or objective.
5. The project costs may exceed budget.
6. Substandard materials may be used in construction or inadequate quality of work.
7. Funds may be diverted to projects other than those approved.
8. Change orders may be higher cost rates or for inappropriate items.
9. Kickbacks or side payments may go to employees or consultants.
10. Not all costs may be included in project accounting.
11. Excessive time may be taken to complete the project.
12. Construction liabilities may not be adequately mitigated.

Our fieldwork covered the period from November 1, 2004 to October 31, 2005..

OVERALL CONCLUSIONS

The Terminal Expansion and Concession Upgrade projects were completed in accordance with existing City policies and procedures related to capital projects. The projects were conducted in such a manner to address the risks that had previously been identified. The only recommendation that we are making as a result of our audit is that all future contracts should include audit clauses to facilitate audits. Our recommendation is found on the following page:

There were no audit clauses in four out of six contracts reviewed.

Audits are a valuable management tool that would allow the Airport to verify and examine selected data on an as-needed basis. Audits can be used as an effective deterrent to prevent contractors from submitting inaccurate information. Selective verification on a sample basis is a powerful technique for ensuring that contractors fully comply with the contract documents in all material aspects. If a contractor knows that an owner is paying attention to the details, then they are less likely to take advantage of that owner. Many owners place a high degree of trust in their contractors. However, the prudent owner will conduct audits and other analytical procedures to the extent necessary to ensure that their trust is not abused. The audit clause should also include the time period for which the contractor must retain records.

Auditor's Recommendation:

We recommend that future contracts be reviewed to ensure that they contain an audit clause.

Airport Response:

The Airport agrees with the Auditor's recommendation, as described herein. To address this issue, Airport staff will work with City Contracting to ensure that future contracts contain an audit clause.

In closing, we would like to thank the staff of the Colorado Springs Airport for their cooperation during this audit. As always, please let me know if you have any questions.

Sincerely,



Jeff Litchfield
City Auditor

Cc: Mark Earle, Director of Aviation
John Faulkner, Assistant Director of Aviation
Sam Schneider, Airport Construction Project Manager
Gisela Shanahan, Assistant Director of Aviation
Lorne Kramer, City Manager
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