



Office of the City Auditor

Date: June 26, 2006
To: Honorable Mayor and Members of City Council
Re: 06-228 – Colorado Springs Utilities 2005 Payroll Monitoring

AUTHORIZATION AND BACKGROUND

City Code 1.2.706 states: “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.”

Considering the magnitude of this requirement, the City Auditor has established a practice of methodically auditing all major systems every five years. The purpose of these system audits is to evaluate the internal controls that are used to ensure the reliability of financial information. The five major systems audited on this rotating basis are:

- Accounts Receivable/Billing,
- Accounts Payable,
- Payroll,
- Investments, and
- Purchasing.

The City Auditor’s Office has begun a program designed to verify the reliability of the City’s databases on an ongoing basis. We call this our Continuous Monitoring Program. To accomplish this goal, we use a computer aided audit tool sometimes referred to as “Audit Command Language” or ACL. This tool allows the Auditor’s Office to access various databases and compare information maintained in those databases. Since this is only an access tool, there is no threat the City Auditor’s Office could modify or corrupt any database. Our initial focus for these Continuous Monitoring Reviews is to provide coverage during the four year period between our full system audits.

The first system chosen to be monitored under this method was the Payroll system.

Reports for the Continuous Monitoring Program are less formal than those for Full System Audits and consist of this letter.

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OUR REVIEW

We have completed our review of the personnel and payroll information stored in the Colorado Springs Utilities Lawson Financial/Human Analytic Systems for the period January 1, 2005 to December 31, 2005. The purpose of this review was to determine the integrity of payroll data and payments to employees. Utilizing automated audit tools, we were able to perform a battery of tests on the data, including but not limited to:

- Paychecks recorded in the appropriate time period,
- Paychecks coded to the appropriate bank code,
- Paychecks contained valid employee identification numbers,
- Search for duplicate check or control numbers,
- Search for inappropriate gaps in check or control numbers,
- Exempt employees with overtime pay,
- Reasonableness of job codes,
- Reasonableness of payment types,
- Compared hourly rates for job codes to salary schedules,
- Search for duplicate employee identification numbers, and
- Search for duplicate social security numbers.

Based on the test work performed, the payroll data appeared to be reasonable and reliable and we did not identify any reportable conditions. Further, we were pleased with the overall accuracy of the more than 80,000 pay checks we reviewed and commend all involved for their diligent efforts.

Sincerely,



Jeff Litchfield
City Auditor

Cc: Jerry Forte – Chief Executive Officer
Sandi Yukman – Chief Integrated Resources Officer
Jeanne Brown – Manager, Continuous Improvement
Lynn Nield - General Manager, Human Resources
Karin Hollohan – Manager, Human Resources Rewards Division
Lauren Cargil – Supervisor, Payroll Division