



## Office of the City Auditor

### Public Report

Date: January 16, 2007  
To: Honorable Mayor and Members of City Council  
Re: 06-262 – Colorado Springs Utilities' Education Reimbursement Program

#### AUTHORIZATION

We performed an audit of Colorado Springs Utilities' Education Reimbursement Program. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706, which state:

##### 1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

##### 1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department or group managers and by the City Manager, Utilities Executive Director and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives.

##### 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

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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.

## **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 independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit was Colorado Springs Utilities (Utilities), under the direction of their Chief Executive Officer. The Utilities Chief Executive Officer is also a City Council Appointee.

## **OUR AUDIT**

The purpose of this audit was to review the Education Reimbursement Program at Utilities and ensure funding is in compliance with governing policies and procedures. The audit period was from January 1, 2005 to December 31, 2005. This was the first time the program was audited by our office.

The audit was conducted 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. The audit included such tests of records and other supporting documentation as we deemed necessary in the circumstances. We reviewed the internal control structure and performed compliance tests using statistical sampling techniques. Sufficient competent evidential matter was gathered to support our conclusions.

We found there were 127 individuals who received \$249,020 in Educational Reimbursements during the period under review. We judgmentally selected a sample of 30 individuals to review.

## **FINDINGS AND RECOMMENDATIONS**

Based upon our audit, we noted the following:

### **1. Prior approval was not documented on the Educational Reimbursement Form.**

The Educational Assistance Program Process, Version 1, Section 6.5.1 states that approval is required prior to starting the course. The employee is to fill out the Education Reimbursement Form (Form) listing their employee information as well as the course information. The manager reviews this Form, and if approved, signs, dates, and returns it to the employee to hold on to until the completion of the course.

This requirement was also documented in the Utilities Educational Assistance Program flowchart. However, the instructions that accompany the Form do not specifically state that it must be signed prior to the beginning of the course.

In 20 of the 30 reimbursements reviewed, the approvals were not dated until after the completion of the course. We understand that the approval may have been provided verbally but without written documentation of the approval, there would be no evidence to support this assertion.

***Auditor's Recommendation:***

We recommend that the Form instructions clarify that they are to be signed and dated prior to the beginning of the course to indicate approval as directed in the Educational Assistance Program Process and Utilities Educational Assistance Program Flowchart.

***Springs Utilities Response:***

The QBD document #10119, The Educational Assistance Program, version 04 has been updated to include the supervisor signature and date of approval. The Instructions for Completing the Education Assistance Reimbursement Form will be updated as well per the Auditor's recommendation.

Section 5.2.4 of the 12/14/2006 QBD document #10119, Educational Assistance Program Process, version 04 has been updated to include a statement for the supervisor/manager responsibilities to review the form prior to the beginning of a class and if the class is approved, to sign and date the form. In addition, the detailed process is identified in 6.6.1-6.6.6 of the document.

An automated email notification was sent to process reviewers and approvers notifying them of the QBD #10119 document change. A Notification of Document Change was sent out to all G.M.'s, Managers, and Supervisors. These changes have also been reviewed with the payroll staff.

The Instructions for Completing the Education Assistance Reimbursement Form will be updated to include the language in the QBD #10119 regarding supervisor approvals. Version 05 will be approved by March 31, 2007.

**2. Application fees which are listed under the non-reimbursable fees were paid.**

Under Educational Assistance Program Process, Version 1, Section 6.3.6, application fees are listed as a non-reimbursable fee even if they are included in a degree program. Application fees are paid when a student submits an application to the college or university. This fee initiates the student admission file and establishes an official student in the Office of the Registrar.

When comparing the invoices to the Form, it was noted that there was one payment of \$110 listed as a registration fee but the invoice indicated that this was an application fee.

***Auditor's Recommendation:***

We recommend that items listed on the reimbursement form be compared to the invoices to ensure that they were eligible for reimbursement in accordance with the Utilities' policy and procedures.

***Springs Utilities Response:***

Reimbursable items will be compared to receipts and invoices as recommended by the Office of the City Auditor.

The 12/14/2006 approved QBD document #10119, The Educational Assistance Program, version 04 *HR/Payroll Responsibilities* Section 5.3.1 identifies that HR/Payroll is responsible to, "Verify reimbursable amounts, after reviewing the course receipts submitted by the employee and confirm proof of successful course completion (grade report)."

Additionally, Section 6.2.1, *Eligible Reimbursements*, has been expanded to include a reference to non reimbursable fees in section 6.4.4, *Non Reimbursable Assessment /Exams*.

In addition, we believe that the employee and their supervisor bear the responsibility of ensuring reimbursements are in accordance with policy and procedure. The role of Payroll should be final verification before issuing the reimbursement. Communication to further clarify roles will be distributed to all management through corporate communications. Version 05 will be approved by March 31, 2007.

**3. Official grade reports were not received to verify minimum grade of course.**

The Educational Assistance Program Process, Version 1, Section 6.6.2 requires an employee to submit a grade report with the Form to verify that the minimum grade is achieved.

When reviewing the documentation, it was noted that for one item selected, an email was accepted as the grade report for a course that ended in August 2005. Utilities stated that they have accepted email as the grade report at year end so that reimbursements can be paid in the current fiscal year.

***Auditor's Recommendation:***

We recommend that if the email is used at year end, there should be a follow up procedure to receive the official grade report. At all other times, a grade report should be used to document the grade received.

***Springs Utilities Response:***

Official grade documentation will be required for expense reimbursement.

QBD #10119, The Educational Assistance Program Process, version 04, *HR/Payroll Responsibilities* Section 5.3.1 will be updated to include an official grade report. It will state that HR/Payroll is responsible to, "Verify reimbursable amounts, after reviewing the course receipts submitted by the employee and confirm proof of successful course completion (grade report). Payments will not be released prior to receiving an official grade report."

In addition, The Instructions for Completing the Education Assistance Reimbursement Form, section 3, step 2, will state, "Attach your official grade report for the course(s)."

Version 05 will be approved by March 31, 2007.

Once version 05 has been approved, communication regarding the responsibility of the employee and the supervisor to ensure official grade documentation is received prior to reimbursement will be distributed to all management through corporate communications.

**4. There was no documentation that consideration was given to the amount of other financial assistance received when determining the reimbursement.**

The Educational Assistance Program Process, Version 1, Section 6.2.2 limits the amount of reimbursement when the employee receives other financial assistance such as VA benefits, scholarships, or grants. Utilities will only reimburse the portion of approved costs not covered by the other financial assistance.

When other financial assistance is indicated on the Form, employees are to supply a copy of the other financial assistance statement. Receipts for books, required material purchased for the course, or any allowable expenses approved under the issuing authority of the other financial assistance. This information is then used to calculate the amount that the Utilities will reimburse.

In two instances, an employee had indicated they received other financial assistance yet the full amount requested was reimbursed from the Utilities program. There was no documentation to show that the other financial assistance was considered when determining the amount Utilities should reimburse.

***Auditor's Recommendation:***

We recommend that the procedures listed in the Educational Assistance Program Process be followed to ensure that proper amounts are being reimbursed from this program.

***Springs Utilities Response:***

The 12/14/2006 approved QBD document #10119, version 04, Educational Assistance Program Process, does not clearly identify who is ultimately responsible for assuring consideration is given to other financial assistance in the calculation of Springs Utilities reimbursement. Once again we believe that the employee and their supervisor bear this responsibility and that Payroll should serve as a high level verification before issuing the reimbursement.

This process will be revised to clearly articulate responsibilities of the employee, supervisor, and Payroll. Version 05 will be approved by March 31, 2007 and at that time communication will be distributed to all management through corporate communications to further clarify roles.

## CONCLUSION

Except for the exceptions noted above, it appears that the Educational Reimbursement Program was administered in compliance with governing policies and procedures for the audit period.

We appreciate the assistance that Utilities' personnel gave us during this audit.

Please contact me if you have any questions regarding this report.

Sincerely,



Jeff Litchfield  
City Auditor

cc: Jerry Forte, Colorado Springs Utilities, Executive Director  
Sandi Yukman, Integrated Resources Division, Officer  
Jeanne Brown, Continuous Improvement Department, Manager  
Diane Johnson, Human Resources Department, General Manager  
Karin Hollohan, Workforce Rewards, Manager  
Lauren Cargil, Payroll Department, Supervisor