



**CITY OF COLORADO SPRINGS  
OFFICE OF THE CITY AUDITOR**

**06-366 – MEMORIAL HEALTH SYSTEM'S  
SECURITY SERVICES CONTRACT**

**PUBLIC REPORT**

**MARCH 19, 2007**

Jeff Litchfield, CPA CIA CFE  
City Auditor

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Assistant City Auditor





## Office of the City Auditor

### PUBLIC REPORT

Date: March 19, 2007

To: Honorable Mayor and Members of City Council  
Members of Memorial Health System's Audit Committee  
Members of Memorial Health System's Board of Trustees

Re: 06-366 – Memorial Health System's Security Services Contract

We have completed a review of Memorial's Security Services Contract.

The purpose of the audit was to evaluate whether Memorial and Securitas were abiding by the terms of the contract. Our audit period was from March through July 2006.

Generally, we concluded Memorial and Securitas were abiding by the terms of the Security Services contract. We did have two areas where improvement could be achieved and have noted them in the attached audit report.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in purple ink that reads "Jeff Litchfield".

Jeff Litchfield  
City Auditor

Cc: Richard Eitel, Memorial Health System, Chief Executive Officer  
Gary Flansburg, Memorial Health System, Chief Financial Office/Senior Vice President  
Tracy Narvet, Memorial Health System, Controller  
John Wyckoff, Memorial Health System, Compliance Officer  
Theresa Meyers, Memorial Health System, Interim Vice President of Support Services  
Mike Loudenslager, Memorial Health System, Interim Director of Security Operations

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## Introduction

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### AUTHORIZATION

We performed an audit of the contract for security services between Memorial Health System (Memorial) and Securitas Security Services USA, Inc. (Securitas). 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 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 Memorial Health System, which is an enterprise fund of the City of Colorado Springs under the direction of its Chief Executive Officer. The Chief Executive Officer reports to the Memorial Health System Board of Trustees, who are appointed by the City Council.

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## Introduction

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### SCOPE AND METHODOLOGY

The purpose of this audit was to evaluate whether Memorial and Securitas were abiding by the terms of the contract. Our audit period was from March through July 2006.

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.

### BACKGROUND

Memorial is a 477 bed acute care Hospital owned by the City of Colorado Springs. The security guards provided for in this contract were in addition to the 34 authorized guards employed by Memorial. Memorial defined the basic work to be performed and the exact hours of duty for each post to include basic security and crime prevention and to protect Memorial, it's property, employees, clients, customers and guests.

### OVERALL CONCLUSIONS

Generally, we concluded Memorial and Securitas were abiding by the terms of the Security Services contract. We did have two areas where improvement could be achieved and have noted them on the pages that follow.

***For the findings that follow, we have made no determination as to which findings are more important than others. Therefore, the findings are not listed in order of importance.***

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## Findings, Recommendations and Responses

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### 1. Security officers were providing services without proper licensing.

Two out of 23 security guard licenses were expired for active Securitas employees. One security guard license showed employment with a different security service. This violates the licensing requirements per the City Code.

Per Section 2.3.201: Legislative Declaration of the City Code, "The City Council hereby declares it to be in the interest of the health, safety and welfare of citizens of the City and a proper exercise of the police power to require licensing of persons providing security services." Per Section 2.3.203: License Required: A. of the City Code, "No person shall operate a contract security agency or act as a private security officer within the City limits without first obtaining a license."

#### ***Auditor's Recommendation:***

We recommend that a review system be implemented to ensure that licenses are renewed before they expire, to ensure security officers are working with a valid license. We also recommend that the employing security agency verify each security officer's license to ensure that the proper security agency is listed.

#### ***Memorial's Response:***

We agree with the auditors finding and have made the necessary corrections to ensure that each contract security officer has a current city security license. The contract security officer provider sends a list to the client indicating all assigned officers that have a badge expiring within the following 60 days. The shift supervisor also checks each officer to ensure that they have a current license in their possession when they report for work. New and temporary contract security officers have to provide a current license before being allowed to work at any Memorial Health System site. By working in conjunction with the contract agency, we have established overlapping checks to ensure that this issue does not occur again.

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## Findings, Recommendations and Responses

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### 2. The terms of the contract do not agree with the terms in the Requests for Proposals (RFP.)

The RFP states, "This proposal is for services for one year commencing on or about 03/01/06 with options to extend for additional one-year terms." Section 5 of the Contract states, "The term of this agreement shall commence on the 1<sup>st</sup> day of March 2006 and shall terminate on the 28<sup>th</sup> day of February 2009, unless earlier terminated under this agreement, or otherwise agreed in writing duly executed by the parties. If term extends longer than twelve months, this agreement will be reviewed at the end of the twelve month period for consideration of renewal." The last sentence in Section 5 of the contract is confusing.

#### ***Auditor's Recommendation:***

We recommend that future contracts reflect the criteria of the RFP. We also recommend that the contract be reviewed for conflicting or confusing statements

#### ***Memorial's Response:***

We agree with the auditors finding and will make the necessary corrections to ensure the length of the contract matches the specified length in the RFP. We are nearly complete with the development of an in-house contract database that will assist in contract tracking and mapping to the RFP. We have also begun using a tool, developed by Legal, for contract routing and reviewing that will ensure a more thorough review by all departments affected by the RFP and the resulting contract.