



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

**08-05 - COLORADO SPRINGS UTILITIES'
CUSTOMER CARE DIVISION
PERFORMANCE AUDIT**

PUBLIC REPORT

APRIL 9, 2008

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Office of the City Auditor Public Report

Date: April 9, 2008
To: Honorable Mayor and Members of City Council
Re: 08-05 – Colorado Springs Utilities' Customer Care Division Performance Audit

We performed an audit of the Colorado Spring Utilities' (Springs Utilities) Customer Care Division (CCD).

The purpose of our audit was to evaluate whether the CCD was accomplishing its goals and objectives in an economical, efficient and effective manner, complying with regulations, safeguarding assets, and providing reliable data in their performance measures. Our audit period was calendar year 2006.

Based on our review of the CCD operation, we conclude the CCD was accomplishing its goals and objectives in an economical, efficient and effective manner, complying with regulations, safeguarding assets, and providing reliable data in their performance measures. We have no findings to 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: Jerry Forte, Chief Executive Officer
Kelly Means, Customer Care Division Officer
Debra Rubio, Customer Revenue Manager
Silvia VanHorn, System Quality Manager
Carl Cruz, Field Services Manager
Pat Moyer, Business Solutions
Monica Whiting, Customer Service Manager
Jeanne Brown, Strategic Planning and Deployment Manager

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Abbreviations and Acronyms Used in this Report

CCD Customer Care Division
CSPD Colorado Springs Police Department

Introduction

AUTHORIZATION

We performed an audit of the Colorado Spring Utilities' (Springs Utilities) Customer Care Division (CCD). 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. (1968 Code §1-10.3; Ord. 76-54; 1980 Code; Ord. 01-42)

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. (1968 Code §1-10.3; Ord. 76-54; Ord. 01-42)

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. (1968 Code §1-10.3; Ord. 76-54; Ord. 01-42)

ORGANIZATION PLACEMENT

The Office of the City Auditor 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 CCD of Springs Utilities, which is under the purview of the Springs Utilities' Chief Executive Officer. The Chief Executive Officer is a City Council Appointee.

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SCOPE AND METHODOLOGY

The purpose of our audit was to evaluate whether the CCD was accomplishing its goals and objectives in an economical, efficient, and effective manner, complying with regulations, safeguarding assets, and providing reliable data in their performance measures. Our audit period was calendar year 2006.

The audit was conducted in accordance with the *International 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 interviews with appropriate personnel and included such tests of records and other supporting documentation as 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

The Customer Care Division is under the direction of the Customer Care Officer for Springs Utilities. He is responsible for five departments which include: System Quality, Business Solutions, Field Services, Customer Service and Customer Revenue. A brief description of the functions of each department follows.

System Quality – The System Quality Department is responsible for providing services to internal and external customers in the areas of measurement of utility consumption, enhanced electrical and facilities engineering services, and consumptive use and irrigation adjustment measurement and services. The department has a meter shop where they test, install, record, and troubleshoot electric, gas and water meters. This area ensures the accuracy of all meters by randomly testing new meters, periodically testing existing meters, installing meters, and ensuring the customer information system is updated with accurate meter data information. The department also installs and operates a sophisticated data collection system utilized to bill large industrial and commercial customers. The System Quality Department also has Engineers and Engineering support staff, which provides specialized services in the areas of consumptive use and irrigation adjustment, power quality, enhanced electrical systems, energy audits, and general engineering support.

Business Solutions – The Business Solutions Department is responsible for providing business support to functions within the Customer Care Division. Key sections include Business Systems Services, Business Data Services, Business Project Services, Quality Review, Accounts Receivable, and Administrative Services.

Field Services – The Field Services Department includes seven separate sections: Meter Reading, Utility Service Specialists, Collections, Utilities Locating, Damage Prevention, Field Representatives, and Central Dispatch. It is responsible for providing most non-construction field services such as monthly reading of all meters for billing, installing/replacing meters, investigating gas and carbon monoxide leaks, field payment collections, locating and marking underground utility lines, and field investigation and resolution of billing issues. It also operates Springs Utilities' Communications Center for supporting field activities and federal, state, and city emergency communications.

Customer Service – Customer Service consists of the Customer Service Department and the Account Management Section.

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The Customer Service Department is the primary and initial contact center for Springs Utilities' nearly 200,000 customer-owners, including residential and business customers. The Service Center provides convenient one-stop shopping for all utility needs. The customer service representatives answer questions, solve problems, and educate customers on any question customer have about their utility services. Approximately 70 employees complete more than 1.2 million customer interactions annually.

The Account Management Section provides technical expertise to commercial and industrial customers on how to improve their processes to obtain maximum value from the products and services they receive from Springs Utilities. This section is also Springs Utilities' coordination point on economic development issues.

Customer Revenue –The Customer Revenue Department consists of three sections: Billing and Business Services, Credit Operations, and Cashiering. The main functions are to provide timely and accurate residential, commercial, industrial, and special contract billing; provide various credit and collection functions including low-income customer assistance programs in addition to managing a walk-in facility where customers can conduct business with Springs Utilities in person. Other functions include remittance processing and cashiering services.

Prior to our audit, the Customer Care Division performed an extensive review of their performance measures. As part of their review, they included our criteria for a performance audit to include: Compliance, Accomplishment of Goals and Objectives, Reliability of Data, Efficiency, Effectiveness and Economy, and Safeguarding Assets. They also reviewed data quality and consistency. As a result of their review, they did not identify any major errors or instances of deliberate manipulation. They did identify areas for improvement and began implementing those changes. The performance measures tracked by the Customer Care Division reflect the Goals and Objectives of Springs Utilities.

The Customer Care Division Management's plan supports Springs Utilities' Vision, which is to, "Add to the quality of life in Colorado Springs by working together to build value for our citizen-owners with a reputation for operational effectiveness, customer loyalty and competitive utility products and services." The Mission of the Customer Care Division is to, "Deliver the customer cycle of service for the mutual benefit of customers using sound business practices that are grounded on incident- and injury-free behaviors and working environment."

The departments continuously evaluate how they can operate the most effectively, efficiently and economically. By using information obtained in their performance measures, opportunities have been identified.

EXTRAORDINARY EVENT

During the course of our audit an unrelated situation arose, which warrants disclosure.

In February 2007, while researching a question from a customer, the Manager of the Customer Revenue Department uncovered an apparent embezzlement scheme. We assisted Springs Utilities and the Colorado Springs Police Department (CSPD) in their investigation. The result of the CSPD investigation was to file theft charges against the former head cashier with an accusation that \$435,000 was embezzled over a multiple year period. In October of 2007, Springs Utilities recovered through insurance \$419,491.28 of the alleged embezzlement.

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Once the alleged fraud was discovered, CCD staff began an immediate review of their internal controls and made several changes to help ensure a similar event could not be repeated. Our office worked with the CCD to review their internal controls and proposed changes.

Since this was not an audit conducted by our office (i.e., we were working with CSPD on the case), a report on this matter was not issued by our office.

As of the date of this report, the matter rests with the District Attorney, Fourth Judicial District, Colorado.

OVERALL OPINION

Based on our review of the CCD operation, we conclude the CCD was accomplishing its goals and objectives in an economical, efficient, and effective manner, complying with regulations, safeguarding assets, and providing reliable data in their performance measures. We have no findings to report.