



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

08-19 –ANNUAL FOLLOW-UP REPORT

PUBLIC REPORT

OCTOBER 22, 2008

Jeff Litchfield
City Auditor

Denny Nester, MBA CPA CIA
Assistant City Auditor





Office of the City Auditor

Date: October 22, 2008
To: Honorable Mayor and Members of City Council
Re: 08-19 - Annual Follow-up Report

Background

The Office of the City Auditor follows the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework as published by the Institute of Internal Auditors Research Foundation. These standards are commonly referred to as the "Red Book" Standards. Red Book Standard 2500.A1 on Monitoring Progress states, "The Chief Audit Executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action." We have developed a follow-up process and plan to provide an annual report on our efforts. This report is our first annual report related to the follow-up process.

Scope and Methodology

We reviewed all management actions included in reports issued July 1 through December 31, 2007, with implementation dates prior to July 1, 2008. The objective of this follow-up audit was to determine whether (and to what extent) appropriate and timely actions had been taken to implement management's planned actions for outstanding audit recommendations.

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 such tests of records and other supporting documentation as we deemed necessary in the circumstances. When appropriate, we reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

Separate Reports

For two audit reports issued during the July 1 to December 31, 2007 period, we have elected to perform separate follow-up audits and will issue separate reports. The two are:

08-17 – Springs Utilities – Take Home Vehicles
08-18 – Springs Utilities – Travel and Training

Overall Opinion

We reviewed 38 management actions. Based on our review, we concluded:

- 33 (86.8%) management actions were implemented,
- 1 (2.6%) management action was partially implemented, and
- 4 (10.6%) management actions, while not implemented, were deemed less significant and will not require further review, and

A statistical summary of the audits reviewed is attached as Exhibit 1. The above numbers include the results of the two audit reports issued separately (08-18 and 08-19).

Management appeared to be responsive to our audit comments. They either implemented their actions or planned corrective action within a reasonable amount of time. Including the four we consider less significant, 100% of the findings were cleared.

Our next follow-up will be performed in 2009 and will cover audits completed during the 2008 calendar year.

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

Sincerely,



Jeff Litchfield
City Auditor

Cc: City of Colorado Springs:
Penelope Culbreth-Graft, DPA, City Manager
Mike Anderson, Assistant City Manager
Nancy Johnson, Assistant City Manger
Terri Velasquez, Chief Financial Officer

Colorado Springs Utilities:
Jerry Forte, Chief Executive Officer
Edward Easterlin, Officer, Planning & Finance Division
Jeanne Brown, Manager, Strategic Planning & Deployment
David Maier, Manager, Enterprise Risk Management Services

Memorial Health System:
Dr. Larry McEvoy II, Chief Executive Officer
Tracy Narvet, Interim Chief Financial Officer
John Wyckoff, Compliance Officer
Members of the Memorial Health System Audit Committee

Exhibit 1

Implementation Status of Management Actions
This report covers audits issued between July 1 and December 31, 2007

Project Number and Name	Date Issued	Number of Management Actions Accepted by Management	Number Effectively Implemented or Risk Accepted	Number Partially Implemented* or Deemed Less Significant**	Number Open and Subject to Re-testing or Additional Follow-up
City of Colorado Springs:					
07-127 Cash Disbursement Monitoring	10/24/07	3	1	2	-
Colorado Springs Utilities:					
06-227 Cash Disbursement Monitoring	10/24/07	2	2	-	-
06-272 Travel and Training	08/29/07	13	13	-	-
06-276 Take Home Vehicles	09/14/07	5	5	-	-
07-228 Payroll - Monitoring Review	07/20/07	1	1	-	-
Memorial Health Systems:					
07-324 Investment System	09/17/07	11	8	3	-
07-380b MHS 2nd Quarter Construction Update	09/17/07	3	3	-	-
Totals		38	33	5	0
Percents			86.8%	13.2%	0.0%

* The following Management Actions were considered Partially Implemented:
 07-127, finding 3

** While Management Actions were not implemented on these findings, we are considering them Less Significant and they will not be re-tested.
 07-127, finding 1; 07-324, findings 1, 5 and 8;