



City of Colorado Springs



City Council's Office of the City Auditor

INTEROFFICE MEMORANDUM

To: Mayor and City Council Members

From: Jeff Litchfield, City Auditor *Jeff Litchfield*

Date: February 11, 2009

Subject: 09-04 - CSU - Executive Limitation 11 Monitoring

We have completed the external monitoring as directed by City Council acting in its capacity as the Utilities Board under Governance Policy BL-5 Monitoring Chief Executive Officer Performance. This review covered Policy EL-11 Enterprise Risk Management for the period of January 1 through December 31, 2008.

The purpose of the review was to determine whether Utilities and the Utilities Chief Executive Officer were in compliance with the existing Executive Limitation. It included attendance at Risk Management Committee meetings as well as the review of source documentation, meeting minutes, control systems, reports and other auditing procedures we considered necessary to verify the accuracy and reliability of the statements made and information presented in the internal monitoring report.

In our previous two reports, we noted one area where improvement was needed. We reported that the Financial Risk Management and Energy Risk Management Plans did not sufficiently address the areas of proper internal and external audits. We recommended that Springs Utilities management enhance these plans by defining and addressing specifics related to proper internal and external audits. As of the date of this report, this finding has not been fully resolved.

In my opinion, this non-compliance is a "form" over "substance" matter. Internal and external audits are occurring on a regular basis. However, EL-11 specifically indicates that the CEO shall not fail to maintain and operate under a written management plan that establishes proper internal and external audits. CSU needs to memorialize the internal and external audit process in both the Energy Risk and Financial Risk Management Plans. In June 2009, we will follow-up on this issue to verify progress towards its resolution.

Based on my review of the operations and activities of the Risk Management Committee and Utilities staff, I believe that Utilities and therefore the Chief Executive Officer are in material compliance with all components of EL-11 Enterprise Risk Management.

Please contact me at your convenience if you have any questions on the report. I will also be at your February 18th Utilities Board meeting when the report will be on the agenda.

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE CGAP

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