



Office of the City Auditor

Date: July 10, 2009

To: Honorable Mayor and Members of City Council

Re: 09-15 – Review of July 13, 2009 letter from the City of Colorado Springs titled Pikes Peak Rural Transportation Authority (PPRTA) Cost Savings Opportunity

We have reviewed selected areas of the above referenced letter with the intent of rendering an opinion on the reasonableness of the financial data used to project the cost savings potential. This is a follow-up or continuation of a review we performed in August 2008 that resulted in the issuance of our report 08-190a. We have relied on the work performed during our previous review to reach our conclusion for this report. I have attached a copy of the previous report for your convenience.

In 2008, we reviewed the methodology, facts, and assumptions in the calculation of the potential savings numbers. Comparing services performed by external versus internal staff is difficult to do on an apples to apples basis. However, we did identify areas where, from a financial standpoint, changes needed to be made to the data that was being presented. For example, even though the external staff is billed for work actually performed (i.e. 1960 hours a year), internal staff would be paid for a full year, or typically, 2080 hours for the year, so internal staff should be shown at the 2080 hour level. During our previous review, the cost projections were updated for changes such as these.

Now to address the item on the July 13th informal agenda.

We did not review PPRTA Policy #3 regarding employment structure. That issue is best addressed by legal staff.

We did review the Financial Implications Section. We found that while the numbers had changed, the underlying hourly rates and hours used were similar to those found during our 2008 review. They were just repackaged in a different manner, or updated for changes in costs. Therefore we are comfortable with the methodologies used to calculate the Annual Savings for the Engineering and Street Divisions.

The 2008 review did not include Procurement. However, when we reviewed the Procurement Annual Savings of \$33,546, it appeared to be calculated in a manner similar to the Engineering and Street calculations so, while limited work was done verifying this number, we do have a comfort level since it was derived using logic we had previously tested.

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE CGAP

TEL 719-385-5991 • FAX 719-385-5699 • HOTLINE 719-385-2387 • REPORT WEBSITE WWW.CITYAUDITOR.ORG
30 South Nevada Avenue, Suite 604 • P.O. Box 1575, Mail Code 640 • Colorado Springs, CO 80901-1575

For the Annual Savings for the Public Communications area, we are not able to provide an opinion on this cost number. Our review did not include detailed analysis of the work performed by the contractors versus that performed in house. Therefore, we cannot make a statement on whether or not three in-house staff members would or would not be sufficient to perform the work being done currently. If Council so desires, we can expand our review to perform a detailed analysis of this area.

Going forward, if the decision is made to bring any or all of the services in-house, I would plan to audit their performance at the end of two years. At that time, we should be able to determine the results of City Staff versus what was being performed under the existing contracts and compare outcomes and costs.

I will be at your meeting on the 13th to answer any questions you might have.

Sincerely,



Jeff Litchfield

cc: Penelope Culbreth-Graft DPA City Manager
Nancy Johnson, Assistant City Manager
Cam McNair, City Engineer
Dave Krauth, Traffic Engineering Manager
Robin Kidder, Roadway Engineering Manager
Saleem Khattak, Streets Division Manager
Sherre Ritenour, Transit Services Manager
Sue Skiffington-Blumberg, Public Communications Manager
Terri Velasquez, Chief Finance Officer