



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-08 Colorado Springs Utilities Annual External Report on Executive Limitation 11— Enterprise Risk Management

March 2017

Purpose

The purpose of this high level review was to determine whether Colorado Springs Utilities and the Chief Executive Officer complied with Executive Limitation (EL) 11 Enterprise Risk Management. In addition to verifying management’s monitoring reports dated August 10, 2016 and February 22, 2017, our objectives included assurance that any known violations were reported to the Utilities Board.

Recommendations

1. Review EL 11 related policies per scheduled review dates.

Highlights

Based on our review, we conclude that Colorado Springs Utilities and the Chief Executive Officer were in compliance with EL-11 for the calendar year 2016.

We noted that policies were in place as required. However, some supporting policies were past the required review dates. This observation was also made in the 2016 review of EL-11. See additional details on page 2 of this report.

Our audit included a review of the Risk Management Committee minutes and written policies required by EL-11. We interviewed Colorado Springs Utilities personnel responsible for administering policies and Office of the City Auditor staff who attended the Risk Management Committee meetings. We verified the accuracy and reliability of statements made in the monitoring reports prepared by Colorado Springs Utilities for the Utilities Board.

The Office of the City Auditor completed external monitoring as directed by City Council acting in its capacity as the Utilities Board. Under Governance Policy Board-CEO Linkage 5 (BL-5), Monitoring Chief Executive Officer Performance, the Office of the City Auditor is required to monitor compliance with EL-11 enterprise Risk Management annually. This limitation states, *“The Chief Executive Officer shall not cause or allow conditions, procedures or decisions which fail to identify, measure, monitor and manage, within established risk tolerances, potential events that may affect achievement of the Ends.”*

Management Response

Management agrees with this recommendation.

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17-08 COLORADO SPRINGS UTILITIES ANNUAL EXTERNAL REPORT ON EXECUTIVE LIMITATION 11 — ENTERPRISE RISK MANAGEMENT

Observation 1

EL-11 Section 2 states, “the CEO shall not: fail to establish and maintain a written Enterprise Risk Management (ERM) Plan and an ERM program that includes management-level policies, procedures, and process controls to help ensure that enterprise-wide risk exposures are properly identified managed and reported to the Utilities Board.” It also requires a written Energy Risk Management Plan, Investment Plan, and Financial Risk Management Plan.

Of the six policies reviewed that support EL-11, three were past their required review dates. Policies such as these were typically on one to three year review cycles. While the process has been started to update two of the policies, full implementation has not yet occurred. The third policy had been reviewed but not documented as an updated version.

Management Response:

Management agrees with this recommendation.

CSU's Enterprise Risk Management Department is currently engaged in an initiative to clarify and redefine departmental scope, along with updating policies to reflect such changes. We anticipate an implementation date of year-end 2017.

Recommendation

We recommend that the EL-11 related policies be updated as soon as possible.