



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

# 12-19 Annual Follow-up Report

**October 2012**



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### **Purpose**

The purpose of this audit is to determine whether appropriate and timely actions had been taken by management to implement the planned actions for audit recommendations from audit reports issued in 2011.

### **Highlights**

The Office of the City Auditor follows 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 annual report on our results. This report is our fifth annual report related to the follow-up process.

We reviewed 72 management actions. Based on our review, we concluded:

- 57 (79.2%) management actions were implemented,
- 11 (15.3%) management actions were partially implemented, and
- 4 (5.5%) management actions were open and subject to retesting or additional follow-up.

Overall, management actions were appropriate and timely. Our follow-up results indicated planned actions were either fully or partially implemented within a reasonable amount of time for 68 (94.5%) of the management actions.

There are four open items that would require future follow-up (see column at right), all related to audits of Memorial Health System. However, effective October 1, 2012, University Health started operating Memorial and Memorial is no longer subject to audit by the City Auditor.

### **Management Response**

No response was requested from management.

### **Open Recommendations**

#### **For Memorial Health System**

##### 11-11 HIS Application IT Review

Implement system controls regarding password expiration and minimum length.

##### 11-20 Cash Disbursements

1. Review the activity of system accounts once the monitoring program is in place and restrict access to the minimum level required.
2. Review the activities of consultants with open production level application access on a routine basis.
3. Implement a monitoring process to systematically log any changes by system accounts and users with full privileges in the Accounts Payable system.

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<b>Implementation Status of Management Actions</b>					
This report covers audits issued between January 1 and December 31, 2011					
Report Number	Report Name	Total Recommendations Accepted by Management	Fully Implemented Or Risk Accepted	Partially Implemented	Open
<b>City of Colorado Springs</b>					
11-05	City Service Agreement with Medical Network	1	1		
11-13	Economic Development	1	1		
11-14	Procurement Card Audit	3	3		
11-17	Lamar Corporation Contract Compliance Audit	3	3		
11-25	Humane Society Audit Report	6	3	3	
11-26	Annual Follow-up Audit (various entities)	4	4		
<b>Colorado Springs Utilities</b>					
11-06	Electric Cost Adjustment, Gas Cost Adjustment and Capacity Charge Adjustment Review	1	1		
11-15	Executive Limitation 11	1	1		
11-16	Electric Cost Adjustment Review	1	1		
11-22	SDS Project Monitoring Report	14	9	5	
11-23	Rate Case Review	3	1	2	
11-24	P-Card Audit	2	2		
<b>Colorado Springs Airport</b>					
11-01	Rental Car Contract Compliance	1	1		

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Report Number	Report Name	Total Recommendations Accepted by Management	Fully Implemented Or Risk Accepted	Partially Implemented	Open
<b>Memorial Health System</b>					
11-02	Accounts Receivable Management	3	3		
11-04	Property Disposal Audit	4	4		
11-10	Patient Access Audit	4	4		
11-11	HIS Application IT Review	7	5	1	1
11-20	Cash Disbursements Audit	8	5		3
11-21	Purchasing Audit	5	5		
Totals		72	57	11	4
Percentages			79.2%	15.3%	5.5%

No further follow-up will be performed by the Office of the City Auditor on the four open Memorial Health System recommendations, effective with the October 1, 2012, lease of Memorial to University of Colorado Health.

Our follow-up on Memorial Health System audits was based on obtaining management's assessment as to the implementation of recommendations. Due to the timing of the lease, we did not perform independent tests of records or supporting documentation.

# CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

## COLORADO SPRINGS, COLORADO

### **About our Office**

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities and Colorado Springs Airport. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

### **Authorization and Organizational Placement**

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

### **Audit Standards**

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.