



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

13-03 Colorado Springs Utilities Coal Purchase Review

February 2013

Purpose

The purpose of this audit was to determine whether controls were in place to ensure payments for Colorado Springs Utilities coal purchases were accurate and in compliance with related contracts.

Highlights

We concluded that overall, controls were in place to ensure invoices for coal purchases were accurately processed in accordance with contractual terms and agreements.

We performed a review of coal purchases for the eight months ended August 31, 2012. The last audit performed by the City Auditor's Office covered the period of July 1, 2005, through June 30, 2006.

Systems and controls were in place to calculate invoices using quantities shipped per the mine utilizing pricing per contract terms.

Colorado Springs Utilities Fuel and Materials Management was responsible for contracting with Coal Suppliers including both spot (contract terms under one year) or long-term arrangements. Colorado Springs Utilities Accounting was responsible for verifying that pricing, volumes and quality adjustments were correctly applied to vendor invoices prior to payment.

During the audit period, 62% of all coal purchases were related to long-term contracts with the remaining 38% purchased utilizing spot contracts.

Colorado Springs Utilities Fuel and Materials Management strategic five-year coal plan required the use of more spot contracts through July 2015.

Please let me know if you have any questions or comments.

Respectfully Submitted,

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City Auditor

Recommendations

There were no recommendations resulting from our review.

Management Response

No responses were required

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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. 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.