



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 16-04 Colorado Springs Utilities Annual External Report on Executive Limitation 11— Enterprise Risk Management

March 2016

### **Purpose**

The purpose of this high level review was to determine whether Colorado Springs Utilities and the Chief Executive Officer complied with the Executive Limitation (EL) 11 Enterprise Risk Management. In addition to verifying management's reports dated August 12, 2015, and February 10, 2016, our objectives included assurance that any known violations were reported to the Utilities Board.

### **Recommendations**

1. Review EL 11 related policies and update as appropriate.

### **Highlights**

Based on our high level review, we conclude that Colorado Springs Utilities and the Chief Executive Officer were generally in compliance with EL-11 for the calendar year 2015, however, EL-11 supporting policies were past required review dates.

Our audit included a review of the Risk Management Committee minutes and written plans required by EL-11. We interviewed 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."*

Please see page two of this report for observation details.

### **Management Response**

Management agrees with the recommendation. See full response on page 2.

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# 16-04 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 seven policies reviewed that support EL-11, six were past their required review dates. Policies such as these are typically on a three year review cycle. While a project had been started to update the policies, implementation of this effort has not yet been achieved.

## ***Management Response:***

Utilities agrees with the conclusion that the CEO is in compliance with the requirements set forth in EL-11.

We also recognize and agree that some of the implementing documents are beyond their stated review date. We are currently in the process of reviewing and updating these documents to reflect changes in organizational structure (to address current ownership issues) and a “policy versus procedure” methodology which clarifies the information to be contained in a policy vice a procedure.

We expect to have these issues resolved and the outdated policy documents complete by mid-year 2016.

## ***Recommendation***

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