



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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23-06 Colorado Springs Utilities Board Instruction 4, Risk Management

March 2023

Purpose

The purpose of this high level review was to determine whether Colorado Springs Utilities complied with Utilities Board Instruction to the Chief Executive Officer, Policy I-4, Risk Management.

Highlights

Based on our review we conclude that Colorado Springs Utilities (Utilities) and the Chief Executive Officer (CEO) were in compliance with Utilities Board Instructions to the Chief Executive Officer, Policy I-4, Risk Management (I-4) for the calendar year 2022. We identified one observation and one opportunity for improvement to strengthen the enterprise risk management. Please see page two of this report for details.

The Office of the City Auditor completed our review as directed by City Council acting in its capacity as the Utilities Board. Under Governance Policy Manual, Guidelines, Organizational Oversight (E-2.3), the Office of the City Auditor is required to monitor compliance with Policy I-4, Risk Management annually.

Policy I-4 states, "The Chief Executive Officer shall direct that the enterprise maintain enterprise risk management activities that identify, assess and prudently manage a variety of risks including strategic, financial, operational, legal and hazard."

Within the I-4, the CEO is required to maintain a Risk Management Committee, operate under, and maintain an Enterprise Risk Management Plan to include Energy Risk Management, Investment, and Financial Risk Management Plans.

Our audit included a review of the Risk Management Committee materials and written policies required by I-4. We interviewed Colorado Springs Utilities personnel responsible for administering policies. Per the I-4, Utilities prepared semi-annual reports on Board Instruction compliance results. We verified the accuracy and reliability of statements made in the August 17, 2022 and February 22, 2023 reports. We did recognize the Enterprise Risk Management Plan was in draft status, however, in the most current semi-annual report, Utilities acknowledged it has not been updated but would be finalized in 2023.

Management Response

Management was in agreement with our recommendations.

Recommendations

1. We recommend utilizing the enterprise risk tracking tool available.

Opportunity for Improvement

1. Revise Instruction and Guideline pertaining to I-4 to align with Utilities Board decisions.

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23-06 COLORADO SPRINGS UTILITIES BOARD INSTRUCTION 4, RISK MANAGEMENT

Observation 1

- The enterprise risk tracking tool was not being utilized, therefore there was no available supporting documentation to review.

In 2021 a consultant was engaged and built an Excel tool to be utilized as the enterprise risk tracking tool. The tool, which could add value to enterprise risk tracking, was not implemented.

While the Financial Risk Report was provided to the Risk Management Committee monthly, the invested tool should be implemented to strengthen the enterprise risk tracking process to adequately report risk on an enterprise-wide-basis.

Management Response

Management agrees with this observation and will configure the excel tracking tool received and begin using this with the May 2023 Risk Management Committee Meeting.

Recommendation

Utilities Management should:

Implement the enterprise risk tracking tool available and assess if other tools could be acquired to strengthen the enterprise risk tracking process.

Opportunity for Improvement 1

- Excellence in Governance Policy Manual, Risk Management (I-4) and Compliance Report Frequency and Method Guidelines (G-3) were not accurate for Monitoring Frequency.

The February 22, 2023 Risk Management (I-4) Instruction Compliance Report indicates monitoring will include Internal, City Auditor, and External. The Monitoring Frequency indicates Semi-Annual, Annual, and Years ending in 0 and 5. Utilities Board approved replacing requirement for external monitoring frequency of years ending in 0 and 5, allowing for Utilities Board discretion on external reviews. However, I-4 and G-3 monitoring frequency stated requirements were not updated.

Management Response

Management agrees and will collaborate with the Office of the City Auditor in updating the external reporting requirement language in the report heading. This will be accomplished as soon as possible and will be reflected in the next I-4 report issued.

Recommendation

Utilities Management should:

Revise the I-4 Instruction and G-3 Guidance related to monitoring frequency for external audit. Updates should reflect the Utilities Board decision.