



Legislation Text

File #: 14-0162, **Version:** 1

Ordinance No. 14-29 modifying Section 502 (Claims Reserve Fund) and 503 (Compromise or Settlement of Claims) of Part 5 (Claims Management) and Section 602 (Worker's Compensation Claim Reserve Fund) of Part 6 (Workers' Compensation) of Chapter 1 (Finance Management Procedures) of Chapter 1 (Administration, Personnel and Finance) of the Code of the City of Colorado Springs 2001, as amended, pertaining to the requirements for the frequency of certain audits.

Summary: The Audit Committee, City Auditor, and City Administration are requesting a change to City Code to allow scheduling flexibility for audits of the Liability Claims Reserve Fund and Workers' Compensation Fund. This proposed change will allow the Audit Committee and the City Auditor more flexibility in the prudent use of audit resources.

Previous Council Action: City Council established the Liability Claim Reserve Fund in 1986 and the Workers' Compensation Fund in 1989. Council initially required annual audits of these funds. In 1994, City Council changed the frequency of these audits to every two years.

Background: City Code only specifies the frequency of audits in a few areas. Currently, City Code 1.5.502: Claims Reserve Fund requires the City Auditor to review this area every two (2) years. City Code 1.5.503: Compromise or Settlement of Claims also requires an audit of specific aspects of this fund. Section 1.5.602: Workers' Compensation Claim Reserve Fund calls for the audit of the Workers' Compensation area every two (2) years. The only other area of City Code to specify the frequency of audits is related to the Trails, Open Space & Parks Program, which requires audits as specified in the ballot language approving this tax and program.

Financial Implications: Approving the proposed change would allow audit resources to be utilized more efficiently under the direction of the City Auditor and the Audit Committee. The amount appropriated to the Office of the City Auditor would not change.

Board/Commission Recommendation: The Audit Committee supports this change, which was requested by City Administration and recommended by the City Auditor.

Stakeholder process: In the attached interoffice memorandum from the Risk Manager dated December 27, 2013, the Risk Manager of the City requested that City Code be changed to allow the City Auditor to determine the frequency of the audits in the same manner as other audits. In the audit report of the City of Colorado Springs & Colorado Springs Utilities Claims Reserve and Workers' Compensation Funds issued on February 28, 2014, the City Auditor brought forward an opportunity for improvement stating, "The code requirement for audit review frequency has not been evaluated recently." Based on this opportunity, the City Auditor recommended, "City Council could consider revising the City Code provision that requires the City Auditor to examine the Workers' Compensation

and Claims Liability Fund at least once every two years.

Possible scope and frequency for the City Auditor's review include a requirement to:

- Review of funding adequacy only.
- Perform a risk assessment and complete audit procedures as warranted.
- Revise the required frequency to every three to five years, consistent with other recurring audits.”

Colorado Springs Utilities was made aware of the possible change during the recent audit. The City Auditor contacted Colorado Springs Utilities to obtain the input on the possible change. Colorado Springs Utilities is in support of the proposed change as documented in the attached emails.

Alternative:

Recommendation:

Approve the ordinance as presented.

Proposed Motion: Approve the ordinance as presented.