



## 2026 Audit Plan

November 20, 2025

Colorado Springs City Council  
Colorado Springs, CO 80901

Subject: 2026 Audit Plan

City Council:

I am seeking your review and endorsement of the 2026 Audit Plan which is based on a comprehensive risk assessment, as required by professional auditing standards. Input was gathered from City Council, City Administration, Audit Committee, Colorado Springs Utilities, the Colorado Springs Airport, audit staff, and other stakeholders.

This plan will guide the work of the Office of the City Auditor throughout 2026. Audit hours are allocated as follows:

- 54% – Colorado Springs Utilities
- 39% – City departments and programs
- 7% – Colorado Springs Airport

The plan includes:

- Required audits (mandated by City Code, City Charter, or Utilities governance)
- Carryforward projects from prior years
- New risk-based audits, prioritized by risk score

Staffing assumptions are based on a full team of 15.5 auditors and one journey-level paraprofessional. Productivity estimates account for scheduled leave, training, and office administrative duties. Audit assignments also consider staff expertise to ensure the right skills are applied to each engagement.

The Audit Plan is subject to change based on emerging risks, resource availability, or staffing adjustments. Once reviewed by City Council, the final plan will be published on the Office of the City Auditor's website.

Respectfully,

Natalie Lovell  
City Auditor



## 2026 Audit Plan

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### CITY AUDITOR AUTHORITY AND PURPOSE OF OFFICE OF CITY AUDITOR

#### AUTHORITY

The City Auditor is an appointee of City Council. The City Auditor derives authority from the Colorado Springs City Code. The primary authority given is in Section 1.2.706, which states,

“The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, division, agency, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.” (Ord. 11-18)

#### PURPOSE OF THE OFFICE OF CITY AUDITOR

The purpose of the Office of City Auditor is to provide independent, risk-based advice, insight, and foresight through objective assurance and advisory services designed to add value and improve the City and its enterprises' operations. Assurance services involve an objective examination of evidence to provide an independent assessment of the organization's governance, risk management, and control processes. Advisory services, the nature and scope of which are agreed with the relevant stakeholders, provide advice to the City and its enterprises without providing assurance or taking on management responsibilities. The Office of City Auditor assists the City Council and management to achieve their objectives by testing and reporting on the effectiveness of internal control systems, risk management, and governance processes.

#### MISSION AND VISION FOR THE OFFICE OF CITY AUDITOR

##### Mission

To encourage responsible stewardship and accountability for public resources through independent and unbiased audits.

##### Vision

To be trusted advisors who drive positive organizational change through independent insight, integrity, and solutions that strengthen public confidence and address emerging risks for the benefit of our community.



### 2026 AUDIT PLAN

The 2026 Audit Plan includes the audit projects that are required or have been risk assessed to be the best use of resources of the Office of the City Auditor. The audit projects are listed in two categories:

- o **Standard Audits**

These audits are required by City Code, a city ordinance, a Utilities Board Instruction, or some other requirement. Standard audits also include annual financial system and information system audits.

- o **Audits Prioritized by Annual Risk Assessment**

These audits are identified by the annual risk assessment process. This process includes a risk assessment model with numeric scoring for risk areas. City Auditor utilizes, among other categories, organization's strategic goals, leadership input, and annual budgets as risk criteria for determining proposed audits.

### STANDARD AUDITS

- ❖ **City of Colorado Springs External Financial Audit Staffing/Assistance (350 hours)**

- ❖ **Colorado Springs Utilities External Financial Audit Staffing/Assistance (250 hours)**

The City Auditor administers the external auditor contract for the City. The City Auditor monitors issues as they arise between the external auditor and the City, Colorado Springs Utilities, or its audited entities. The external auditor will report to the City Auditor and the Audit Committee, who will then communicate with City Council, as needed.

In accordance with City Charter, 3-160 Independent Audit: "The Council shall provide for an independent annual audit of all City accounts and may provide for more frequent audits as it deems necessary. Such audits shall be made by a certified public accountant or firm of such accountants who have no direct personal interest in the fiscal affairs of the City government or any of its officers."

The Office of the City Auditor will provide audit assistance to each of the external auditors of the City of Colorado Springs and Colorado Springs Utilities annual financial statement audits. City Auditor staff performs this work under the direction of the external auditor.

- ❖ **Colorado Springs Utilities Board Instructions 2 and 8 Monitoring (140 hours)**

- ❖ **Colorado Springs Utilities Board Instruction 4 Monitoring (60 hours)**

The purpose of these audits is to verify the report of Colorado Springs Utilities management to Utilities Board on Instruction 4 related to Enterprise Risk Management, along with Instruction 2 related to Financial Condition and Activities, and Instruction 8 related to Asset Protection. In accordance with City Code, 1.2.206 Cooperation Among Appointive Officers of the City: The Utilities Board requested the City Auditor perform an annual compliance review of Colorado Springs Utilities Board Instructions Policies I - 2, Financial Condition and Activities, I-8, Asset Protection, and I-4, Risk Management.



## 2026 Audit Plan

- ❖ **City of Colorado Springs; Financial System Reviews: Cash Disbursements (500 hours)**
- ❖ **Colorado Springs Utilities; Financial System Reviews: Payroll (800 hours)**

The Office of the City Auditor conducts annual reviews of financial systems to assess the reliability of financial information and the safeguarding of assets. These audits also consider operational best practices, efficiency, and effectiveness. Financial systems subject to review include cash receipts, billing, cash disbursements, payroll, debt, investments, and procurement. Each year, the Office performs a risk assessment of financial systems at both the City and Colorado Springs Utilities to determine which systems will be audited. This assessment considers factors such as system or staffing changes, operational complexity, and decentralized activities, which may indicate higher risk. The Office also coordinates with external auditors to incorporate their internal control work into the risk assessment process.

In accordance with City Code Sections 1.2.704 and 1.2.706, the City Auditor is required to perform a current postaudit of the financial operations of the City government and its enterprises, and to examine all books, records, and systems related to the financial affairs of any entity receiving City funds or under the control of City Council. The City Auditor shall submit reports to Council of periodic audits of each enterprise, department, division, office, agency, or account.

For 2026, the City audit will focus on cash disbursements (accounts payable), which was last audited in 2017. That audit resulted in five recommendations, one opportunity for improvement, and one commendable practice. The purpose of the 2026 audit is to evaluate the internal controls over cash disbursements to ensure the reliability of financial information and the safeguarding of resources. The audit is budgeted for 500 hours.

The 2026 audit for Colorado Springs Utilities will focus on payroll. The last payroll audit was conducted in 2019 and resulted in three recommendations. Since that time, Utilities implemented a new Enterprise Resource Planning (ERP)/Accounting System in 2024. The upcoming audit will evaluate the adequacy of internal controls over the payroll process and assess compliance with policies and procedures within the new system. This audit is budgeted for 800 hours.

- ❖ **City of Colorado Springs; Information System Reviews: Identity and Access Management (500 hours)**
- ❖ **Colorado Springs Utilities; Information System Reviews: IT Risk Management Controls Assurance (600 hours)**

The Office of the City Auditor conducts annual information system audits to evaluate the effectiveness of IT controls designed to protect City assets, ensure data integrity, and support alignment with organizational goals. These audits assess not only physical and cybersecurity controls, but also the business and financial processes that rely on information technology systems. A risk assessment of information systems at both the City and Colorado Springs Utilities is performed early each year to determine audit priorities. The City Auditor and Information System Auditors collaborate with IT and



cybersecurity staff to identify value-added audit scopes, considering factors such as system changes, key staffing transitions, governance structures, operational practices, and policy updates. Operational best practices, efficiency, and effectiveness are also considered, and information system risks are monitored throughout the year.

For 2026, the City audit will focus on Identity and Access Management, with an emphasis on evaluating the adequacy of controls related to user access provisioning, authentication, and role-based access to critical systems. This audit is budgeted for 500 hours. The Colorado Springs Utilities audit will focus on IT Risk Management Controls Assurance, with the objective of assessing the design and effectiveness of controls that support risk identification, mitigation, and monitoring within the IT environment. This audit is budgeted for 600 hours.

❖ **City of Colorado Springs, Colorado Springs Utilities, and all City Enterprises; Follow Up (220 hours)**

The Office of the City Auditor conducts follow-up work to assess the status of audit recommendations and related management responses issued in 2025, as well as unresolved issues from prior years. In accordance with the Institute of Internal Auditors' 2024 Global Internal Audit Standards, Principle 15.2: Monitoring and Follow-up, the Chief Audit Executive must establish and maintain a system to monitor the disposition of audit results. This includes ensuring that management actions have been effectively implemented or that senior management has formally accepted the risk of not taking corrective action. The follow-up process is an essential component of the audit function's responsibility to provide assurance on the effectiveness of governance, risk management, and control processes.

❖ **Colorado Springs Utilities Rate Related or Rate Filing Reviews (400 hours)**

❖ **Colorado Springs Utilities ECA/GCA Rate and Clean Heat Charge Verification (200 hours)**

Colorado Springs Utilities periodically files rate adjustments as well as Electric Cost Adjustments or Gas Cost Adjustments (ECA/GCA) with the City Council. In 2024 Utilities began charging customers a new natural gas charge to recover expenses related to state mandates.

The purpose of these audits is to evaluate whether Colorado Springs Utilities prepares rate filings in a consistent and accurate manner. We verify management is using sound methodology that is supported by verifiable data and logical assumptions. We also verify that the rates support management objectives.

❖ **City of Colorado Springs Purchasing Card Monitoring (400 hours)**

The purpose of this audit will be to annually review a sample of each City department purchasing card transactions for compliance with City Procurement Card (p-card) policies and procedures. In 2022, the Office of the City Auditor began using audit data analytic tools to analyze all transactions.

❖ **City of Colorado Springs Ballot Measure 2C Compliance (100 hours)**

The purpose of this audit will be to ensure the City complies with the specifications related to Ballot Issue 2C. The Ballot measure stated, "The expenditure of these revenues for road repairs and improvements is to be in addition to, and not in lieu of, amounts currently being expended by the City



for road maintenance and improvements. During the period the temporary sales and use tax increase is in effect, the City will maintain spending on repair and maintenance of roads and streets at the average of the City's annual spending amount for such repair and maintenance during fiscal years 2012, 2013 and 2014. The City Auditor will perform an audit to calculate such average spending amount. Subject to City Charter limitations on preparation, submission and approval of the annual budget and annual appropriation ordinance, during such period, the City will annually expend at least the amount so computed on repair and maintenance of roads and streets." We will verify that General Fund spending maintained the pre-2C level as specified in the ballot.

❖ **Colorado Springs Police Department Evidence Inventory (75 hours)**

The purpose of this audit is to assist the Colorado Springs Police Department (CSPD) Professional Standards Division in conducting an independent annual evidence inventory audit in accordance with the standards established by the Commission on Accreditation for Law Enforcement Agencies (CALEA).

❖ **Colorado Springs Utilities Green-E Certification (50 hours)**

The purpose of this audit is to fulfill the annual Green-E certification verification requirement for Colorado Springs Utilities' renewable energy products. This agreed-upon procedures review is conducted by the Office of the City Auditor and signed by a Certified Internal Auditor (CIA), eliminating the need for external audit services.

Audit procedures include selecting a sample of transactions in accordance with Green-E protocol, reviewing Renewable Energy Certificate (REC) quantities using the C2M system, and completing the Green-E Protocol. The finalized protocol is reviewed with Utilities staff and submitted by the deadline.

❖ **City of Colorado Springs (incl. Airport) Ethics Audit (300 hours)**

The purpose of this audit is to evaluate the effectiveness of the City of Colorado Springs' Ethics Program, including how it has been implemented across departments and at the Colorado Springs Airport. Additionally, we will compare the City's ethics policies and practices against published criteria for evaluating ethics programs.

❖ **Verification of Stormwater Spending (150 hours)**

The purpose of this audit will be to monitor and verify the level of stormwater spending by the City of Colorado Springs and Colorado Springs Utilities as specified in the intergovernmental agreement between the City and Pueblo County. The City Auditor plans to report on annual spending as well as the total spending on stormwater improvements through the 20-year term of the agreement.

❖ **Trails, Open Space and Parks Audit (300 hours)**

The purpose of this audit is to review the City's Trails, Open Space and Parks activity as required by City Code 4.6.203, which states – "The City shall adopt regulations requiring an independent biannual audit of the expenditures of all of the net proceeds from the sales tax and other revenue. The City Council, with City and advisory committee participation, shall regularly review the audits with a view to establishing expenditure priorities. (Ord. 97-96; Ord. 01-42; Ord. 03-69)" In 2010, voters approved Ballot Issue 2C, which changed the word biannually (twice each year) to biennially (every two years) as the





appropriate timing for this audit. City Code revisions reflecting this change will be brought to City Council in the summer of 2015.

- ❖ **City of Colorado Springs; Information Technology Penetration Test (25 hours)**
- ❖ **Colorado Springs Utilities; Information Technology Penetration Test (25 hours)**

The Office of the City Auditor coordinates with both the City and Colorado Springs Utilities on annual penetration testing.

### AUDITS CARRIED OVER FROM 2025

- ❖ **Colorado Springs Airport, Peak Innovation Park 2025 (150 hours)**

The purpose of this audit is to evaluate the operations and oversight of Peak Innovation Park, a business development located at the Colorado Springs Airport. This audit began in 2025 and will carry forward into 2026. The review focuses on financial management and controls and alignment with strategic objectives. We anticipate allocating approximately 150 hours to complete the remaining work in 2026.

- ❖ **Colorado Springs Police Department, Photo Red- Red Light Camera Program (500 hours)**

The purpose of this audit is to evaluate the Colorado Springs Police Department's Photo Red Enforcement program. Identified in collaboration with CSPD, the audit will review program costs, cost recovery, revenue, and related expenses. Work began in late 2025 and will continue into 2026, with 500 hours allocated.

- ❖ **Colorado Springs Utilities, Operational Fiber Network 2025 (100 hours)**

The purpose of this multi-year review is to monitor the development and implementation of Colorado Springs Utilities' next-generation fiber network, which began in 2022 and is expected to be completed by 2028. The network is designed to enhance utility operations and expand high-speed internet access citywide. Utilities has entered into lease agreements with a national fiber provider and others for non-exclusive use of the network. While fieldwork will conclude on December 31, 2025, annual reporting will continue into 2026, with 100 hours allocated.

- ❖ **Colorado Springs Utilities, Underground Damage Prevention Safety Program (20 hours)**

Following the 2024 audit, the Underground Damage Prevention Safety Program team requested additional support. Minimal assistance will continue into 2026, with no formal report planned.

### AUDITS PRIORITIZED BY ANNUAL RISK ASSESSMENT, LISTED BY AUDITED ENTITY

The list of 2026 risk-based audits are generally presented in expected order of risk-based priority. If higher-priority audits require more hours than estimated, the City Auditor will evaluate the relative risks and adjust the plan accordingly. Quarterly updates on any changes to the Audit Plan will be provided to the Audit Committee and City Council.

The 2026 Audit Plan is based on a fully staffed audit team and incorporates productivity calculations that account for scheduled leave, training, and administrative responsibilities. These audits are subject to





adjustment based on emerging risks, resource availability, or changes in staffing capacity. Any significant changes may require modifications to the scope or timing of planned audits.

### City of Colorado Springs

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#### ❖ **Procurement and Contract Compliance (400 hours)**

The purpose of this audit is to evaluate controls over contract compliance, including work change directives and signature authority. Several fraud reports suggest potential control deficiencies. The audit will also consider strategic sourcing opportunities.

#### ❖ **Public Safety Sales Tax (PSST), (Code 1.6.1007) (400 hours)**

This audit will assess how the City manages its commitment to voters under the PSST. The review will examine whether annual PSST revenue growth aligns with rising personnel costs, particularly as the fund now primarily supports salaries and benefits. This audit will review compliance with the voter-approved 0.4% sales and use tax increase dedicated to police and fire capital improvements. The focus will be on ensuring funds are used in accordance with the ballot language and applicable City policies.

#### ❖ **Colorado Springs Police Department Photo Speed Enforcement (Speed Cameras) (400 hours)**

This audit will evaluate the CSPD Photo Red Enforcement program. In collaboration with CSPD, the audit will review program costs, cost recovery, revenue, and related expenses. A brief comparison of similar programs in other jurisdictions will also be included.

#### ❖ **Short Term Rental Compliance (300 hours)**

The purpose of this audit will be to review short-term rentals for City Code regulatory compliance. We will also consider City Code enforcement processes related to short-term rentals.

#### ❖ **Economic Resiliency and Risk Mitigation (400 hours)**

This audit will evaluate the City's financial resilience planning in light of recent budget cuts and reserve usage. It will include a stress test of the sales tax forecasting model, an update to the 2013 GFOA reserve analysis, and a review of internal risk identification processes.

#### ❖ **Superuser Services (Homelessness / Mental Health Support) (400 hours)**

This audit will review funding and expenditures related to the City's Superuser Services program, formerly known as CARES. The focus will be on evaluating how funds are used and whether spending aligns with program goals. This may inform future audits of related initiatives such as the newly piloted Clean and Safe program.

#### ❖ **Take-Home Vehicle Policy Review (100 hours)**

This quick-response audit will review the City's take-home vehicle policy, prompted by a recent increase in fraud reports. The objective is to assess policy compliance and identify potential control gaps.



### Colorado Springs Airport

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#### ❖ **Peak Innovation Park 2026 (500 hours)**

This audit is a continuation of the review of Peak Innovation Park at the Colorado Springs Airport. The focus will be on evaluating strategic development plans, measuring progress against established metrics, and reviewing the development pipeline to assess alignment with long-term goals.

#### ❖ **Rental Car Concessions (500 hours)**

The purpose of this audit is to evaluate compliance with rental car concession agreements at the Colorado Springs Airport. These audits commonly identify underreported revenues, unpaid or miscalculated concession fees, and noncompliance with lease terms. This review will assess current oversight practices and the reliability of self-reported data from concessionaires. The last on-site rental car audit was completed in 2020 and resulted in two recommendations. The last off-site rental car audit was completed in 2016.

### Colorado Springs Utilities

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#### ❖ **Surplus Contract Oversight (200 hours)**

This audit will evaluate the methodology used by Utilities to calculate surplus payments to the City. The review will assess whether the current formula aligns with policy intent and is comparable to practices in other municipalities. A third-party consultant will be engaged to support this review, with costs to be direct billed and shared between the City and Utilities.

#### ❖ **Cost By-Service, Functional Allocation Review (800 hours)**

This audit will evaluate the methodology used by Utilities to allocate labor and administrative overhead to capital projects and service divisions. The review will cover the most recent 3–5 fiscal years and assess the accuracy, transparency, and financial impact of these allocations on rates, revenue, and cash flow. Benchmarking against peer utilities and industry standards will also be included.

#### ❖ **Overhead Allocation Methodology (700 hours)**

Colorado Springs Utilities 2024 capital projects accounted for 29% of the total budget. The purpose of this audit will be to review short-term and long-term project planning and prioritization. We will also review project budgeting, tracking, and reporting. We will perform planning and discovery work to determine the final scope of this review.

#### ❖ **By-Service Financials- Post ERP Review (700 hours)**

This audit will review how Utilities tracks and reports By-service financial statements following the implementation of the Enterprise Resource Planning (ERP)/Accounting system. The audit will assess the accuracy of reporting, its role in financial forecasting, and compliance with applicable regulatory requirements.



❖ **Procurement and Contract Compliance (500 hours)**

This audit will evaluate Utilities' procurement and contract compliance processes, with a focus on the implementation of updated procurement policies. The review will assess controls related to work change directives, signature authority, and contract oversight.

❖ **Workers Compensation Claims Allocation (400 hours)**

This audit will evaluate the process and controls used to allocate workers compensation claims costs across Utilities departments. The review will assess the fairness, accuracy, and transparency of the allocation methodology and identify any control gaps. Scope will be further defined in collaboration with Utilities leadership.

❖ **Maximize, Maximo Work Management Upgrade Process Review (400 hours)**

This audit will review Utilities' current work management processes in advance of the implementation of the new Maximo system. The objective is to identify potential risks and control gaps in existing workflows and to benchmark current practices against industry standards. This review will also support the Office of the City Auditor in gaining a deeper understanding of Utilities operations, which will enhance future audit risk assessments and planning.

❖ **Operational Fiber Network 2026; Multi-year Monitoring Review (500 hours)**

Beginning in 2022, Colorado Springs Utilities launched construction of a next-generation fiber network, expected to be completed by 2028. This city-wide network is designed to enhance utility operations, improve customer service, and support community-wide multi-gigabit internet access. This audit will monitor the ongoing implementation of the fiber network, including project governance, risk management, and compliance with lease agreements and partnership terms.

❖ **Sustainable Energy Plan (SEP) 2026; Multi-year Monitoring Review (400 hours)**

The Sustainable Energy Plan (SEP) is a multi-year initiative involving planning, engineering, procurement, and delivery of major infrastructure projects. These include new and expanded substations, transmission lines, an advanced technologies campus, and distributed energy strategies. This audit will monitor the program's progress, focusing on project management, internal controls, and alignment with strategic goals. Risk assessment activities will be conducted to ensure audit resources are aligned with evolving operational priorities.

❖ **Automated Metering Infrastructure (AMI) 2026; Post Implementation Review (400 hours)**

The Advanced Metering Infrastructure (AMI) project involved upgrading electric meters and installing new hardware on natural gas and water meters across the customer base, enabling two-way communication and enhanced data capabilities. This audit will serve as a post-implementation review, evaluating whether project objectives were achieved, assessing technology governance, and identifying lessons learned to inform future large-scale technology deployments.



### Office of City Auditor Administration

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#### ❖ **Fraud Hotline Response/Management (300 hours)**

The objective of the hotline is to be a resource for employees of the City, City entities, Colorado Springs Utilities, citizens, and contractors to report fraud, waste and abuse related to City resources.

#### ❖ **Office of City Auditor (OCA) Strategic Initiatives (3,400 hours)**

The Office of the City Auditor has allocated 3,400 hours in 2026 to support strategic initiatives that align with the five pillars of the OCA Strategic Plan: Talent & Knowledge Management, Audit Scope & Methodology, Technology & Data Capability, Stakeholder Engagement, and Organizational Resilience. Key initiatives include:

- Implementation of the 2024 IIA Global Internal Audit Standards, including updates to planning, documentation, and reporting practices.
- Development of a Staff Competency Model and Skills Matrix, which will inform individualized training plans and support succession planning.
- Documentation of internal policies and procedures, with the goal of creating a centralized employee knowledge and resource center.
- Transition to SharePoint-based audit workpapers and dashboards, enhancing transparency, collaboration, and data analytics capabilities.

These initiatives are foundational to expanding audit capacity, modernizing methodology, and ensuring long-term organizational resilience. The resource plan supports a 17% increase in audit delivery capacity and enables the execution of 5–8 additional audits annually.

### BACKGROUND

The remainder of this report includes background information on the Office of the City Auditor.

### AUDIT UNIVERSE

The audit universe for the City Auditor is very broad. Per the City Code, the City Auditor shall examine and inspect all books, records, files, papers, documents, and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision, and organization which receives funds from the City or under the direct or indirect control of the City Council.



### STANDARD AUDITS

These audits are required by City Code, a city ordinance, a Utilities Board instruction, or some other requirement. Standard audits also include system audits that the City Auditor uses to meet this duty. These audits are automatically added to the audit plan at the appropriate time.

### RISK ASSESSMENT MODEL

The City Auditor uses a risk assessment model to identify projects for its annual audit plan. The model provides numeric scoring for risk areas and a cumulative score for the project. The higher values, representing higher risk projects are then reviewed and a balance is reached between staff resources and workload of the various entities.

The City Auditor also considers the strategic goals and objectives and risk concerns of audited entities for audit planning. City Council, Utilities Board, and executive management recommendations are considered in the risk assessment of potential projects for annual audit planning.

### BALANCING AUDIT TIME BETWEEN ORGANIZATIONS

The City Auditor recommends audit services based on the annual risk assessment. This process resulted in following percentage of time for each of the entities:

39%	City of Colorado Springs
54%	Colorado Springs Utilities
7%	Colorado Springs Airport

### AUDIT FLEXIBILITY

To maintain responsiveness to emerging priorities, the City Auditor sets aside approximately 1,500 hours annually for unplanned projects that may arise during the year and require immediate attention. These hours provide flexibility to address investigations stemming from reports of fraud, waste, or abuse received through the Fraud Hotline, as well as time-sensitive audit or consulting requests from City Council, the Utilities Board, or executive leadership. In addition to this flexibility reserve, the Office allocates 100 hours for general audit support activities. These include auditor participation in City Council and Utilities Board meetings, responding to small Council requests, typically involving financial research or clarification, and supporting stakeholder engagement efforts.

Not all projects listed in the 2026 Audit Plan may be completed within the calendar year. Any incomplete audits will either be carried forward or may be reassessed for risk and considered for future audit plans. The plan may also be revised during the year based on resource availability, emerging risks, or changes in organizational priorities.



### AUDIT RESOURCES

The 2026 Internal Audit Plan is supported by a proposed staffing level of 16.5 FTEs across 17 positions, with a total of 34,320 gross hours. After accounting for leave, holidays, administrative time, and furloughs, the Office anticipates approximately 24,090 productive hours. Of these, 18,194 hours are allocated to audit execution, 2,496 hours to management and leadership, and 3,400 hours to strategic initiatives such as implementation of the 2024 IIA Global Standards, staff development, and modernization efforts. The plan also accounts for 816 furlough hours, which modestly reduce available capacity but are not expected to impact audit delivery.

The proposed 2026 budget for the Office of the City Auditor is \$2,081,440, of which \$53,000 is allocated to operating and maintenance expenses. The remaining budget—approximately \$2.03 million—supports salaries and benefits for audit staff. This structure reflects a continued investment in audit capacity and talent development, while maintaining a lean operating footprint. The Office's reorganization has improved supervisory coverage, succession readiness, and audit delivery capacity without increasing overall budget levels. These resources ensure the Office can meet its statutory obligations, respond to emerging risks, and continue building a resilient, high-performing audit function.

Going into 2026, the Office of the City Auditor is in the process of implementing a reorganization designed to strengthen front-line supervision, improve consistency in audit execution, and support long-term succession planning. The structure transitioned from three audit manager roles to a flatter model consisting of one Audit Manager and two Audit Supervisors, both of whom provide direct oversight of audit teams. This change enhances day-to-day direction and coaching for auditors, while the mid-level manager role focuses on aligning supervisory practices, standardizing methodology, and ensuring consistency across projects. The reorganization also supports leadership development and knowledge transfer, positioning the Office to maintain continuity and resilience as staffing evolves.

The OCA 2026 Resource Plan is designed to support the Office of the City Auditor's ability to respond to emerging risks while advancing strategic priorities. It increases audit delivery capacity by 17% and dedicates time to modernization efforts, including implementation of the 2024 IIA Global Internal Audit Standards and development of IT audit capabilities. These investments align with the Office's five strategic pillars—Talent & Knowledge Management, Audit Scope & Methodology, Technology & Data Capability, Stakeholder Engagement, and Organizational Resilience—and position the Office to address evolving risks such as cybersecurity, data governance, and organizational change. Together, the Resource Plan and Strategic Plan form the foundation of the Office's Annual Work Plan, ensuring alignment between available resources, strategic goals, and the 2026 Audit Plan.



### TYPES OF AUDITS

The Office of the City Auditor performs a variety of audits. While each audit involves unique planning, techniques, and execution, we can divide most of the audits into the following types.

#### FINANCIAL SYSTEM AUDITS

The purpose of the financial system audits is to evaluate the internal controls used to ensure the reliability of financial information. The major systems audited on a risk assessed basis are cash receipts, billing, cash disbursements, payroll, debt, investments, and procurement.

#### EXTERNAL FINANCIAL AUDITS

Our office provides audit assistance to the external auditor for the City of Colorado Springs, and Colorado Springs Utilities annual financial audits. This work is defined, supervised, and reviewed by the external audit firms. The Office of the City Auditor provides assistance per the external audit contracts, approximately 250 hours each, to assist in reducing the audit fee.

The City Charter states, “3-160 Independent Audit. The Council shall provide for an independent annual audit of all City accounts and may provide for more frequent audits as it deems necessary. Such audits shall be made by a certified public accountant or firm of such accountants who have no direct personal interest in the fiscal affairs of the City government or any of its officers.” Acting as City Council's agent, the City Auditor provides oversight of the contract with the independent external audit firm along with providing staff assistance to the firm.

#### PERFORMANCE AUDITS

Performance audits are objective and systematic examinations of a specific area of an organization to provide an assessment of the performance and management of the operation. It usually involves a review of the

- compliance with internal and external rules and regulations,
- accomplishments of goals and objectives
- reliability of data,
- economy, efficiency, and effectiveness of service delivery, and
- safeguarding of assets.

City Code states the duties of the City Auditor include, “1.2.705 Determine Effectiveness and Efficiency of Programs: The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives...”





### RATE REVIEWS

The Office of the City Auditor is required to review all utility rates or charges. The City Auditor reviews the rates to determine whether the rate model has been accurately and consistently applied in the calculation of appropriate rates. City Council votes on whether to implement the rate or adjustment.

City Code requires that rate filings be submitted to the City Auditor. City Code states, "12.1.108 REGULATION OF ELECTRIC, STREETLIGHT, NATURAL GAS, WATER AND WASTEWATER RATES, CHARGES, AND REGULATIONS: C. Adopted By Resolution; Hearing: Base rates or regulations or any change shall be adopted by resolution, which shall adopt by reference the appropriate tariff sheet or sheets to be established or revised. 1. Preliminary Information For The City Auditor And City Attorney: When Utilities proposes to change base rates, and the proposed change will result in the determination of a new revenue requirement supported by a cost of service study, Utilities will provide a draft of the proposal and cost of service study to the City Auditor and the City Attorney at least thirty (30) days prior to filing the proposed resolution with City Council. When changes to base rates are proposed, but do not involve a cost of service study, a draft of the proposal will be provided to the City Auditor and the City Attorney seven (7) days prior to the filing of a proposed resolution. Any request for additional information by the City Auditor and any response by Utilities, will be in writing."

### INFORMATION SYSTEM AUDITS

The purpose of an Information System/IS (or Information Technology/IT) audit is to review and evaluate the availability, security, confidentiality, and integrity of the City's (and its entities') information technology infrastructure. The evaluation helps to ensure that the organization is adequately safeguarding assets, maintains data integrity, and is operating effectively and efficiently to achieve the organization's goals. Audits are performed on a risk assessed basis. Types of IS/IT audits include:

- review of computerized systems and applications to verify that they are appropriate to the entity's needs, are efficient, and are adequately controlled to ensure valid, reliable, timely and secure input, processing, and output at all levels of the system's activity;
- review of information processing facilities to verify that the facility is controlled to ensure timely, accurate, and efficient processing of applications under normal and potentially disruptive conditions;
- review of systems development to verify that the system under development meets the objectives of the organization, includes adequate controls to safeguard information input, processing, and output as well as ensuring the system is developed in accordance with generally accepted standards for systems development; and
- review of management and enterprise architecture to verify that IT management has developed an organizational structure and procedures to ensure a controlled, efficient environment for information processing.

City Code states, "The City Auditor shall examine and inspect all books, records, files, papers, documents, and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision, and organization



which receives funds from the City or under the direct or indirect control of the City Council.” The information systems audits are primarily concerned with computer records and ensuring the reliability of data.

### MONITORING PROGRAMS

The Office of the City Auditor monitors various aspects of the City and the entities associated with City Council/Utilities Board. We accomplish this function by attending meetings and auditing specified projects. We also utilize technology to assist in the monitoring process. For instance, the City Auditor monitors the City’s purchasing card program to verify policy compliance.

City Code states, “1.2.703 Ensure Public Accountability: The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.” Monitoring activities allow the City Auditor to help ensure public accountability.

### FOLLOW UP AUDITS

Audit report recommendations and management responses are monitored to ensure that management actions are completed as specified in their responses. These follow up audits are required by professional standards and supported by previously quoted sections of City Code that direct the City Auditor to ensure public accountability.