COLORADO SPRINGS
CITY COUNCIL
Office of the City Auditor

2027 Audit Plan

July 13, 2026

Colorado Springs City Council
Colorado Springs, CO 80901

Subject: 2027 Audit Plan

City Council:

I am seeking your review and endorsement of the 2027 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 2027. Audit hours are as follows:

- 42% – Colorado Springs Utilities
- 43% – City departments and programs
- 11% – Colorado Springs Airport
- 4% – City Enterprises: Parking and Golf

The plan includes:

- Required audits (mandated by City Code, City Charter, or Utilities governance)
- Carryforward projects from the 2026 Audit Plan
- New risk-based audits, prioritized by risk score

Staffing assumptions are based on a full team of 16 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

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City Auditor

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Office of the City Auditor

2027 Audit Plan

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2027 Audit Plan

CITY AUDITOR AUTHORITY AND PURPOSE OF OFFICE OF THE 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 THE CITY AUDITOR

The purpose of the Office of the 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 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 THE 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.

2027 AUDIT PLAN

The 2027 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:

- **Required Audits per Governance, Code, or Standards**
  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.
- **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.

REQUIRED AUDITS PER GOVERNANCE, CODE, OR STANDARDS

- **City of Colorado Springs External Financial Audit Staffing/Assistance (300 hours)**
- **Colorado Springs Airport External Financial Audit Staffing/Assistance (50 hours)**
- **Colorado Springs Utilities External Financial Audit Staffing/Assistance (500 hours)**

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 administers the contract and provides oversight of the external auditor for the City's annual financial audit, ensuring the work is performed independently and in accordance with professional standards.

For both the City of Colorado Springs and Colorado Springs Utilities financial statement audits, the Office also provides staff support and audit assistance as requested by each external auditor. For Colorado Springs Utilities this work spans two fiscal years. Each October, internal audit staff will perform approximately 150 hours of preliminary audit work for the current year's financial close. The remaining 350 hours occur in January and February of the following year, when internal audit staff support on-site fieldwork for the prior year's audit. Because preliminary work and fieldwork fall in different calendar years, each annual audit plan includes hours for both the preceding and current audit years. Tracking these hours ensures internal audit provides the committed level of support, helping to offset the cost of external audit services while maintaining compliance with professional standards. For the City of Colorado Springs, both preliminary audit work and fieldwork occur within the same calendar year. The Office of the City Auditor provides between 250 and 350 hours of staff support annually to assist the external auditor and help reduce overall audit costs.

While the City Auditor oversees the contract and relationship for the City's external audit, the Office does not oversee the external auditor for Colorado Springs Utilities. In all cases, City Auditor staff perform their assistance work under the direction and supervision of the respective external auditors.

- **Colorado Springs Utilities Board Instructions 2 and 8 Monitoring (140 hours)**
- **Colorado Springs Utilities Board Instruction 4 Monitoring (100 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.

- **City of Colorado Springs; Sales Tax Processes and Controls (600 hours)**
- **Colorado Springs Utilities; Purchasing Cards (600 hours)**

The Office of the City Auditor conducts annual reviews of financial systems to assess the reliability of financial information, the safeguarding of assets, and the effectiveness and efficiency of related operations. These reviews evaluate internal controls and operational practices across a variety of financial processes, including cash receipts, billing, cash disbursements, payroll, debt, investments, purchasing cards, and procurement. Each year, the Office performs a risk assessment of financial systems at both the City and Colorado Springs Utilities to determine which areas will be audited. This assessment considers factors such as system changes, staffing transitions, operational complexity, and decentralized activities that may elevate risk. The Office also coordinates with external auditors to incorporate the results of 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 post-audit of the financial operations of the City and its enterprises, and to examine all books, records, and systems related to the financial affairs of any entity receiving City funds or under City Council's authority. The City Auditor must report the results of periodic audits of each enterprise, department, division, office, agency, or account to City Council.

For 2027, the audit of City financial systems will focus on sales tax processes and controls. Sales tax represents a significant revenue stream for the City, and its administration involves complex financial, operational, and compliance risks if not supported by strong internal controls and technology systems. This audit will evaluate whether the City has effective controls, oversight mechanisms, and technology systems to ensure accurate collections, timely deposits, proper revenue classification, and compliance with municipal tax requirements. The review will also consider whether staffing levels, reporting tools, and operational practices are keeping pace with increasing transaction volumes and changes in the local economy. The most recent review of this area occurred in 2023 and focused specifically on controls within the sales tax application. The 2027 audit will broaden that scope to assess the overall internal control environment and operational processes across the full sales tax lifecycle.

The 2027 audit for Colorado Springs Utilities will focus on purchasing card activities. The last purchasing card audit was conducted in 2017 and resulted in two recommendations and one opportunity for improvement. Since that time, Utilities has experienced staffing changes within the purchasing card program and is evaluating potential adjustments to program administration. These changes, combined with the importance of effective purchasing card controls, resulted in this audit being identified as a higher-risk area for 2027. This audit will evaluate the effectiveness of internal controls governing purchasing card issuance, usage, monitoring, and oversight. The review will assess whether transactions are properly authorized, supported, and compliant with applicable policies and procedures, and whether current processes and staffing are sufficient to maintain strong control over purchasing card activity.

- **City of Colorado Springs; Information System Reviews: Contractual Control and Compliance (600 hours)**
- **Colorado Springs Utilities; Information System Reviews: Vulnerability Management (600 hours)**

The Office of the City Auditor conducts annual information system audits to evaluate the effectiveness of information technology (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 2027, the City audit will focus on contractual control and compliance. The Colorado Springs Utilities audit will focus on vulnerability management.

- **City of Colorado Springs, Colorado Springs Utilities, Colorado Springs Airport, and all City Enterprises; Follow-up (250 hours)**

The Office of the City Auditor conducts follow-up work to assess the status of audit recommendations and related management responses issued in 2026, 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 (100 hours)**
- **Colorado Springs Utilities ECA/GCA Rate and Clean Heat Charge Verification (120 hours)**

Colorado Springs Utilities periodically files rate adjustments as well as Electric Cost Adjustments or Gas Cost Adjustments (ECA/GCA) with the City Council. 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 Purchase Card Monitoring (400 hours)**

The purpose of this audit will be to annually review a sample of each City department purchase card transactions for compliance with City Purchase 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 billing system, and completing the Green-E Protocol. The finalized protocol is reviewed with Utilities staff and submitted by the deadline.

AUDITS CARRIED OVER FROM 2026

The 2027 Audit Plan includes audits carried forward from the 2026 Audit Plan. This is largely the result of staffing vacancies within the Office during the prior year, which reduced available audit hours. It is also important to note that audit planning naturally involves managing projects at various stages of completion, and it is expected that a portion of each annual audit plan will be carried forward into the following year. In addition, several of the Office's recurring multi-year monitoring audits will have fieldwork from January through December, with reports issued in the subsequent year. Together, these factors contribute to the number of projects continuing into 2027 while still ensuring effective oversight and completion of high-priority audit work.

- **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 Colorado Springs Police Department (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.

- **Economic Resiliency and Risk Mitigation (400 hours)**

This audit will evaluate the City's financial resilience planning considering 2026 budget cuts and past 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.

- **City of Colorado Springs, Colorado Springs Utilities Surplus Contract Oversight (200 hours)**

This audit will evaluate the methodology used by City of Colorado Springs and Colorado Springs 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.

- **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 (100 hours)**

Beginning in 2022, Colorado Springs Utilities launched construction of a 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.

- **By-Service Financials; Post ERP Review (100 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 in 2024. The audit will assess the accuracy of reporting, its role in financial forecasting, and compliance with applicable regulatory requirements.

- **Car Rental Concessions (400 hours)**

The purpose of this audit is to evaluate compliance with car rental concession agreements at 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.

AUDITS PRIORITIZED BY ANNUAL RISK ASSESSMENT, LISTED BY AUDITED ENTITY

The list of 2027 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, City Council, and senior leadership.

The 2027 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

- **Police and Fire Operational Readiness & Benchmarking (500 hours)**

As Colorado Springs continues to grow and service demands evolve, both the Police Department and the Fire Department must regularly determine what resources they will need to remain prepared to serve the community. This audit will focus on how each department identifies, justifies, and plans for those needs. For example, when the Fire Department determines it needs additional fire stations, or when the Police Department identifies a need for additional staffing, this audit will evaluate the basis for those determinations.

The review will assess whether Police and Fire use sound, evidence-based methods to project future demands and whether those methods incorporate meaningful data such as workload trends, population growth, service area expansion, call volume patterns, and response expectations. The audit will also examine how each department uses benchmarking, internal performance metrics, and strategic planning tools to support its resource requests, and whether those benchmarks are appropriately tailored to the unique operating environment of Colorado Springs.

The objective is to determine whether the City has reliable, data-driven processes that support accurate and well-founded decisions about future staffing, fleet, facilities, and other public safety needs. This work will help ensure that operational readiness planning is transparent, sustainable, and aligned with community growth.

- **Police Call Center Staffing (500 hours)**

The City’s 911 call center continues to experience persistent staffing shortages, high turnover, and significant workload pressures. These factors can affect response times, call-handling quality, and the Center’s ability to meet industry standards for emergency communications. Given the critical role of 911 operations in public safety, these conditions present operational and service-delivery risks.

This audit will evaluate whether the City has effective strategies in place to recruit, train, and retain 911 call-takers and dispatchers, and whether current staffing levels are sufficient to meet community needs. The review will assess call-processing performance, workload trends, and scheduling practices, along with the Center’s ability to maintain timely response under sustained staffing constraints.

In addition, the audit will examine whether alternative call-routing options, such as shifting appropriate non-emergency or service-request calls to 311, could improve efficiency and reduce unnecessary demand on 911 resources. This work will help determine whether the City is leveraging the most effective and cost-efficient processes to ensure emergency calls are answered promptly and by adequately supported staff.

- **Development Fees Covering Public Safety (600 hours)**

As development occurs in Colorado Springs, Police and Fire must plan for additional stations, apparatus, personnel, and other resources necessary to maintain service levels and response-time standards. Public safety impact fees are a key funding mechanism intended to support these growth-related needs, making strong fee assessment, collection, and monitoring practices essential.

This audit will evaluate whether the City's processes for establishing, collecting, tracking, and allocating public safety impact fees adequately support the operational and capital demands created by new development. The review will examine whether fee structures and payment schedules align with the timing of required public safety investments and whether compliance enforcement practices ensure that all applicable fees are received. The audit will also assess the effectiveness of coordination between Planning, Finance, Police, and Fire departments to determine whether impact fee administration aligns with the City's broader growth and public safety planning efforts.

The objective is to determine whether the City's impact fee framework provides reliable, transparent, and sufficient funding to meet public safety obligations associated with continued development.

- **Budget Utilization and Staffing Trends (600 hours)**

The City continues to operate in a constrained financial environment, with departments managing budget reductions while also experiencing varying levels of underspending and unfilled positions. These patterns raise questions about how departments determine their resource needs, how staffing levels are prioritized, and whether budget allocations align with actual service delivery requirements. Effective budgeting practices, including the use of zero-based budgeting principles in operations, are essential to ensure accountability for every dollar and to support long-term financial sustainability.

This audit will evaluate the City's processes for developing, justifying, and monitoring departmental budgets, with a focus on staffing trends, position management, and the handling of unspent funds. The review will assess how departments identify and score their needs, how those requests are prioritized and funded, and whether budgeted positions are being filled as planned. The audit will also examine whether underspending or shifting of staff across departments or funds is appropriately evaluated to ensure transparency and alignment with service expectations.

In addition, the audit will consider the effectiveness of policies governing unspent balances, the use of budget adjustments, and the relationship between budget increases, staffing changes, and measurable service outcomes. The objective is to determine whether the City's budgeting framework supports sound financial management, clear prioritization, and efficient allocation of resources.

- **Internal Staffing Levels, Impacts of Furlough and Reduction in Force (600 hours)**

Recent furloughs, position reductions, and ongoing vacancies have raised concerns about how the City reallocates work, maintains internal controls, and sustains service levels when staffing is constrained. Workforce reductions can lead employees to assume duties outside their primary roles, which may affect segregation of duties, workflow controls, oversight activities, and overall operational risk. These conditions also influence how departments evaluate their staffing needs, whether positions remain unfilled for extended periods, and how shifts in responsibilities impact essential functions.

This audit will assess the extent to which departmental staffing levels are adequate to support core operations and internal control requirements. The review will evaluate how furloughs, reductions in force, and prolonged vacancies have affected job duties, workload distribution, and the resilience of key financial, Human Resources, and Innovation and Technology processes. It will also examine how departments identify, justify, and prioritize their staffing needs, including the methods used to compare workloads and staffing models to similar sized municipalities where appropriate.

The objective is to determine whether the City has effective processes in place to evaluate staffing needs, maintain internal controls during workforce disruptions, and ensure that changes in staffing levels do not create unintended operational or compliance risks.

Colorado Springs Airport

- **Peak Innovation Business Park 2027 (700 hours)**

This audit is a continuation of the 2025 review of Peak Innovation Park at the Colorado Springs Airport. The focus will be on assessing whether long-term development plans, performance metrics, and the current development pipeline are aligned with the Airport's strategic goals. The review will evaluate how effectively the Airport measures progress, manages financial responsibilities related to the development area, and coordinates planning efforts to support sustainable growth.

The audit will also examine the overall financial framework supporting the Business Park, including the role of associated metropolitan districts, to determine whether financing practices and reporting processes are sufficient to support future improvements and ongoing development. In addition, the review will assess the Airport's compliance with key regulatory requirements related to the use of land-sale proceeds and other development-related revenues.

The objective is to provide assurance that strategic planning, financial practices, and regulatory oversight for Peak Innovation Park support the Airport's long-term development and operational goals.

- **Parking Concessions (400 hours)**

Parking is a significant revenue source for Colorado Springs Airport, supported through a combination of in-house operations and third-party concession agreements. Recent changes in management and evolving operational practices can create risks related to financial controls, contract compliance, revenue reporting, fee calculations, and oversight of concessionaire responsibilities.

This audit will assess whether the Airport's parking revenue processes and concession management practices are functioning as intended. The review will evaluate financial reconciliations, monitoring procedures, contract administration, and internal controls to ensure accurate revenue collection and appropriate fee remittances. It will also examine whether oversight mechanisms provide sufficient assurance that parking-related contracts are being managed effectively and in accordance with agreement terms.

The previous audit of this area was completed in 2014. The 2027 audit will provide updated assurance that parking operations and concession activities support the Airport's financial objectives and maintain strong control environments.

Colorado Springs Utilities

- **Operational Fiber Network 2027; Multi-year Monitoring Review (700 hours)**

Beginning in 2022, Colorado Springs Utilities launched construction of a 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.

- **Streetlights (600 hours)**

Increasing theft of copper and aluminum from streetlights and other infrastructure has elevated concerns about the cost of protecting utility assets and the financial impacts of ongoing damage. At the same time, Colorado Springs Utilities continues to balance service-level expectations, capital investment needs, and financial metrics such as debt service and cash-on-hand requirements. These pressures can affect the timing of infrastructure improvements and the affordability of rate-supported projects.

This audit will evaluate how Utilities assesses the risks and costs associated with asset theft and determine whether strategies to harden or protect infrastructure are cost-effective and aligned with long-term operational needs. The review will also examine the financial frameworks guiding major utility decisions, including key performance metrics, debt-management practices, and how service-level agreements influence resource planning and project delivery.

The objective is to provide assurance that Utilities is effectively managing asset-protection risks, maintaining sound financial practices, and supporting reliable service levels in an environment of increasing operational and capital demands.

- **Southwest Power Pool Market Participation Controls (600 hours)**

Colorado Springs Utilities began participating in the Southwest Power Pool energy market in April 2026. This transition introduces new financial transactions, operational processes, and reporting requirements associated with market participation. The audit will evaluate whether Utilities have established effective internal controls, monitoring procedures, and documentation practices to ensure accurate recording and reporting of market transactions. The review will also assess whether processes supporting market participation are designed to manage financial, operational, and compliance risks associated with this new environment.

- **Sustainable Energy Plan (SEP) 2027; Multi-year Monitoring Review (500 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.

- **Procurement Policy Compliance (500 hours)**

Colorado Springs Utilities is undergoing significant updates to its procurement framework, including major revisions to its overarching procurement policy and related procedures governing sole and single source purchases, work change directives, and emergency or unauthorized purchases. Because these changes represent substantial cultural and operational shifts, a limited compliance audit in 2027 will evaluate whether the new policies are being implemented consistently, effectively, and in accordance with Utilities' intended objectives.

This audit will build on the 2026 advisory engagement, which reviewed policy revisions as they were being developed. The 2027 review will assess early implementation practices, internal controls, and staff adherence to the updated procurement requirements. A broader system-implementation component of the procurement modernization effort is planned for 2026, but that system will not be fully ready for evaluation until late 2027, early 2028. Conducting a follow-on compliance audit in 2027 will provide timely assurance that foundational policy changes are functioning as intended prior to the larger technology-based review.

City Enterprises

- **Parking Enterprise (500 hours)**

Curbside management and parking operations have undergone significant changes in recent years, including the transition to a new operating model and the rapid evolution of mobility needs across the city. These shifts create risks related to governance, revenue management, policy consistency, and the City's ability to adapt to changing expectations from residents, businesses, and visitors.

This audit will assess whether the City's curbside and parking functions have appropriate oversight structures, financial controls, and strategic planning processes to support an effective parking enterprise. The review will examine how policies, pricing strategies, enforcement practices, and operational workflows align with program objectives and whether they keep pace with ongoing changes in mobility patterns, technology, and stakeholder needs.

The objective is to provide assurance that curbside and parking operations are well-managed, financially sound, and positioned to support the City's broader transportation and mobility goals.

- **Golf Enterprise (300 hours)**

This audit will examine vendor and concession agreements associated with the Golf Enterprise operations, such as contracts for food service, golf operations, or other tenant activities, to determine whether fee arrangements, revenue-sharing terms, and monitoring practices support the City's financial and operational objectives.

The objective is to determine whether contract oversight practices are transparent, well-supported, and aligned with industry standards and the City's strategic goals.

Office of City Auditor Administration

❖ **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 (3,100 hours)**

The Office of the City Auditor has allocated 3,100 hours in 2027 to advance key strategic initiatives that support the priorities outlined in the 2026–2030 OCA Strategic Plan. These initiatives align with the Plan's focus areas of Talent & Knowledge Management, Processes & Methodology, Technology Modernization, and Strategic Advisor capabilities. Collectively, these efforts are foundational to strengthening audit quality, expanding capacity, and ensuring the Office remains aligned with the 2024 Global Internal Audit Standards.

Key initiatives planned for 2027 include:

- Continued implementation of the 2024 IIA Global Internal Audit Standards, including updates to audit planning, documentation, communication templates, and reporting practices to ensure consistency, clarity, and risk-focused execution.
- Development of a Staff Competency Model and Skills Matrix, guided by the Strategic Plan's Talent & Knowledge Management objective, to inform individualized training plans, support workforce resilience, and strengthen succession planning.
- Documentation and modernization of internal policies and procedures, establishing a centralized knowledge and resource center in SharePoint to support onboarding, cross-training, and consistent execution of audit processes.
- Evaluation of a technology software solution that provides a centralized audit workpaper repository and analytic dashboards on staff performance. This capability will enable greater transparency, collaboration, continuous monitoring, and expanded use of data analytics, supporting the Office's broader Technology Modernization focus area.
- Enhanced stakeholder engagement practices, aligned with the Strategic Advisor role, including improved communication templates, updated reporting approaches, and structured engagement with City Council, the Audit Committee, and management.

These initiatives are essential to strengthening audit readiness, modernizing methodology, and improving the Office's long-term organizational resilience.

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.

REQUIRED AUDITS PER GOVERNANCE, CODE, AND STANDARDS

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:

43%	City of Colorado Springs
42%	Colorado Springs Utilities
11%	Colorado Springs Airport
4%	City Enterprises

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 2027 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.

EXTERNAL QUALITY ASSESSMENT (PEER REVIEW)

In accordance with the Institute of Internal Auditors' 2024 Global Internal Audit Standards, public sector audit functions are required to undergo an external quality assessment on a periodic basis to provide independent assurance on conformance with professional standards. The Office of the City Auditor participates in this process through the Association of Local Government Auditors (ALGA), which coordinates peer reviews performed by trained practitioners from other jurisdictions.

The latest Global Standards became effective January 9, 2024, and the Office has been working to update audit methodologies, documentation practices, and quality processes to ensure full compliance. Implementation of the new standards is a multi-year effort, and the Office anticipates completing the remaining updates in 2027. To provide assurance to City Council, senior leadership, and the public regarding the effectiveness of these practices, the Office intends to initiate an external peer review in 2027.

The 2027 Audit Plan includes 400 hours to support preparation activities, coordination with the peer audit review team, and evaluation of any resulting recommendations. This review will provide independent verification of conformance with the Global Standards and help identify opportunities to strengthen audit methodology, governance, and continuous improvement.

AUDIT RESOURCES

The 2027 Internal Audit Plan is supported by a proposed staffing level of 17 full-time employees, with a total of 35,360 gross hours. After accounting for leave, holidays, administrative time, the Office of the City Auditor anticipates approximately 24,650 productive hours. Of these, 19,054 hours are allocated to audit execution, 2,496 hours to management and leadership, and 3,100 hours to strategic initiatives such as implementation of the 2024 IIA Global Standards and modernization efforts.

The proposed 2027 budget for the Office is estimated to remain relatively flat from the 2026 of $2,133,221, of which approximately $60,000 is allocated to operating and maintenance expenses. The remaining budget, approximately $2.07 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 in 2025-2026 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 2027, the Office is strengthening its organizational structure and talent development model to support consistent audit execution and long-term succession planning. The 2025–2026 reorganization streamlined the supervisory structure from three Audit Manager positions to one Assistant City Auditor and two Audit Supervisors, each with direct oversight of audit teams. This change enhanced day-to-day guidance and coaching for auditors, while allowing the mid-level manager role to focus on alignment of supervisory practices, standardization of methodology, and consistency in project delivery. The structure also reinforces leadership development and knowledge transfer, ensuring continuity and resilience as staffing needs evolve.

Building on this foundation, the Office launched a multi-part foundational training program in 2026 to ensure all staff share the same baseline understanding of internal audit within a municipal environment. This training represents a significant investment in talent development and is designed around a “build once and scale indefinitely” model. Rather than relying on supervisors to serve as primary instructors, the training provides the “why” behind internal audit practices, grounding staff in the Global Internal Audit Standards and the principles that guide audit work. Supervisors then reinforce the “how” through hands-on coaching, enabling more consistent practice, higher-quality work, and better use of supervisory capacity. This initiative aligns with the Office’s intentional investment in career development, including rollout of the first competency model and performance rubric in late 2025. The 2027 plan represents the first full year of implementing these tools to support staff growth, advancement, and standardized expectations.

In addition to training, the Office is pursuing technology modernization to support audit execution and resource management. Throughout 2026, the Office is evaluating available software solutions that may enhance planning, work-paper management, tracking, and reporting. Depending on the capabilities of available off-the-shelf products, the Office may reconsider its prior decision to move away from a comprehensive audit management platform. Implementation of selected tools is anticipated in 2027 and will further support the Office’s modernization efforts.

TYPES OF AUDITS

The Office of the City Auditor conducts 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

The Office of the City Auditor provides audit assistance to the external auditors 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 provides assistance with the external audit contracts, approximately 250 to 500 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/or
- 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 enterprises') 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 purchase 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.

FOLLOWUP 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.