



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor
MBA CPA CIA CFE CGFM CGAP

15-16 Colorado Springs Utilities Capital Projects Audit

May 2015

Purpose

The purpose of this audit was to assess the internal processes and procedures in place to support administration of capital projects at Colorado Springs Utilities. The scope of our audit was capital project processes in place in 2014.

Highlights

While we noted Colorado Springs Utilities had developed processes for managing capital projects, we observed instances where project management practices could be strengthened.

Project management was a decentralized function at Colorado Springs Utilities. Each division determined projects to be completed and further assigned them to individuals who served as project managers.

We limited our review to capital project management administration. We did not address identification and prioritization of projects. Our recommendations relate to management of projects, which were already identified and funded.

Capital spending in 2014 was \$357,852,000. We excluded the Southern Delivery System (SDS) and emission control project administration at Drake and Nixon power plants because these projects were reviewed in separate audits. After eliminating these projects, Colorado Springs Utilities spent \$147,459,000 in 2014 on other capital projects. Capital project administration in our sample reflected a wide variety of project size and complexity.

We noted a number of commendable practices in various areas. These practices included the work of the 2016 Challenge Project Delivery Excellence sub-team, a divisional project management handbook under development, and a group demonstrating good cost reporting and accountability.

We appreciate the cooperation of Colorado Springs Utilities management and staff during this audit. Please see page two of this report for observation details.

Management Response

Management agrees with our recommendations. A plan of action will be developed to address the recommendations.

Recommendations

1. We recommend the adoption of a robust, flexible, minimum project management framework. Expectations for project managers should be clarified and communicated as part of training on the framework.
2. We recommend standardized tools and procedures be provided to help project managers better plan, execute, and control their projects.
3. We recommend capital project reporting capabilities be improved to allow senior managers and other stakeholders appropriate visibility into project status regarding scope, schedule, and cost.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.

15-16 COLORADO SPRINGS UTILITIES CAPITAL PROJECTS AUDIT

May 2015

Observation 1

Project management is a profession with standards for effective, efficient and consistent practices, such as the framework established by the Project Management Institute (PMI). Colorado Springs Utilities had a high level documented Enterprise Project Management Process (EPMP), which we found to be generally aligned with the PMI standards. However, compliance with the EPMP varied significantly across sampled project administration because the EPMP was not uniformly adopted across the organization. Inconsistency reduces the organization's ability to efficiently and effectively manage a variety of projects. It also limits the development and sharing of best practices. Several project managers we interviewed expressed a desire for more clarity regarding management expectations.

Recommendation

We recommend the adoption of a robust, flexible, minimum project management framework. Expectations for project managers should be clarified and communicated as part of training on the framework .

Observation 2

A set of standardized tools and procedures for document management, workflow management, risk management, financial management, and reporting was not available to assist project managers (PMs). Tools and procedures should be scalable to meet the needs of the specific project's size and complexity. There were few tools available so most PMs developed their own, resulting in data that was not comparable between projects. Examples of tools that could be made available to project managers include:

- guidelines for tailoring the PM framework to the project;
- checklists for processes such as project initiating, planning, and closeout;
- templates for assets such as risk registers, cost tracking, and schedules;
- databases of historical information, lessons learned, project measurement data, and previous project documents; and
- procedures for change control, communication, and reporting.

Without standardized project data, consistent project performance measurement was not possible.

Recommendation

We recommend standardized tools and procedures be provided to help project managers plan, execute, and control their projects.

Observation 3

Project reports should provide senior management and other stakeholders with visibility into the project's status regarding scope, schedule, and cost. The same information, metrics, and variances should be reported to facilitate assessment of project status. While most project managers interviewed utilized their own tracking systems to monitor aspects of their projects, these systems did not provide consistent and comparable information to management. Most project reporting was focused on cost relative to budget on an annual basis, rather than across the life of multiyear projects. Enterprise accounting systems used by project managers to obtain cost data did not necessarily provide reports or data in a format useful for project management. Inconsistent or incomplete status reporting limited management's ability to effectively assess and compare projects. Improved reporting could also be more useful for management decision making.

Recommendation

We recommend capital project reporting capabilities be improved to allow senior managers and other stakeholders appropriate visibility into project status regarding scope, schedule, and cost.