



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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15-18 Colorado Springs Utilities Purchasing System Review

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Purpose

To evaluate procurement strategy, resources, and practices for effectiveness and efficiency of operations as compared to industry best practices. Compliance with internal policies was also evaluated. Our audit period focused on 2012 and 2013 procurement activity.

Highlights

Based upon Government Accountability Office (GAO) and Institute of Internal Auditors (IIA) acquisition best practices, we conclude that improvements could be made to enhance performance of the Procurement and Contract Services (PCS) department at Colorado Springs Utilities in the areas of strategy and efficiency. While PCS has strong controls and many effective policies and procedures in place, we noted exceptions were made that resulted in inconsistent treatment along with inconsistencies in filing of contracts and other documents.

The auditors utilized measurement criteria from the GAO and the IIA in reaching their conclusions. The GAO publication *Framework for Assessing the Acquisition Function at Federal Agencies* provides guidance at a high level to assess the strengths and weaknesses of acquisition functions. The framework comprises four interrelated components: 1) organizational alignment and leadership, 2) policies and processes, 3) human capital, and 4) knowledge and information management.

Colorado Springs Utilities procurement and contract services' key objective is to "assist in managing cost while maximizing service and quality. We do this in part by examining and implementing value-added procurement services." Increasing PCS alignment with best practices could result in cost, schedule, and performance improvements and efficiencies.

We appreciate the cooperation of the PCS staff in completing this audit.

Please see page two of this report for observation details.

Management Response

Management was in agreement with our recommendations.

Recommendations

1. Colorado Springs Utilities should identify the root cause for inconsistent treatment and filing of contract documents. Procedures related to workflow and data collection should be improved.
2. Colorado Springs Utilities should establish performance metrics and gather data that will assist in evaluating planned to actual achievement of departmental and individual goals for PCS. A method for tracking vendor performance should be developed.
3. Colorado Springs Utilities PCS should develop and execute an annual work plan to effectively support the divisions in their procurement needs.
4. Colorado Springs Utilities PCS should update policy—QBD 10935 Socioeconomic Plans and Reporting to reflect current guidelines.

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15-18 PURCHASING SYSTEM REVIEW

Observation 1

We identified a number of exceptions to internal policies and procedures during our review of procurement files. The exceptions indicated inconsistent treatment of contracts in the areas of timing/renewals, change control and adherence to filing policies. The cause of these exceptions varied. The systems used to manage contracting lacked integrated workflow that could be used to ensure policy compliance. Data fields that could be used to identify exceptions to policies were lacking in these systems.

Recommendation

Colorado Springs Utilities should identify the root cause for the inconsistent treatment and filing of contract documents. Procedures related to workflow and data collection should be improved.

Observation 2

Improvements are needed to identify and implement key performance indicators for PCS. The performance measures currently in place do not adequately assess if the mission of the procurement function has been accomplished. Relevant data was generally not available from the existing systems to provide insight into departmental or individual agent performance. Vendor performance was not tracked consistently. Without tracking data and analyzing spending, quantifiable improvements and goals measurement cannot be achieved.

Recommendation

Colorado Springs Utilities should establish performance metrics and gather data that will assist in evaluating planned to actual achievement of departmental and individual goals for PCS. A method for tracking vendor performance should be developed.

Observation 3

The organization and division strategic goals were not refined into departmental strategic goals for PCS. The department was not positioned to proactively respond to organizational demands. Activities for PCS agents begin when they receive a purchase requisition and with few exceptions, the agents were not engaged in advanced planning with their customer groups. Best practices indicate the procurement activity should be considered a business partner and not just a support function. If aligned as a business partner, the procurement agents should be included in project planning to help them identify where and when they will be needed.

Recommendation

Colorado Springs Utilities PCS should develop and execute an annual work plan to effectively support the divisions in their procurement needs. PCS staff should actively attend division staff meetings or perform other outreach into areas they serve, proactively managing work load, and providing guidance on procurement processes.

Observation 4

The policy regarding socioeconomic plans and reporting was out of date. A review and update of this policy was scheduled for 2012 but has not occurred since 2009.

Recommendation

Colorado Springs Utilities PCS should update policy—QBD 10935 Socioeconomic Plans and Reporting to reflect current guidelines.