



## Office of the City Auditor

Date: November 18, 2010  
To: Honorable Mayor and Members of City Council  
Re: 10-20 - Annual Follow-up Report

### Background

The Office of the City Auditor follows the Professional Practices Framework as published by the Institute of Internal Auditors Research Foundation. These standards are commonly referred to as the "Red Book" Standards. Red Book Standard 2500.A1 on Monitoring Progress states, "The Chief Audit Executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action." We have developed a follow-up process and annual report on our results. This report is our third annual report related to the follow-up process.

### Scope and Methodology

We reviewed all management actions included in reports issued January 1 through December 31, 2009. The objective of this follow-up audit was to determine whether (and to what extent) appropriate and timely actions had been taken to implement management's planned actions for outstanding audit recommendations.

The audit was conducted in accordance 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. The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as we deemed necessary in the circumstances. Sufficient competent evidential matter was gathered to support our conclusions.

### Overall Opinion

We reviewed 54 management actions. Based on our review, we concluded:

- 43 (79.6% management actions were implemented,
- 11 (20.4%) management actions was partially implemented

A statistical summary of the audits reviewed is attached as Exhibit 1.

Overall, management appeared to be responsive to our audit comments. They either fully or partially implemented their reported Management Response actions or planned corrective action within a reasonable amount of time.

Our next follow-up will be performed mid year 2011 and will cover audits issued during the 2010 calendar year.

As always, feel free to contact me if you have any questions.

Sincerely,



Denny L. Nester  
Interim City Auditor

Cc: City of Colorado Springs:  
Steve Cox, Interim City Manager  
Nancy Johnson, Assistant City Manger  
Terri Velasquez, Chief Financial Officer

Colorado Springs Utilities:  
Jerry Forte, Chief Executive Officer  
Bill Cherrier, Officer, Planning & Finance Division  
David Maier, Manager, Enterprise Risk Management Services

Memorial Health System:  
Dr. Larry McEvoy II, Chief Executive Officer  
Tracy Narvet, Controller  
Mike Scialdone, Chief Financial Officer  
Jason Fahrlander, Chief Executive Officer  
Members of the Memorial Health System Audit Committee

Exhibit 1		Implementation Status of Management Actions					
This Report Covers audits issued between January 1 and December 31, 2009							
Report Number	Report Name	Date Issued	Number of Management Actions Accepted by Management	Number Effectively Implemented or Risk Accepted	Number of Partially Implemented or Deemed Less Significant	Number Open and Subject to Re-testing or Additional Follow-up	
<b>City of Colorado Springs</b>							
09-01	Worker's Compensation Claim Reserve Fund	1/21/2009	6	5	1		
09-05	Drainage Basin Fee Program - Interim Report	2/25/2009	7	7			
09-17	Stormwater Enterprise and Streets Reconciliation	9/30/2009	3	2	1		
08-08	Payroll	7/23/2008	1		1		
<b>Colorado Springs Utilities</b>							
09-03	Plaza Lease Operating Agreement	2/11/2009	5	5			
09-13	Payroll System Review	6/18/2009	8	8			
09-18	Billing System Review	10/14/2009	7	2	5		
08-20	Procurement and Contracting Services	11/12/2008	3	3			
<b>Memorial Health System</b>							
09-08	Materials Management	3/12/2009	5	4	1		
09-11	Travel and Training	6/18/2009	2	2			
09-12	North Data Center	6/18/2009	3	2	1		
09-21	Payroll - Full System Review	12/11/2009	4	3	1		
<b>Totals</b>			<b>54</b>	<b>43</b>	<b>11</b>	<b>0</b>	
<b>Percents</b>				<b>79.63%</b>	<b>20.37%</b>	<b>0.00%</b>	