



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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16-22 Colorado Springs Utilities Payroll and Labor

October 2016

Purpose

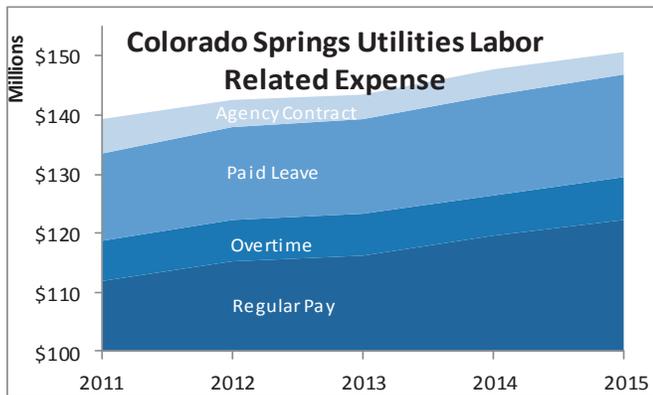
The purpose of this audit was to perform a financial system review of Colorado Springs Utilities payroll and labor related costs. Additionally, we performed trend analysis of labor related costs, and reviewed areas examined in previous payroll or compensation audits.

Highlights

We conclude that overall, Colorado Springs Utilities payroll and labor system was adequate to ensure reliable financial information and safeguarding of resources. We identified one recommendation to enhance compensation administration.

Our audit period was January 1 through December 31, 2015. The Office of the City Auditor issued the last payroll and labor related audit report in April 2013, for the January 1 to June 30, 2012 audit period (report 13-06). We also reviewed the status of Colorado Springs Utilities compensation study implementation, previously reviewed by the Office of the City Auditor in 2014 (report 14-20).

To accomplish our audit objectives, we obtained an understanding of processes and controls structure for payroll and agency contract personnel administration. Payroll was administered by Colorado Springs Utilities Planning and Financial Division, while the Human Resources Department within the Customer Care and Services Division administered agency contract resources. Additionally, we followed up on the status of Colorado Springs Utilities three year effort to move employee compensation closer to



Source: Colorado Springs Utilities Payroll Department

market as approved by Utilities Board. Our work was coordinated with the work of Colorado Springs Utilities external auditors.

Trend data reflects the continued effort to move compensation to market in 2014-2015. Utilization of agency contract personnel declined in cost over the last

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Recommendation

1. Human Resources should provide guidance to managers administering compensation adjustments.

Centralized administration and approval of salary adjustments by Human Resources should be required.

Management Response

Management agrees with the recommendation.

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five years trended. We noted that agency contract personnel assignments required Officer approval, and that quarterly reporting of agency utilization was in place.

Colorado Springs Utilities Multi-Year Base Pay Strategy Efforts			
	Prior to 2014	Year 1 - 2014	Year 2 - 2015
Number of Employees Below Midpoint	1245	957	743
Percent of Employees Below Midpoint	75%	57%	45%
Average Percent Below Midpoint	-6.5%	-4.30%	-3.5%

Source: Colorado Springs Utilities Human Resource Department

Observation 1

During 2015, Colorado Springs Utilities continued to implement compensation adjustments to move employees closer to market. We observed that compensation adjustments were within criteria provided by Human Resources.

Human Resources was responsible for providing criteria for management to administer adjustments within approved budgets. Human Resources provided informal guidance to management to apply compensation adjustments.

Additional formal guidance, oversight, and approvals by Human Resources would ensure consistent understanding and application of employee compensation merit adjustments.

Management Response

We agree with the recommendation. Regular and continued reviews of our merit adjustment matrix will occur as we plan for the 2017 merit adjustment. We seek to ensure best practice and organizational goals are reflected in our merit matrix design. Additionally, the Human Resources Compensation unit will conduct a post merit analysis prior to final approval from the CEO.

Recommendation

Human Resources should enhance and refine guidance provided to managers administering compensation adjustments.

Human Resources should provide centralized administration and approval of all salary adjustments.