



The Executive Summary should be interpreted within the context of the complete engagement report.

June 2019

BACKGROUND

An energy focused audit engagement commenced in late 2013; fieldwork ended in early 2014. Upon his hiring in May 2014, the new Internal Audit Manager reviewed the workpapers and the draft report and discovered several technical issues that required correction. The staff auditor assigned to the engagement retired from the City before the corrective work was completed. In the Internal Audit Manager's judgment, the fieldwork was incomplete and insufficient upon which to base an opinion. The Manager determined that it would be more cost effective to start a completely new engagement rather than try to correct the identified issues in the existing workpapers.

Citywide Energy Management

SCOPE

For purposes of reviewing the accuracy of energy charges, the audit scope period will cover invoices paid between January 1, 2013 and October 31, 2015.

OBJECTIVES

- Assess the effectiveness and efficiency of controls within the key business processes related to activating and deleting energy accounts, monitoring energy usage, and paying and recording energy related invoices
- Assess the potential benefits of developing a citywide energy management plan
- Ensure that energy charges (including taxes) to City are fair and accurate

OBJECTIVE CONCLUSIONS

- Controls over the key business processes are neither effective nor efficient. Accounts Payable carries too large a burden related to the required tasks. Processes can be improved by making better use of the EnergyCAP software.
- An active, coordinated strategic energy management plan could fit well with the City efforts toward energy efficiency and sustainability.
- Due to the expertise and capabilities required, Internal Audit concluded that an outside consultant would be more effective and efficiently.



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KEY RECOMMENDATIONS AND RESPONSE

Recommendations

- Implement the EnergyCAP software citywide for monitoring energy usage. Evaluate the effectiveness of its invoice processing capabilities in relation to the existing processes and adjust the processes as appropriate.
- Establish a cross-departmental energy management team that brings together existing staff expertise from Planning and Public Works and staff from other City operations to develop a strategic energy management plan. Public Works Facilities Engineering staff could chair this group. Leverage City staff creativity in developing and implementing energy efficiency projects, including creative funding solutions, to achieve targeted conservation goals.
- We recommend that the City work through the appropriate procurement channels to obtain a qualified consultant to analyze the rates charged to the City to ensure the charges are fair and accurate.

Management's Response

- Public Works believes consolidating responsibility for managing City energy expenditures into Public Works and adding an FTE to Facilities Engineering to assist with the related tasks, addresses most, if not all, of the recommendations within this report.
- Additional staff would allow time for the existing Sustainability Engineer to develop a strategic energy management plan. Such an effort would likely involve use of a qualified consultant whose work would be managed and reviewed by the Sustainability Engineer. While staff from other departments would be consulted and included, Public Works feels this process would be better served with responsibility assigned to a single staff member and would not benefit from formation of a standing committee. Staff would prepare regular progress updates to Management Staff on this effort.
- Facilities Engineering Staff, specifically Sustainability Engineer, periodically monitors rates charged by Xcel and compares them to national rates. Additional staff as proposed would enable this staff member to complete this task on a regular basis. However, because the City has a franchise agreement with Xcel for utility service (gas and electric) as the sole provider to properties within City limits, unless the rates are significantly different from other agencies within the Metro Area, our only recourse would be to challenge the rates with the PUC or terminate our agreement with Xcel. If that were to happen, Facilities Engineering would work with Management Staff to develop a strategy to challenge the rates. Public Works feels expending funds on a consultant specifically to review rates would not be of benefit to the City. However, this task could be included with development of a strategic plan.



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SUMMARY MANAGEMENT RESPONSE TO THE REPORT

Public Works believes consolidating responsibility for managing City energy expenditures into Public Works and adding an FTE to Facilities Engineering to assist with the related tasks, addresses most, if not all, of the recommendations within this report.

Facilities Engineering staff is already working to refine the utility bill database that is uploaded to a software application, EnergyCAP, which allows efficient review of utility usage and can flag anomalies in the bills. A staff member within Facilities Engineering is already filling the role of Sustainability Engineer and currently monitors energy usage for some facilities using the EnergyCAP application. An additional staff member could enable Facilities Engineering to address all of the recommendations within this report.

The ability to harness our energy use data would allow us to become a more data driven operation, contribute significantly to our ability to better manage our energy costs, address billing anomalies, target more accurately potential projects to support energy conservation, and support the City's sustainability goals. While there is no guarantee, it is likely that energy savings could cover the cost of the new FTE. As an alternative to a FTE, a paid internship would accomplish many of the one-time tasks.

View complete audit report: [Link](#)