



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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

15-08 Audit of the City's Procurement and Leasing of Information Technology Equipment

March 2015

Purpose

The purpose of this audit was to review the procurement posting, evaluation, and selection process for information technology equipment included in a 2009 lease. We reviewed the pricing and proposed technological solutions. We also verified the hardware, software, maintenances services, consulting services, and training included in the lease for reasonableness.

Highlights

Based on our review, we concluded that the controls over the procurement process were adequate and policies were followed. We also concluded that the pricing and technological solutions proposed by the various vendors were reasonable.

In 2009, the City acquired information technology equipment, maintenance, and consulting services through a competitive procurement process. The acquired goods and services were leased from an independent leasing company. Beginning on August 15, 2009, the lease was paid for in six payments with the final payment being made on January 15, 2014. The City correctly treated this lease as a capital lease.

During the audit, we identified one observation and recommended the City change the depreciable life of the asset from fifteen to five years. The change will better align the costs to the useful life of the asset.

Observation

The City entered the capital lease as an asset with a life of fifteen years. The largest percentage of the value of goods and services were for information technology based items. The generally accepted life for technology based items is from three to five years.

Recommendation

We recommend that the City change the asset life of the capital lease from fifteen years to five years.

Management Response

Management agrees with this recommendation. The updated asset life has already been implemented for fiscal year ended December 31, 2014.

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.