



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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24-26 City of Colorado Springs Trails, Open Space, and Parks (TOPS) Fund

November 2024

Purpose

The purpose of this audit was to evaluate whether the City of Colorado Springs Trails, Open Space, and Parks (TOPS) fund was administered in compliance with City Code Chapter 4, Article 6, Part 2.

Highlights

We concluded that as of December 31, 2023, the TOPS fund was in compliance with the spending limitations found in Section 4.6.202 of the City Code. We also conclude that the TOPS fund objectives were being achieved through continued purchase, maintenance, and management of trails, open space, and parks. Our review identified one observation to improve internal controls, see page four for more information.

The TOPS Program, funded by a voter approved 0.1% sales tax, was created in 1997. In April 2023, Ballot Issue 1 passed with 78.01% of the voters voting 'yes' to extend the existing 0.1% TOPS sales tax from its current expiration of December 31, 2025 through December 31, 2045. This also allows funds dedicated to maintenance of trails and open spaces to be used regardless of how the trail or open space was acquired. Additionally, in the open space category, a minimum of 75% of funds will be spent on acquisition of open space.

TOPS mission is "to provide a means of acquiring and preserving new open space, and providing parks and trails for recreational purposes on any public sites within the City of Colorado Springs (City) and areas within the immediate vicinity." This audit examined the TOPS fund for the two year period of January 1, 2022 through December 31, 2023 to test compliance with conditions outlined in City Code. Also, key provisions of the Code were reviewed for compliance. See page two of this report for details of TOPS compliance financial summary from inception.

During the scope of this audit the TOPS program acquired the following open spaces: Fisher Canyon Open Space Phase II (85 acres), Corral Bluffs Expansion (5.74 acres), Wild Horse Open Space (1,018 acres), and the Kettle Creek and Pine Creek Habitat (346.24 acres).

We would like to thank TOPS personnel who assisted us with this audit.

Cumulative revenue, 1997 to 2023, for the TOPS program was \$196,266,547 and cumulative expenditures for projects were \$172,801,960. With one exception

Management Response

Management was in agreement with our recommendations.

Recommendations

1. Management should:
 - Ensure adherence to the City's purchase card program.
 - Provide more oversight of TOPS allocations, consider an additional review of expenditures to verify they are properly allocated to the TOPS fund, TOPS category, and project code.

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attributed to timing, appropriate cumulative spending limits were achieved in each category. Similar to previous audits, the exception was in the Open Space category where the aggregate spending reached 57.64%, instead of the required 60% minimum. Open space funds are designated for acquisition and stewardship of new open space lands. Acquisition funds may be accumulated over a multi-year period in order to buy open space property. The 2023 TOPS Special Revenue Fund balance included restricted funds for Open Space future spending. The multi-year perspective on Open Space acquisitions fulfills the intent of City Code, Chapter 4, Article 6, Part 2. See Open Space below for more information.

Decisions on spending were recommended by the TOPS Working Committee, who refers the recommendation to the Parks and Recreation Advisory Board before being presented to City Council for the final decision.

Trails, Open Space and Parks (TOPS) Program					
Compliance Calculation					
	2022	2023	Cumulative Total ⁽⁶⁾	Calculated %	Voter Approved limits
Total Revenue	\$11,954,821	\$14,607,632	\$196,266,547		0.1% Sales Tax
Less: APM ⁽¹⁾ Fund	\$348,648	\$313,028	\$5,163,786	2.63%	Maximum of 3% ⁽²⁾
Less: Maintenance	\$740,021	\$804,363	\$10,535,590	5.37%	See Footnote ⁽³⁾
Balance available for projects	<u>\$10,866,152</u>	<u>\$13,490,241</u>	<u>\$180,567,171</u>		
Trails	\$977,288	\$3,037,167	\$34,101,693	18.89%	Maximum of 20%
Parks ⁽⁴⁾	\$2,780,948	\$2,089,881	\$34,618,992	19.17%	Maximum of 20%
Open Space	\$4,342,709	\$8,190,803	\$104,081,275	57.64%	Minimum of 60% ⁽⁵⁾
Total Project Expenditures	<u>\$8,100,945</u>	<u>\$13,317,851</u>	<u>\$172,801,960</u>		

⁽¹⁾ APM = Administration, Planning and Maintenance

⁽²⁾ Spending limits for APM was 2% from 1997 - 2002, 3% beginning in 2003.

⁽³⁾ Spending limit for Maintenance was 6% from 2003 - 2010, 15% for 2011 - 2012 and 6% thereafter.

⁽⁴⁾ Voters approved utilization of Parks category for maintenance of ALL Parks in 2013.

⁽⁵⁾ See additional discussion of Open Space on page 3 of the report.

⁽⁶⁾ Cumulative total includes 2023 year end appropriations.

Open Space

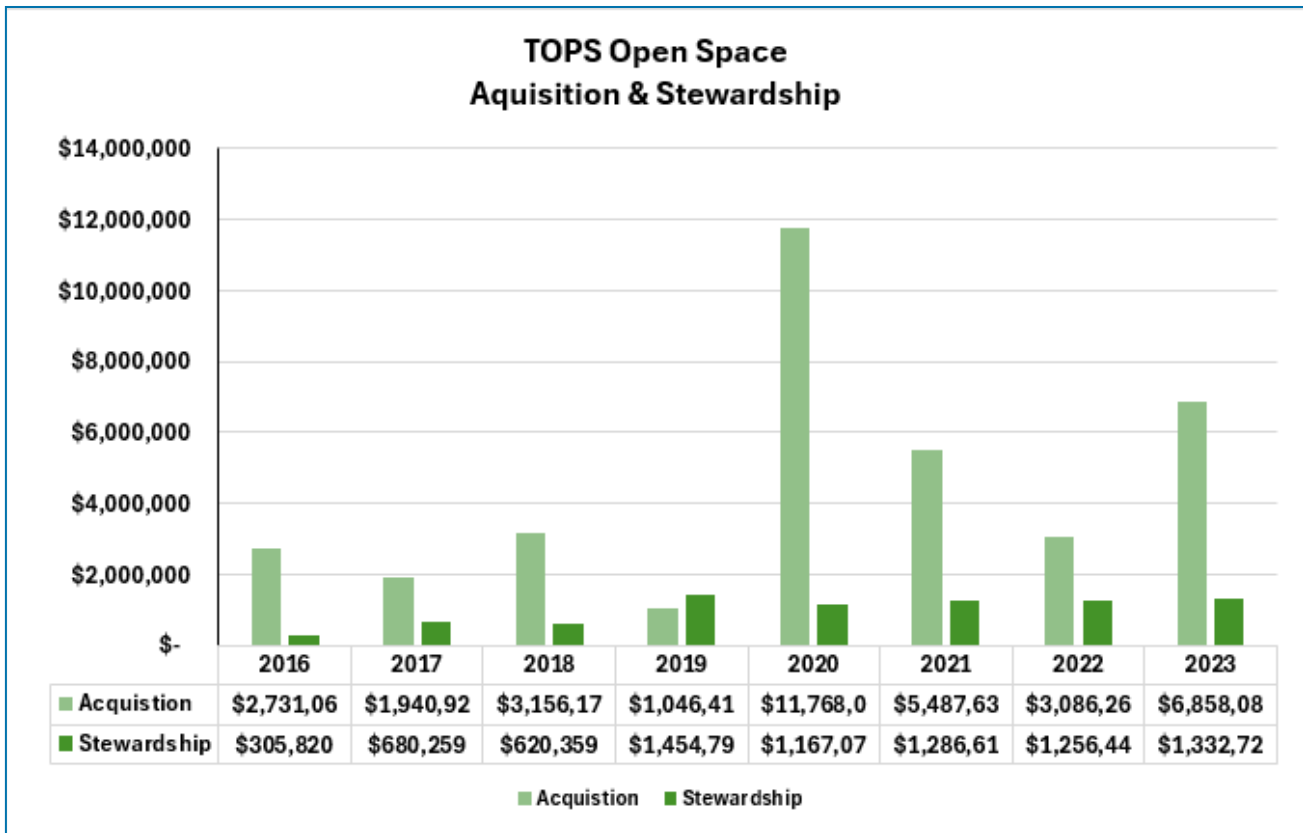
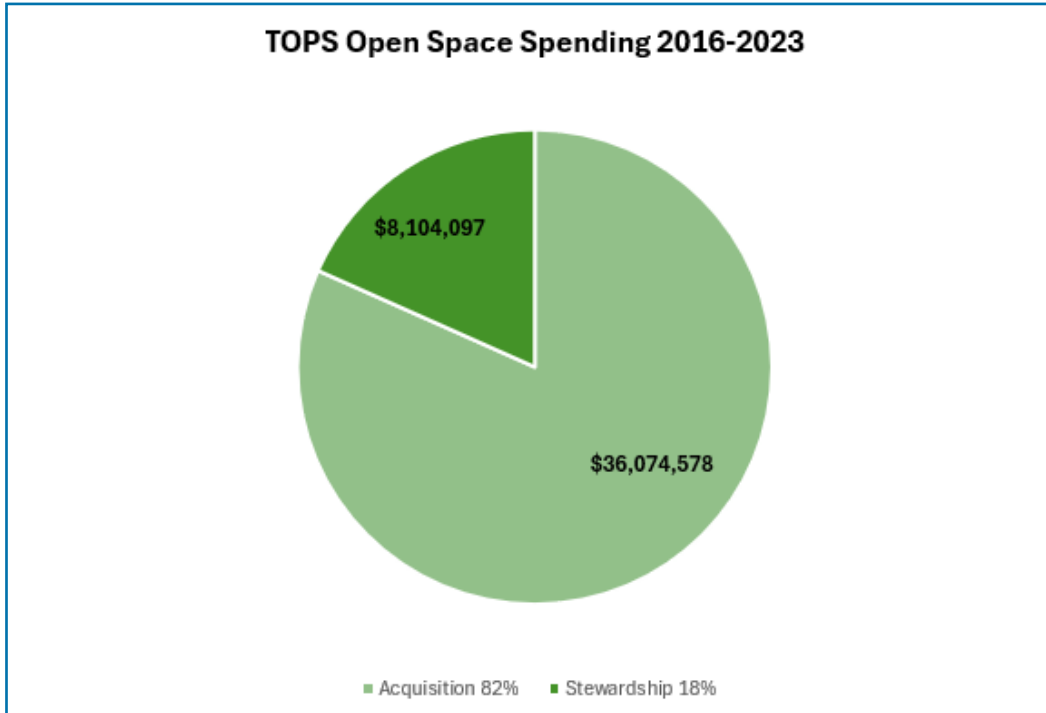
Per the 2014/2015 Parks System Master Plan, one of the primary purposes for open space acquisitions was to conserve and preserve land for walking, hiking, biking, and nature observation. The TOPS ordinance specifies a minimum 60% of TOPS revenues, after deducting for allowable administration and maintenance expenses, should be spent on acquisition and stewardship of new open space lands.

In 2016 Parks and Recreation initiated an Open Space Stewardship Program to care for current and new acquisitions

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of open space. As of December 31, 2023, open space spending since 2016 showed 18% was spent on stewardship expenses and 82% was dedicated to acquisition and development of open space purchases, see charts below.



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Observation 1

TOPS personnel could improve internal controls to support the accuracy and identification of TOPS expenditures.

We selected 160 expenditures out of 2,832, which was 6% of all expenditures, excluding salary and benefits. These expenditures represent 55% of all dollars spent. We tested compliance with TOPS spending per City Code.

While we determined TOPS spending was in compliance, of the 160 expenditures we found 25 did not comply with portions of policy reviewed.

Areas of non-compliance included:

- Missing supporting documentation
- Missing cardholder and manager approval
- Incorrect allocation to the TOPS fund
- Misallocations to the incorrect TOPS account

To ensure TOPS compliance was maintained, audit completed additional analysis of incorrect or misallocated expenditures.

If internal controls are not improved to verify accuracy of support it could lead to non-TOPS related expenditures or improperly coded expenditures within the TOPS program. This could lead to non-compliance with City Code.

Management Response

We agree with this recommendation, and we are working to create a revised procedure for all Visa purchases. An informational email will be sent to all Visa card holders and Parks finance staff will attend applicable staff meetings to review the new procedure.

To monitor overall compliance, additional reviews of expenditures will be conducted by the PRCS Finance Manager and the TOPS Manager on a quarterly basis to spot check account coding and compliance with City Code. The goal for implementation of the new procedure and scheduling of quarterly reviews will be January 31, 2025.

Recommendation

Management should:

- Ensure adherence to the City's purchase card policy.
- Provide more oversight of TOPS allocations, consider an additional review of expenditures to verify they are properly allocated to the TOPS fund, TOPS category, and project code.