



ADAMS COUNTY

COLORADO
BOARD OF COUNTY COMMISSIONERS

Eva J. Henry - District #1
Charles "Chaz" Tedesco - District #2
Erik Hansen - District #3
Steve O'Dorisio - District #4
Mary Hodge - District #5

**STUDY SESSION AGENDA
TUESDAY
January 16, 2018**

ALL TIMES LISTED ON THIS AGENDA ARE SUBJECT TO CHANGE.

- | | | |
|-------------------|---------------------|---|
| 10:00 A.M. | ATTENDEE(S): | Abel Montoya / Adam Burg |
| | ITEM: | Legislative Update |
| 11:00 A.M. | ATTENDEE(S): | Terri Lutt / Patti Duncan / Amy Jones / Matt Rivera |
| | ITEM: | AIM Adams – Real Time Recognition Programs |
| 11:30 A.M. | ATTENDEE(S): | Raymond Gonzales |
| | ITEM: | Administrative Item Review / Commissioner Communications |
| 12:00 P.M. | ATTENDEE(S): | Heidi Miller |
| | ITEM: | Executive Session Pursuant to C.R.S. 24-6-402(4)(b) for the Purpose of Receiving Legal Advice Regarding Pending Litigation |
| 1:00 P.M. | ATTENDEE(S): | Ben Dahlman / Kim Higgins, Eide Bailly Representative / Brent Millsbaugh, Eide Bailly Representative |
| | ITEM: | Internal Audit 2017 Review / 2018 Work Plan |

(AND SUCH OTHER MATTERS OF PUBLIC BUSINESS WHICH MAY ARISE)

AGENDA IS SUBJECT TO CHANGE



STUDY SESSION AGENDA ITEM

DATE: January 16, 2018
SUBJECT: AIM <i>"Aligned-Inspired-Motivated"</i> Adams (Real-time Rewards Total Engagement Solution)
FROM: Terri Lauth
AGENCY/DEPARTMENT: Human Resources
ATTENDEES: Terri Lauth, Patti Duncan, Amy Jones, Matt Rivera
PURPOSE OF ITEM: To provide an incentive and reward program for high performing staff, in order to retain more talent and increase workplace productivity.
STAFF RECOMMENDATION: The Total Compensation Organizational Review Subcommittee and Executive Leadership Team recommend approval.

BACKGROUND:

Adams County 2016 biennial survey revealed 10 areas in which the County falls below industry benchmarks, including some engagement factors. Exit surveys are showing that employees would appreciate more frequent and formal recognition. Turnover rates for the County have steadily climbed beyond the 10-county benchmark. Managers and supervisors indicate that they would like more discretion in rewarding top performers. Employees indicate they believe more frequent and meaningful recognition from their immediate supervisors would result in improved working conditions.

In response, the Total Compensation Organizational Review Subcommittee sought a real-time recognition program, AIM Adams, to meet the needs of the County and its human assets. After careful consideration of various options and approaches the Subcommittee endorsed a full engagement strategy, including the pursuit of a comprehensive engagement solution. The following proposal would move AIM Adams from concept to reality.

AGENCIES, DEPARTMENTS OR OTHER OFFICES INVOLVED:

Planning and implementation: Communications, HR, IT, Finance

Impact: Available to all County departments

ATTACHED DOCUMENTS:

PowerPoint Presentation Slides

FISCAL IMPACT:

Please check if there is no fiscal impact . If there is fiscal impact, please fully complete the section below.

Fund: 1

Cost Center: 1015

	Object Account	Subledger	Amount
Current Budgeted Revenue:			
Additional Revenue not included in Current Budget:			
Total Revenues:			

	Object Account	Subledger	Amount
Current Budgeted Operating Expenditure:	7750.9		\$100,000*
Add'l Operating Expenditure not included in Current Budget:			
Current Budgeted Capital Expenditure:			
Add'l Capital Expenditure not included in Current Budget:			
Total Expenditures:			<u>\$100,000</u>

New FTEs requested: YES NO

Future Amendment Needed: YES NO

Additional Note:

A project manager will be assigned during initial planning and implementation. Continued administration is estimated at no more than 5 hours per week, and will be absorbed by existing staff.

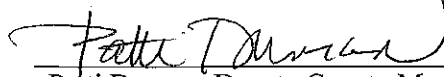
*This is included in the 2018 Proposed Budget

APPROVAL SIGNATURES:



Raymond H. Gonzales, County Manager

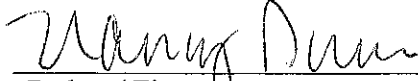
Alisha Reis, Deputy County Manager



Patti Duncan, Deputy County Manager

Bryan Ostler, Deputy County Manager

APPROVAL OF FISCAL IMPACT:



Budget / Finance



**TOTAL COMPENSATION
ORGANIZATIONAL REVIEW
SUBCOMMITTEE**

**Employment Engagement:
Rewards and Recognition Program**

HOW DO WE GET THERE?

EMPLOYEE SURVEY RESULTS!

- Employees have spoken (nearly 400 responses, 33%):

66% prefer frequent recognition
36% indicate receiving it

55% desire bonuses
29% prefer infrequent, more valuable items
5% chose frequent, lesser value items

1. *Gift Cards*
2. *Custom County Experience* (including PTO)

The most meaningful recognition comes from

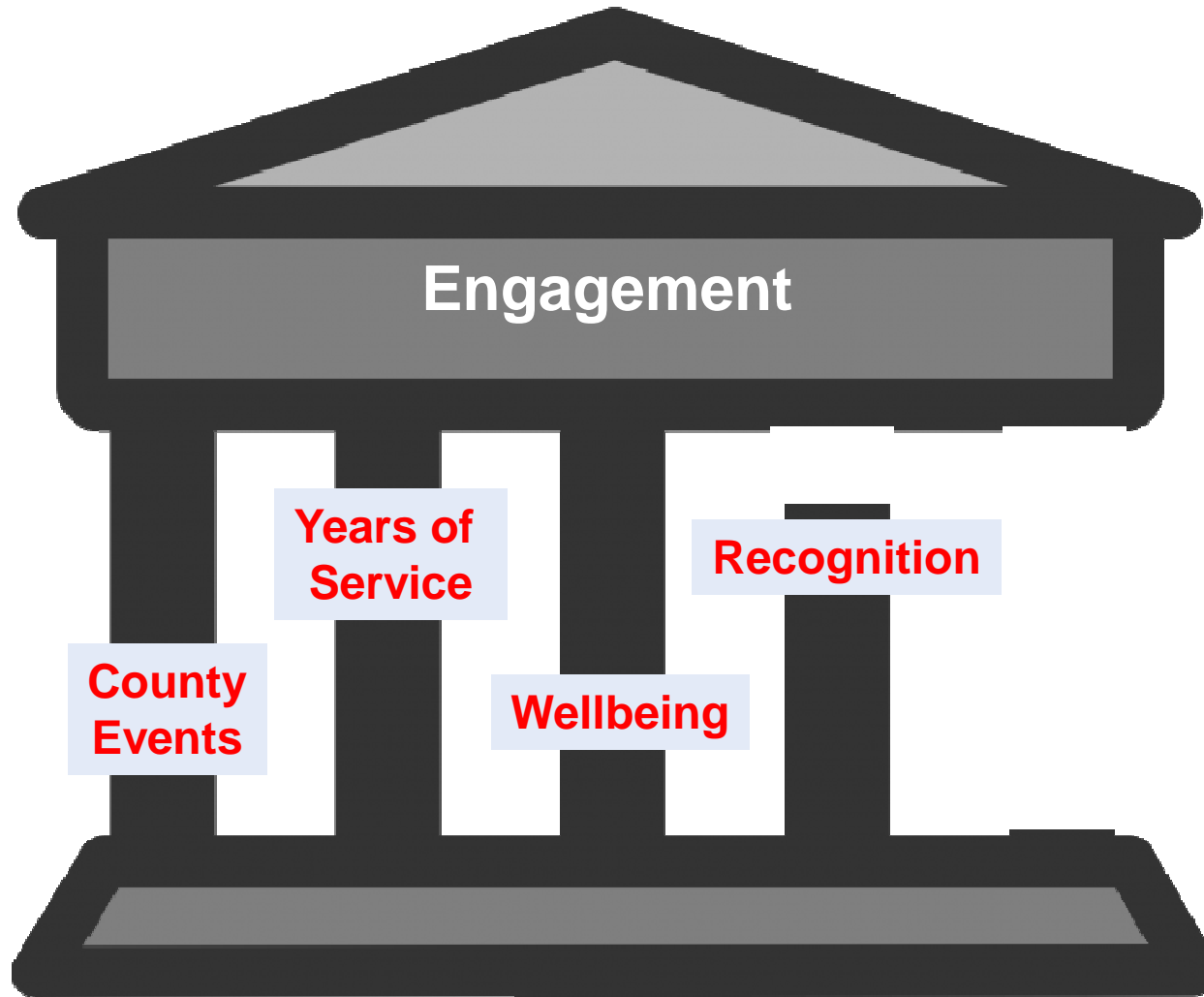
1. Immediate Supervisor
2. Peers
3. Directors

60% feel performance should be rewarded individually

Gift cards, micro-bonuses, and PTO consistently ranked highest in all spending categories

62% indicated a rewards marketplace would improve their situation

BUILDING A CULTURE OF ENGAGEMENT

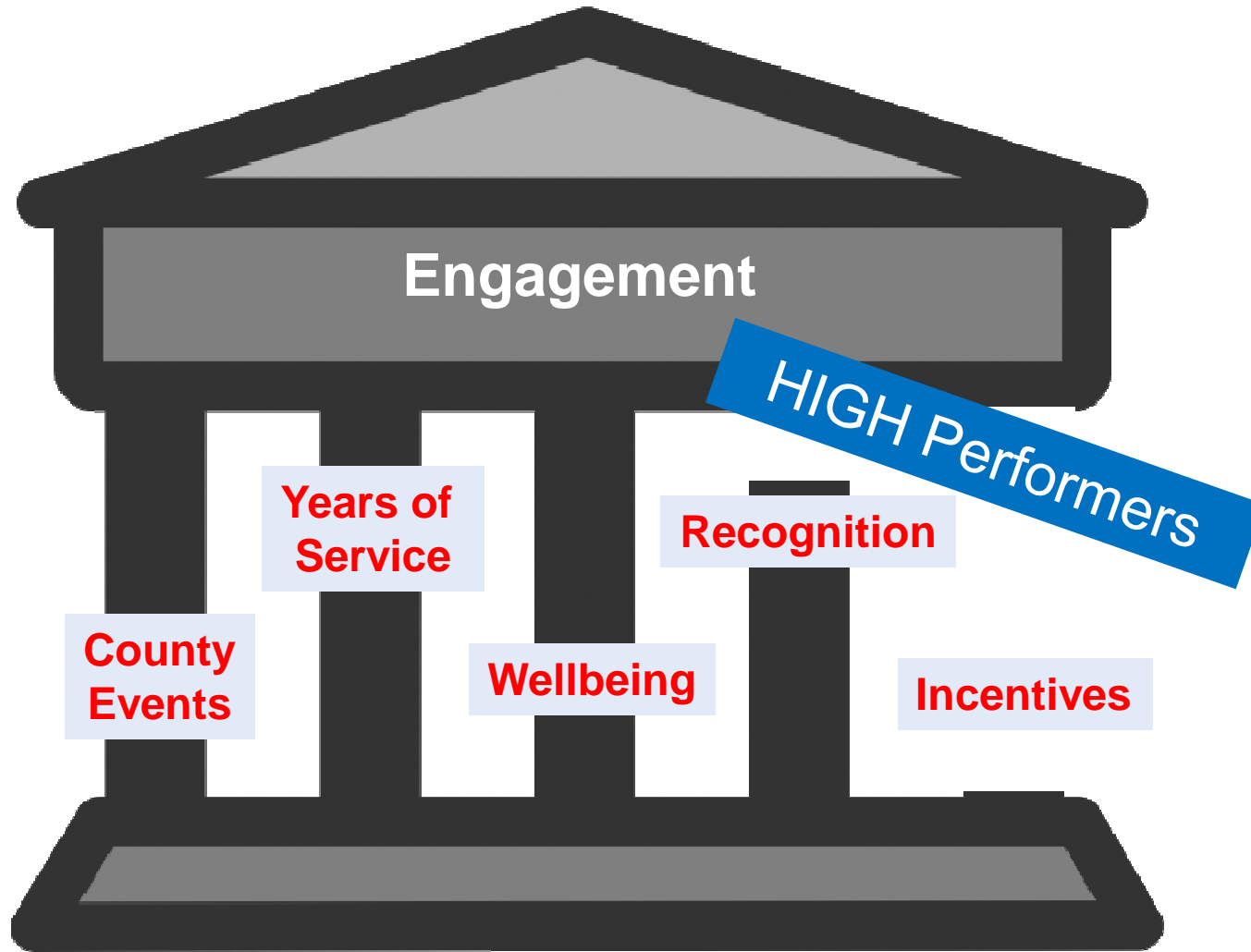


CURRENT ENGAGEMENT PROGRAMS

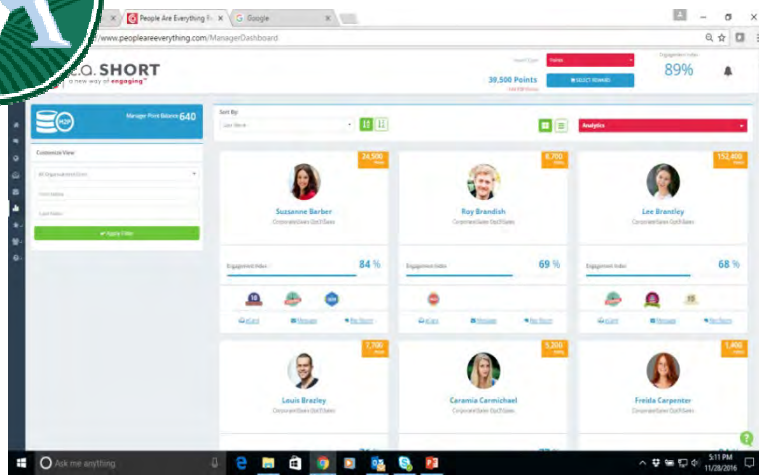
- Years of Service
 - Lunch and length of service awards
- Wellbeing
 - Fitness center, fitness and healthy lifestyle programs, health clinics, etc.
- County events
 - Tailgates, County Fair, volunteering, etc.
- Recognition
 - Employee of the Season/Team of the Season



REINFORCING A CULTURE OF ENGAGEMENT

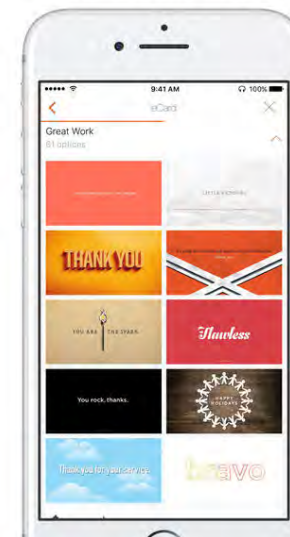
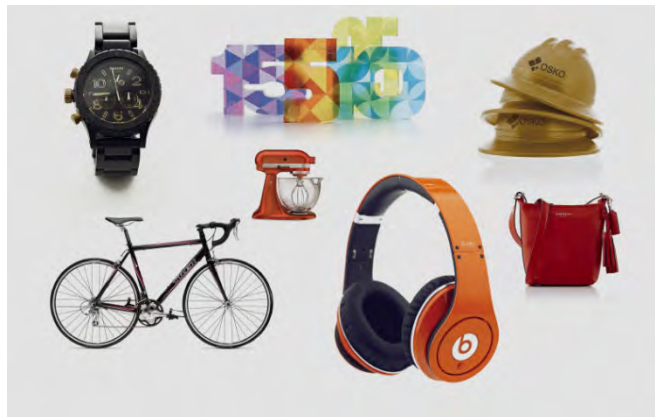


EXTERNAL REWARDS MARKETPLACE



The Best Awards

Select from a wide variety of eCards & nominations all configured to your recognition program.



RECOGNITION PROGRAM ROI – YEAR 1

- Median salary is \$54,392.07
- Benefits package is \$17,677.42
- Program result in just a 2% decrease in turnover:
(On pace for over 400 separations – *67% voluntary*)

Year	Annual Voluntary Turnover, # of Employees	Industry Standard Anticipated Impact on Turnover*	Average Total Cost Per Employee	Estimated Total Savings
1	268	2% decrease	\$72,069.49	\$386,292.47

- Surveys (recognition, biennial, exit) show employees want more recognition

** Industry estimate based on \$50 per employee*



Q & A

○ THANK YOU!





STUDY SESSION AGENDA ITEM

DATE:	January 16, 2018
SUBJECT:	Internal Audit 2017 Review
FROM:	Benjamin Dahlman
AGENCY/DEPARTMENT:	County Manager's Office
ATTENDEES:	Eide Bailly Representatives: Kim Higgins, Brent Millspaugh Adams County Representative: Benjamin Dahlman
PURPOSE OF ITEM:	2017 Internal Audit Review
STAFF RECOMMENDATION:	2017 Internal Audit Review

BACKGROUND:

On October 26, 2011, the Adams County Board of County Commissioners established an internal audit function for Adams County Government for the purpose of enhancing public accountability and adhering to best practices in government.

The Internal Audit Charter was updated on January 6th, 2015 and Eide Bailly, LLP has been the County's Internal Auditor since February 3, 2015.

The Internal Audit Charter requires that the Internal Auditor provide; among other tasks, the following:

- Participate in the development of a flexible annual audit plan in partnership with County Management using an appropriate risk-based methodology and submit that plan to the Board of County Commissioners for review and approval.
- Implement the annual audit plan as approved, including; as appropriate, special tasks or projects requested by County Management and the Board of County Commissioners.

The Internal Auditors will present the 2017 year and present the strategy for the 2018 Risk Assessment and Audit Work Plan.

AGENCIES, DEPARTMENTS OR OTHER OFFICES INVOLVED:

Finance Department
County Manager's Office

ATTACHED DOCUMENTS:

2017 Internal Audit Reports

- Clerk & Recorder's Office Internal Audit Report
- Review of Procurement Card Draft Policy
- Assessor's Office Internal Audit Report

Internal Audit Charter Resolution

Internal Audit Charter

FISCAL IMPACT:

Please check if there is no fiscal impact . If there is fiscal impact, please fully complete the section below.

Fund: 1

Cost Center: 9252

	Object Account	Subledger	Amount
Current Budgeted Revenue:			
Additional Revenue not included in Current Budget:			
Total Revenues:			

	Object Account	Subledger	Amount
Current Budgeted Operating Expenditure:	7685		\$100,000
Add'l Operating Expenditure not included in Current Budget:			
Current Budgeted Capital Expenditure:			
Add'l Capital Expenditure not included in Current Budget:			
Total Expenditures:			<u>\$100,000</u>


New FTEs requested: YES NO

Future Amendment Needed: YES NO

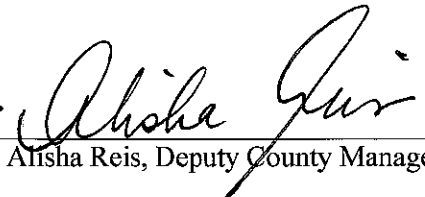
Additional Note:

The budget for the Internal Audit function is \$100,000 annually.

APPROVAL SIGNATURES:



Raymond H. Gonzales, County Manager

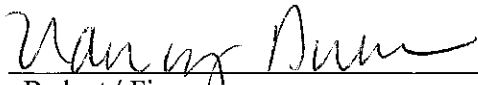


Alisha Reis, Deputy County Manager

Bryan Ostler, Deputy County Manager

Patti Duncan, Deputy County Manager

APPROVAL OF FISCAL IMPACT:



Budget / Finance



Clerk and Recorder's Office
Internal Audit Report
February 24, 2017

Adams County, Colorado

Adams County, Colorado
Clerk and Recorder's Office *Internal Audit Report*
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EXECUTIVE SUMMARY

Eide Bailly LLP performed internal audit procedures surrounding cash management, cash handling, inventory controls and operational efficiencies and effectiveness of the Adams County Clerk and Recorder's Office based upon risks the Clerk requested be addressed as part of the 2017 internal audit risk assessment process. Our evaluation included the Clerk and Recorder's Office processes and controls over the above mentioned areas, which include the following divisions of the office: motor vehicle, elections and recording. This internal audit of the Clerk and Recorder's Office was performed on the current processes in place at the time of the internal audit, during the period from February 6, 2017 to February 25, 2017.

During the internal audit, we observed that the Clerk and his staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed or suggested. While the Clerk has only been in his office a little over two years, we learned that a number of other key staff have been in their positions for many years, and therefore the team that the Clerk has built has extensive knowledge about the Office's operations, cash management, cash handling and operational efficiencies.

During our internal audit, we identified recommendations that would improve the Office's controls over cash, inventory and operations which are discussed in detail in the Results and Recommendation section below.

BACKGROUND

The Adams County Clerk and Recorder's Office has various divisions that handle cash intake, depositing, reconciling operational reports, distributions, refunds, and inventory. The divisions that we observed and visited include the following: motor vehicle, recording, and elections. The Motor Vehicle (MV) Office has six sites: Brighton, Commerce City, Bennett and Aurora, and two in Westminster, Colorado. These locations handle cash, manage cash, depositing, reconciling of reports, refunds and also maintain inventory related to motor vehicle transactions such as license plates, registration tabs, title paper, handicap placards, etc.

The internal audit encompassed the risk areas described above, surrounding the following operations:

- o Motor Vehicle – The Clerk and Recorder's Office operates the motor vehicle department within the County. These operations include title applications, vehicle registrations, VIN inspections, ownership tax, and specialized services such as registrations of specialized mobile machinery and vehicle rental company fleet. It also manages the inventory distributed from the state, held in the County MV warehouse and distributed to each of the 6 MV locations within the County.
- o Recording – The recording department within the Clerk and Recorder's Office collects fees pertaining to recording and preserving real estate records and maps. The Office is also responsible for issuing and recording marriage and civil union licenses.
- o Elections –The Clerk and Recorder's Office has the responsibility to maintain the voter registration database and to conduct federal, state and county elections. This department bills and collects reimbursements from state and local jurisdictions to offset the County's costs to run the elections.

Each of these revenue streams are reflected in the Clerk and Recorder's Office budget.

OBJECTIVES AND SCOPE

Eide Bailly LLP performed an internal audit of the processes and controls surrounding cash management, cash handling, inventory controls and operational efficiencies and effectiveness within the Adams County Clerk and Recorder's Office based upon the risk assessment determinations performed with the Office in February, 2017. The overall objective of the internal audit was to identify potential opportunities to strengthen internal controls related to safeguarding assets of the County/Office and to increase efficiencies within the Office.

The scope of our procedures included the following within the 3 Divisions of the Clerk and Recorder's Office:

- Cash handling processes and procedures related to all aspects of cash collections of the Clerk and Recorder's Office
- Cash management within each division and the depositing and reconciling processes and procedures within the divisions and within the accounting function of the office
- Safeguarding of the cash within the divisions
- Safeguarding of the inventory within the MV division
- Reconciling State and County reports within the divisions
- Providing reporting to the Treasurer's office and Finance Department on an as needed basis
- Operational effectiveness and efficiencies surrounding the internal controls within the divisions.

Procedures performed during this internal audit included the following:

- Interviews with the Clerk and his staff to identify key risks within the operations of the office as identified above
- Review of processes with key staff related to the identification of key controls of the operations within each division
- Interviews with key staff to review the responsibilities of the Office related to the identified business objectives of each division
- Assessment of the key controls over each cash handling, cash management and safeguarding of cash.
- Walkthrough of selected transactions within each business process to determine if identified key controls were in place and operating as designed and communicated to us.
- Assessment of the inventory processes at each motor vehicle location to determine key controls in place.

INTERVIEWS CONDUCTED

A key component of our procedures involved interviewing key personnel of the Office and of those that oversee the operations of the Office. Numerous interviews were conducted to obtain an understanding of the processes, key controls and key risks within each division. These interviews were important for us to identify the key controls throughout the Office and to identify any opportunities for improvement. The personnel we interviewed were as follows:

- Stan Martin – Elected Official, Clerk & Recorder
- Christi Coburn – Chief Deputy Clerk & Recorder/Elections
- Dora Meyer – Elections Specialist II
- Erin Brim – Recording Manager
- Deb Olson-Loper – Recording Tech II
- Tamsin Totays – Motor Vehicle Manager
- Stacy Gomez – Accounting Manager
- Teri Douglass – Accounting Tech II
- Renee Limmel –Operations Tech
- Crystal Solano – Westminster Motor Vehicle Branch Manager
- Shawn Franch – Westminster Motor Vehicle Lead
- Lori Talley – Commerce City Motor Vehicle Branch Manager
- Ribbon Schanno – Commerce City Motor Vehicle Lead
- Danielle Sandoval – Aurora Motor Vehicle Branch Manager
- Danelle Montoya – Aurora Motor Vehicle Lead
- Dana Harris – North Pecos Motor Vehicle Branch Manager
- Anita Plasencio – North Pecos Motor Vehicle Lead
- Sheri Sewald – Motor Vehicle Processing and Service Center Branch Manager
- Cyndi Salthouse – Brighton Motor Vehicle Branch Manager
- Deb Rau – Brighton Motor Vehicle Lead
- Dmitriy Chernyak – Accounting Manager, Finance Department

PROCEDURES PERFORMED

We evaluated the adequacy of controls and processes related to cash management, cash handling, inventory controls and operational efficiencies and effectiveness in place through the following procedures:

Motor Vehicle Division

The Clerk and Recorder's office has six locations that process transactions. These locations include Brighton, Commerce City, Bennett and Aurora, and two in Westminster, Colorado. We visited each site during the period of February 13, 2017 through February 21, 2017. At each location we observed the daily balancing and deposit preparation for a selection of techs at the end of each day. As part of that observation we identified the amount of cash, checks and credit card payments for each tech selected for observation. We compared balances to the end-of-day cash tendering reports, the daily balancing spreadsheet and deposit slips for accuracy. We noted that funds collected are sealed in an envelope after the balancing is performed. The envelope is initialed by both the manager/lead and tech (the Tech who handled the transactions and the verifying manager/lead) and attached to the deposit slip created during the balancing procedures. We then compared these deposits to the bank statement noting the deposits were posted timely and accurately. We observed, with the exception of the Bennett location, that the locations deposit daily. The Bennett location deposits on a weekly basis due to the small number of transactions. As part of our observation, we also observed the security over cash funds at each location. This security included the physical security, camera coverage adequacy and access to vault and cash drawers.

We understand and observed that refunds are given to customers for the following reasons: customer turns in previous plates/registrations with available credit, tech errors resulting in amounts paid are greater than amounts due, and other circumstances resulting in a refund. We observed a letter request being generated from specific branch with customer name, date, reason for refund and amount of refund.

We identified special deposits being handled at the Brighton and Commerce City locations. Special deposits relate to high volume activities or fleet vehicles carrying a revolving or prepaid account with the County. These transactions are processed daily, or as needed. Our observation indicated payment from customers is made at the time of registration pick up for the revolving account. The manager/lead will compare and agree amounts due to those amounts paid. For prepaid accounts, it was noted that customers had already prepaid a certain amount to the County, and these balances are tracked by bookkeeping. When the registrations are processed, the customers' prepaid account is charged the amount of the registrations. The customer receives a listing of registrations to assist them in reconciling their accounts. Revolving payment and prepaid deposits are deposited as part of the daily deposits noted above but using a separate deposit slip listing customer name, date and amount.

We also evaluated the adequacy of controls and processes related to inventory processes in place within the motor vehicle division through the following procedures:

We obtained an understanding regarding the Clerk and Recorder's office inventory procedures. The six locations noted above within the Clerk and Recorder's office handle inventory processing. We visited each site during the period of February 13, 2017 through February 24, 2017. The County receives inventory from the Colorado Department of Corrections and the Colorado Department of Revenue. This inventory includes license plates, registration tabs, handicap placards, titles, etc. Upon receipt, the inventory items are maintained in a warehouse at the Brighton location. Shipments from the State

occur on a quarterly basis, or more frequently as deemed necessary. When inventory is received from the State, it is compared and verified to the packing slip to identify beginning and ending sequence numbers and total number of items. On a weekly basis, the County delivers inventory from the warehouse to each location based on requests. Couriers will pull the inventory from the warehouse and provide information to the Warehouse Manager. Upon delivery, the courier will indicate on a delivery sheet that this inventory was delivered to the local MV locations. The delivery sheet will then be returned to the Warehouse Manager to update the master inventory listing. We obtained inventory reports at each location printed from the State's system. We selected two types of inventory at each location and compared when the inventory was shipped, beginning and ending sequence numbers, and when the inventory was received to the state's listing. We also noted the reconciling procedures performed by the staff and where all inventory was stored at each location. For locations indicating old or obsolete items, we inquired regarding the procedures surrounding this inventory.

Elections Division

We selected one transaction relating to election fees. We selected a cash drawer receipt report dated February 14, 2017 that was maintained in the cash drawer. It was indicated on this report that there was one check received. As part of our testing we noted that there were two signatures on the cash drawer receipt report, one by the preparer and one by the person verifying the receipt. We noted this amount remitted by the state was properly coded to Election Fees (GL account number 1022-5826) on the cash drawer receipt report. We also noted a receipt was created for this transaction. As noted in its policies and procedure manual, we noted a colored dot was placed next to the copy of the receipt in the receipt log indicating that this was verified by a second person. We noted a copy of the cash drawer receipt report was forwarded to bookkeeping with an attached deposit slip for the same amount as the check and cash drawer receipt report. The process in place appears to be working as designed and functioning as expected.

We also obtained a Reimbursement Report prepared by the department. This report takes total election expenses for the November 2016 election and calculated amounts to be billed to each jurisdiction. The calculation is based on total active registered voters in each jurisdiction. We recalculated total allocated to the State by taking total active registered voters and multiplying by \$0.80 as the State pays \$0.80 per voter based on statute.

Recording Division

We selected one daily cash drawer reconciliation for the day's collections on February 17, 2017. The amount collected in that particular drawer per the completed daily cash drawer reconciliation was \$164.00 of which \$69.75 were credit card charges, \$94 in currency and \$0.25 in coins. The deposit total on the cash drawer reconciliation was noted as \$94.25 which agreed to the copy of the prepared deposit slip. As part of the day end procedures, we noted the tech take the drawer of the day's receipts to the room with the safe. We noted that the safe can only be accessed by certain individuals. It was also noted that the room was under video surveillance. During the end of day reconciling, we watched several clerks count their drawers including the one selected. EB noted the count being \$94.25. Another Tech prints a final close out report prior to the day-end balancing. When balanced, both Techs sign off on this close out report. We noted this report, showed \$94.25 and was signed off after the counting of the drawer by the Tech who counted and a verifying Tech. On the morning of the next business day, the counts and deposits are verified by another Technician before being sent to bookkeeping for deposit. We noted from morning balancing a copy of the chief closeout report printed from Recording's software indicating all clerks processing the day of February 17, 2017. From this chief closeout report, we identified the Tech selected with a drawer of cash and currency in the amount

of \$94.25. We also obtained a copy of the Daily Fees Summary Report per user indicating the same amounts noted on other reports with total credit card transactions of \$69.75. We obtained a report from the credit card processor for February 17, 2017 and noted there were four transactions totaling \$69.75. The process in place appears to be working as designed and functioning as expected.

Based upon statute, the recording office is required to collect a surcharge to go to a technology fund to help defray costs of an electronic or core filing system. When a document is recorded the county collects a \$1 surcharge per each document recorded. Beginning January 1, 2017, the law changed and the office is collecting an additional surcharge of \$2 to assist with the state funding and digitizing their records (ERT surcharge). Certain records are exempt from this surcharge. These items are Active Duty Military and Marriage/Civil Union licenses. To test the department's allocation of these surcharge amounts, we observed a report from the County's recording software for February 15, 2017 showing a total of 382 documents recorded for that day. We also obtained a "Missing Surcharge Report" showing three documents were not charged that were active duty military records. From the recording software, it was noted that there were eleven marriage/civil union licenses issued on February 15, 2017. EB noted in the Recorder's "Daily Post to G/L (All Transactions)" report, prepared from the recording software, that the total amount of surcharges for that day were \$368. It was also noted that for the ERT Surcharge the total for February 15, 2017 was \$736, representing the \$2 surcharge per document. The process in place appears to be working as designed and functioning as expected.

Bookkeeping

As part of our procedures, we obtained an understanding of the reconciliations of daily collections from each division and bank account reconciliations performed by the accounting division of the Clerk and Recorder's Office. For the daily and end-of month reconciliations, we obtained a daily reconciliation for the Aurora MV location for one day and re-performed the reconciliation procedures. We also obtained an end-of-month reconciliation for the same period noting the daily receipts compared and agreed between the two reports, for accuracy purposes. We obtained supporting information for these reconciliations including the daily reconciliation reports created from the State's MV accounting system. This report breaks down amounts collected (i.e. fees, taxes, etc.) for that particular day. We examined a copy of the balancing spreadsheet that is created by bookkeeping from the daily reconciliation report. We also observed the County's end-of-month reconciling process.

Each month, the department performs reconciliation procedures over the bank statements. As part of our internal audit procedures, we obtained supporting documentation for one reconciliation performed during the year to assist in understanding the bank reconciliation process, controls and procedures.

EVALUATION OF CONTROLS

The following are the business objectives and related control assessments (Satisfactory, Needs Improvement, Unsatisfactory) and a summary of strong and weak controls noted while performing procedures over cash collection areas.

Business Objective	Control Assessment
Cash Management/Cash Handling/Inventory/Operational Efficiency and Effectiveness	
1. All transactions are properly authorized	Needs Improvement
2. All recorded transactions are valid	Satisfactory
3. All valid, authorized transactions are recorded	Satisfactory
4. All transactions are recorded accurately	Satisfactory
5. Assets are safeguarded from loss or theft	Needs Improvement
6. Business activities are performed efficiently and effectively	Needs Improvement
7. Make timely deposits of daily collections	Satisfactory
8. Billings and cash receipts are recorded correctly as to account, amount and period	Needs Improvement
9. Inventory reflected in the system physically exists	Needs Improvement
10. Movement of inventory is properly recorded	Needs Improvement
11. Obsolete inventory is monitored	Needs Improvement
12. Inventory is safeguarded	Needs Improvement
13. Policies, procedures, and controls exist to determine an accurate count of inventory on hand	Needs Improvement

MOTOR VEHICLE OPERATIONS	
Strong Controls	Weak Controls
<ul style="list-style-type: none"> • Security cameras are in place to record all transactions and daily balancing procedures at each motor vehicle location and a safe is used to maintain sealed deposit envelopes awaiting pickup by armored car service. Cash drawers are locked when not in use (Obj. 5) • At the end of each shift and prior to collection by the armored car service, location managers print an end-of-day cash tendering report from the State system with report total for cash, checks and credit transactions. The tech responsible for the drawer counts the drawer and maintains register tape showing total funds collected during the day. The manager then recounts, inputting amounts into the cash balancing spreadsheet. Once balanced, the money will go into an envelope, sealed by tape and signed off by both the tech and manager (Obj. 3, 6) • Prepared deposits are kept in a safe until deposits are taken to bank, usually the next morning, with exception of the Bennett 	<ul style="list-style-type: none"> • Minimal formal/written procedures exist surrounding the handling of cash for daily balancing and preparation of deposits. Those that do exist primarily relate to processing of transactions and basic close-out procedures of technician cash drawers (Obj. 13) • Managers at one branch who were operating cash drawers did not have any other person verify the funds collected (Obj. 3, 5, 6) • Bank accounts are reconciled by accounting manager without appropriate segregation of duties (Obj. 1, 2, 3, 4) • Physical safeguards, including security cameras, did not provide adequate coverage, or were not present in areas in which daily cash balancing and deposit preparations are performed (Obj. 9) • Cash and deposits were not properly secured due to non-functioning vault locking mechanism. One lock at one branch was noted as being broken for an extended period of time (Obj. 4)

MOTOR VEHICLE OPERATIONS

Strong Controls	Weak Controls
<p>location which deposits once a week due to small number of transactions. (Obj. 5, 7)</p> <ul style="list-style-type: none"> • Upon collection of deposit by armored courier each morning, the courier will sign off on a manifest indicating deposit is being delivered to the bank. The courier leaves a copy of that manifest (Obj. 5, 6, 7) • During preparation of a deposit, the accounting department will inspect cash collected by marking the bills with a counterfeit pen to identify counterfeit coins or cash (Obj. 3, 5) <ul style="list-style-type: none"> • Inventory is verified upon receipt from Department of Corrections (Obj. 9) • Inventory is tracked by the County on an internally generated spreadsheet that has limited accessibility (Obj. 9, 10) • Inventory requests by each location is performed on a standardized form and shipments from County to each location are logged onto spreadsheet, including date, type, quantity and sequence numbers(Obj. 10) • A weekly reconciliation is performed of titles issued, reprinted, and voided independently of location management (Obj. 9) • Inventory assigned to each branch is identifiable within the inventory system by assigned branch (Obj. 9, 10) • Unissued inventory is securely stored in location that is only accessible to motor vehicle location personnel (Obj. 12) • Each branch verifies sequence numbers of all inventory issued to them upon receipt to ensure no breaks in sequence exist. Branches also verify tab numbers issued to them match registrations issued (Obj. 9, 10, 11) 	<ul style="list-style-type: none"> • End User Developed Applications (Excel Spreadsheets) used for end-of-day cash balancing were not write protected to prevent users from over-writing embedded formulas (Obj. 2, 4) • No documentation exists to evidence the final approval to issue a refund check to the customer (Obj. 1) • Counterfeit pens were not consistently used by all locations (Obj. 12) <ul style="list-style-type: none"> • No formal/written or documented procedures exist surrounding inventory (Obj. 13) • Each motor vehicle location receives and processes inventory from the County's warehouse. Not all of the inventory is input into the State system (Available Inventory Report) upon delivery from the warehouse or distribution to the tech stations, which does not allow for a full inventory reconciliation to be performed, on a timely basis. (Obj. 9, 10, 12) • No verification of delivery (receiving report) is provided by the location to the warehouse upon delivery of inventory (Obj. 10) • Motor vehicle locations are not properly reviewing inventory reports for stale dated and/or previously issued items each week prior to sending reports to bookkeeping (Obj. 11)

ELECTIONS OPERATIONS	
Strong Controls	Weak Controls
<ul style="list-style-type: none"> • Receipts are prepared from pre-numbered receipt book (Obj. 3, 4) • Checks or cash collected are verified by a second Tech by reviewing the prepared receipt, deposit slip and cash drawer receipt report (Obj. 1, 2, 3, 4, 6) • Money will be placed in an envelope and sealed with tape. A copy of the deposit slip will be attached to the envelope and will also be initialed by the tech and verifying tech. (Obj. 5) 	<ul style="list-style-type: none"> • No review was performed over prepared election expense allocation/reimbursement report (Obj. 1, 2, 3, 4) • No reconciliation was performed between amounts billed to amounts collected for each jurisdiction (Obj. 3, 4, 7, 8) • End User Developed Application (Excel Spreadsheet) used for the election expense allocation/reimbursement report was not write protected to prevent users from over-writing embedded formulas (Obj. 2, 4)

RECORDING OPERATIONS	
Strong Controls	Weak Controls
<ul style="list-style-type: none"> • At the end of each day and prior to collection by the accounting department, a Tech I will count their drawer and prepare a cash drawer reconciliation report. At the same time a Tech II will print a close out report from the Oncore System. After counting the Techs will reconcile amounts on these reports and sign off on the close out report (Obj. 1, 2, 3, 4) • Money from cash drawer will be placed in sealed envelopes maintained in the safe overnight (Obj. 3, 4, 6) • Each morning all totals from the prior day are verified by another technician (Obj. 1, 2, 3, 4, 5, 6) • Security cameras are in place to record all transactions and balancing drawers (Obj. 5) • Deposits are maintained in locked safe overnight prior to pick up by armored car service (Obj. 5) • After verification each morning, all deposits are put in locked bank bag and taken to bookkeeping for pick up by armored car service (Obj. 5, 7) 	<ul style="list-style-type: none"> • None noted

RESULTS AND RECOMMENDATIONS

Following are our observations and recommendations from the business objectives assessed along with management's action plan to address these issues.

Best Practices Recommendation #1

During our discussions with all division directors and staff visited during our internal audit procedures and reviewing and observing transactions within each division, we determined that written policies and procedures either don't exist, haven't been updated recently or haven't been effectively distributed to staff or communicated.

Risk

Without up to date, distributed or effectively communicated written policies and procedures, it's difficult to hold staff accountable to the Clerk and Recorder's expectations and best practices for internal controls over cash collection or handling, cash management, efficient and effective operations or reconciliation processes.

Recommendation

We recommend that the Clerk and Recorder's Office continue to update, write, distribute and consider training to over-arching policies and procedures for cash collection and handling, cash management, efficient and effective operations and cash/revenue stream reconciliations in each division of the Office.

Action Plan

Person Responsible	Christi Coburn	Estimated Completion Date	Ongoing
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Due to the complex nature and numerous processes across the three Clerk and Recorder Divisions, implementation will be ongoing and incorporated into existing procedures. Leadership and managers will review, update, and train, as necessary, but not less than once per calendar year on each assigned process.

Best Practices Recommendation #2

Reconciliation processes between Divisions of the Clerk and Recorder's Office, Bookkeeping in the Clerk and Recorder's Office and overall financial reporting processes and reconciliations maintained in the Treasurer's office and the Finance Department, need to be better understood and coordinated so that the offices truly work together to determine that best practices in reconciliations of cash/revenue and financial reporting can be streamlined and reported accurately and effectively.

Risk

The Treasurer's Office (bank of the County) is not aware of the reconciliation processes within the Clerk and Recorder's Office bank accounts, as they aren't involved in reviewing the bank accounts and reconciliations that the Treasurer's Office is accountable for within the Treasurer's general ledger balances. Without understanding the statutory nature and/or content of the bank accounts utilized by the Clerk and Recorder's Office, the Treasurer's office may have difficulty maintaining accountability of all bank accounts available and posted to the Treasurer's general ledger that represent the Clerk and Recorder's office. Also reconciliation of those Clerk and Recorder bank accounts are commonly reconciled within the Treasurer's office as a separate segregation of duties and control within the offices. The Finance Department also isn't involved in the budget to actual reconciliation of the Clerk and Recorder's office of the revenue streams or expenditure accounts and reported within the General Fund of the County. Without involvement of the Budget or Finance Department in the budget monitoring of the Clerk and Recorder's office, accountability over this office's revenues and expenditures may be lost, within the reporting of financial information of all offices of the County.

Recommendation

As the expenditure arm of the County, as well as the reporting arm, we believe a Finance Department representative should be assigned to the Clerk and Recorder's office, since the Finance Department is responsible for financial reporting of the County. Effectiveness and understanding of operations is imperative in capturing and monitoring the financial transactions of the entire County. Having a Finance Department representative for the Clerk and Recorder's office could help facilitate segregation of duties and can effectively help each office understand the reconciliation process of cash accounts to the Treasurer's Office and the expenditures in the budget process. Involvement of the Treasurer's office in the reconciliation processes of the Clerk and Recorder's Office bank accounts could also improve accountability and segregation of duties within both offices' responsibilities as well. These suggestions and potential new processes should help each office understand how the reconciliation process of cash can be streamlined, and give each office the reporting information needed to monitor budgets and financial accountability within each office.

Action Plan

Person Responsible	Christi Coburn	Estimated Completion Date	March 28, 2017
Dmitriy Chernyak has been appointed by the Finance Department as the liaison to the Clerk and Recorder's Office.			

Best Practices Recommendation #3

As the Divisions of the Clerk and Recorder's Office use multiple End User Developed Applications (EUDA) to complete processes, including, but not limited to expense allocations, reconciliations, balancing, and inventory; these applications, which are primarily Excel spreadsheets, should be write and copy protected.

Risk

The failure to adequately protect End User Developed Applications (spreadsheets) can lead to inadvertent errors made by personnel which may go undetected for a period of time, allowing concealment of fraudulent activity. These errors can also be costly in terms of additional time spent researching errors and making additional corrections.

Recommendation

We recommend the Clerk and Recorder's Office identify End User Developed Applications used throughout the divisions and perform a review of all formulas contained within the applications for accuracy and validity. During this review process formulas should be write protected allowing users access to only input data in necessary cells, and when necessary, access to the spreadsheet should be limited by requiring a password.

Action Plan

Person Responsible	Christi Coburn	Estimated Completion Date	July 31, 2017
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Clerk and Recorder Administration will ensure all EUDAs across the Department are appropriately protected and locked.

Best Practices Recommendation #4

During our discussions with the recording manager and the understanding that the recording division is being restructured, the Clerk and Recorder and Recording Manager, may want us to perform operational processes in this office in the future, as more of the new processes and software comes on line. We noted that all index books are currently backed up; the electronic digitizing process of records is continuing with the expectation of going public in March, 2017 with 5.4 million records digitized, monthly indexing and going live as the process continues from that date. New recording software is also expected to go live in July, 2017

Risk

With any restructuring, an opportunity to relook at operational efficiencies exist. Without the records being fully digitized, this increases burdens to the department. As the digitizing process remains, costs of the county increase with added temporary staff.

Recommendation

We recommend that the Clerk and Recorder's Office continue to digitize all records maintained by the county in order to adequately make records available to the public. This will ease the burden of the department as well as the public. After all restructuring is accomplished in 2017, you may want us to take another look at this division if you believe risks exist that indicate further process improvements can be achieved.

Action Plan

Person Responsible	Estimated Completion Date
Erin Brim	December 31, 2017

The Recording records are 51% digitized to date, with an estimated completion date of December 31, 2017. Once complete, digitization will greatly reduce in-office traffic as the records will be available on-line for purchase. After restructuring and the new software is installed at the end of 2017, we will evaluate and determine if further process improvements are achievable.

Observation #1

During our observations of the cash balancing at the Pecos location, we noted a lack of segregation of duties in the preparation of deposits and verification of cash for manager cash funds. It was noted that cash funds and deposits for managers are not verified by a secondary party prior to being deposited to the bank.

Risk

Failure to properly verify cash funds prior to a deposit generates an opportunity risk, in which the individual could begin force balancing their cash supply daily to conceal theft.

Recommendation

We recommend all cash funds be reconciled and verified by a secondary party under dual control prior to being deposited to the bank. The proper preparation of deposits and handling of cash should be incorporated into documented procedures for the Motor Vehicle Division

Action Plan

Person Responsible	Estimated Completion Date
Tamsin Totays	March 20, 2017

The official Clerk and Recorder policy requires all cash deposits be verified by a 2nd party under dual control. Motor Vehicle managers have been notified the policy must be adhered to in every scenario.

Observation #2

During our internal audit procedures we noted cash funds were not consistently being reconciled under dual control at the branch locations. It was noted during our observations that while dual control exists in the initial balancing process (tech provides totals to manager/lead for verification to system report), this dual control is broken when the cash funds are passed to the manager/lead for a subsequent verification. It was noted the tech in most instances left the room to go gather personal items while the manager recounted cash and checks.

Risk

Failure to practice proper dual control of cash funds could expose the department to loss due to theft.

Recommendation

We recommend policies and procedures be developed surrounding the proper handling and reconciliation of cash, including dual control of cash funds. Proper dual control exists when two individuals verify the cash funds and verify to a system generated total. If a secondary verification (count) of cash is to be performed by a manager or lead, the owner of the cash fund (tech) should remain present to view the count of the cash funds until the time funds are sealed inside the envelope for deposit.

Action Plan

Person Responsible	Estimated Completion Date
Tamsin Totays	April 30, 2017

We are developing and will implement a documented cash handling process that ensures dual control.

Observation #3

During our visit to the Westminster location, it was noted the portion of the cash vault containing the nightly deposits and change order did not have a functioning locking mechanism. In our discussions with location management, it was determined the locking mechanism had not been properly working for a period of two years. The outer safe door is kept open during the day in the instance it is necessary to make change and to allow access to the individual cash fund boxes.

Risk

The inability to secure cash exposes the location to potential loss due to theft both internally and externally. The vault room in which the safe resides is accessible to all employees and to any outside vendors who may be allowed access behind the line. At any given time there is at least \$2,000 in the change fund. If the loss were to occur prior to the pickup of the deposit, the loss could be in excess of \$50,000.

Recommendation

We recommend the safe be repaired to a functioning level or replaced in order to properly secure cash at all times. Until the safe is repaired or replaced, we recommend the outer vault door be secured at all times during the day.

Action Plan

Person Responsible	Estimated Completion Date
Tamsin Totays	March 17, 2017

The department will request a new safe, as we have been advised that the current safe cannot be repaired. In the interim, the cash vault has been moved to the lower portion of the vault that has a working locking mechanism.

Observation #4

During our internal audit procedures, we noted no documented policies and procedures were in place for the handling of inventory within the Clerk and Recorder's Office at both the County level and each motor vehicle location. As a result, each location was handling and processing inventory received from the County in a different manner. More specifically, it was noted in certain locations inventory received was not being placed into inventory upon receipt from the County. At the Aurora and Bennett locations, we noted items still listed in inventory (passenger and dealer plates) which had been previously issued which is indicative of inadequate inventory reconciliation procedures and failure to properly remove inventory upon issuance. The completion and documentation of a physical inventory count could ensure all inventory assigned to the County is accounted for on a periodic basis and allow for the reconciliation of any discrepancies.

Risk

Failure to have adequately documented policies and procedures for the handling of inventory may lead to the inability to properly reconcile inventory and inconsistencies in operations between locations. While inventory received is agreed to a packing slip upon receipt from the State and/or Department of Corrections, any shrinkage/theft would not be identified until the location tech (end user) attempted to issue the piece of inventory to a customer. While the missing inventory would eventually be identified, it could be a significant amount of time between the loss of inventory and the identification of the loss.

Recommendation

We recommend the County develop policies and procedures surrounding the proper handling of inventory shipments at the County and Location level. Procedures should include guidelines for the receipt of inventory, placing inventory into the DOR Inventory Available system, and performing a reconciliation of inventory on-hand. These developed procedures should also include the performance of a periodic inventory count of all inventory at the County warehouse.

Action Plan

Person Responsible	Tamsin Totays	Estimated Completion Date	June 30, 2017
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The current state-provided and supported inventory system is antiquated and scheduled to be replaced in the fall of 2018 as part of the DRIVES program. Until then, the department will create a written policy surrounding inventory as recommended above.

Observation #5

Based on our inquiries, it was noted there is no verification of delivery provided by the individual branch locations upon receipt of inventory provided directly by the County. Currently, couriers indicate inventory as being delivered on a weekly delivery sheet which is provided to the County's Warehouse Manager to update master inventory log.

Risk

Not obtaining verification of receipt from the individual locations for inventory received could lead to discrepancies in inventories for which the location is responsible for tracking in an instance in which the courier were to deliver inventory to an incorrect location.

Recommendation

We recommend the locations begin providing verification of receipt of inventory on a weekly basis. While the courier record acts as part of this record, it should be compared to the information provided by the location to verify all inventory the location is responsible for has in fact been received. The master inventory log should be updated based on information provided by the location.

Action Plan

Person Responsible	Estimated Completion Date
Tamsin Totays	April 30, 2017

The department will create and document a process to have courier-delivered inventory verified and entered into the master inventory log.

Observation #6

Based on our review of issued refund documentation on file in bookkeeping, no documentation exists to evidence the final approval by the Motor Vehicle Manager, or appropriate designee, to issue a refund check to the customer.

Risk

The lack of a documented approval by the Motor Vehicle Manager, or designee, to issue a refund combined with limited/no review process of the bank reconciliation could lead to payment of fraudulent refund requests.

Recommendation

We recommend approval of refund requests be documented by the Motor Vehicle Manager prior to being returned to bookkeeping for the issuance of a check. Refund requests which are rejected should also reflect a documented reason for the rejection in the instance an inquiry is made by the customer in the future. The documentation of approvals and rejections will reduce the likelihood of the issuance of fraudulent refund payments.

Action Plan

Person Responsible	Estimated Completion Date
Tamsin Totays	July 31, 2017

The department will create and document a refund approval process. The department already documents and tracks refund reasons in the CSTARS system.

Observation #7

During our observations of the daily cash balancing at the Brighton location, it was noted techs were not consistently applying the usage of counterfeit pens. We noted two tech drawers with denominations of \$20 and above which were not marked with a counterfeit pen at the time of balancing.

Risk

Failure to appropriately use counterfeit pens, as directed, exposes the County to the risk of loss. In the instance a counterfeit bill is identified at a later time (i.e. balancing or during deposit at the bank), the County is unable to identify the source of the funds and obtain payment.

Recommendation

We recommend all locations be reminded of proper procedures for accepting large denomination (\$20 and above) bills. Additionally, techs should be adequately trained on how to properly handle a situation in which a counterfeit bill is identified during a transaction.

Action Plan

Person Responsible	Tamsin Totays	Estimated Completion Date	March 31, 2017
Staff will be reminded of the existing official policy for accepting \$20 and above bills and marking them with a counterfeit pen. The process for when a counterfeit bill is received will also be communicated to all staff.			

Observation #8

During our internal audit procedures we observed security camera coverage at each location. As part of our observations, we noted locations have camera coverage throughout the building, however the camera placement in many locations does not provide full coverage of tech transaction processing and cash handling. We noted in the rooms where counting was performed, techs were counting with their backs facing the camera with no view of the funds being counted. More specifically, at the Commerce City location, it was noted there was no camera coverage in the count room.

Risk

While the existence of security cameras acts as a deterrent, cameras should be placed in such a manner that cash handling activities can be fully observed and/or reviewed. The obstruction of such activities by either signage, bodies, or lack of cameras exposes the County and its employees to additional risk in the event of an unresolved outage.

Recommendation

We recommend the Clerk and Recorder review and assess current camera coverage at each motor vehicle location and make modifications as deemed necessary. Additionally, we recommend a camera be placed in the cash room at the Commerce City location.

Action Plan

Person Responsible	Tamsin Totays	Estimated Completion Date	December 31, 2017
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We are currently in the process of having the cameras in our North Pecos and Commerce City location moved to the County system. Both of these projects are estimated to be completed in 2017. The camera recommendations will be made for both offices. Three other offices have camera systems provided by a 3rd party vendor and we are working with the vendor to have angles moved to comply with the recommendation.

Observation #9

During our internal audit procedures over the Elections Division of the Clerk and Recorder's Office, it was noted a general cost and reimbursement report is prepared to calculate amounts to be billed to certain jurisdictions for elections costs spent by the County during an election. We noted, however, this spreadsheet did not indicate who prepared this spreadsheet, nor were the spreadsheet formulas protected. We also noted the amounts billed were not reconciled to amounts collected and compared to budgeted amounts.

Risk

Not having proper review of this election expense allocation can result in improper amounts being charged to various jurisdictions. Without spreadsheet formula protection, human error may also be made and not corrected timely for billing purposes. Not properly reconciling amounts billed to amounts collected can cause the County to not collect timely from those jurisdictions.

Recommendation

We recommend the division designate a preparer of the cost allocation and reimbursement report as well as a separate reviewer. Also formula protection within the billing/reimbursement spreadsheet should be assigned to someone with an appropriate skillset to be able to provide this security over the spreadsheet and also periodic review of the spreadsheet to insure accuracy of billings and collections. We also recommend expanding the billings spreadsheet to include deposits/collections and having bookkeeping maintain a reconciliation of amounts billed to amounts collected indicating dates of collection.

Action Plan

Person Responsible	Christi Coburn	Estimated Completion Date	March 10, 2017
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The spreadsheet used in Elections for billing and reimbursement has been modified to protect formulas and is now password-protected. In addition, the documented process has been amended so that the Operations and Technology Manager creates the spreadsheet, which is then approved by the Elections Administrator prior to billing. Invoice sent and receipt dates are included.



June 16, 2017

Mr. Raymond Gonzales, Interim County Manager,
4430 South Adams County Parkway
Brighton, Colorado, 80601

**RE: Review of Procurement Card DRAFT Policy – Purchasing – 1045 for Adams County
Colorado**

To: Mr. Raymond Gonzales, County Manager:

We are pleased to provide comment on the draft policy – purchasing – 1045 – for Adams County. We base our comments on best practices in the industry.

The Government Finance Officers Association (GFOA) issued a whitepaper in 2011 which provides the 'gold standard' of best practices on procurement cards (P-Cards) that is used by state and local governments across the United Statesⁱ. Since that issuance, there have been other practices added to state and local government operations due to the ever-changing marketplace of procurement. These include, but not limited to, the use of smartphones for payment, discounting (Amazon Prime) and the issuance of Title 2, Part 200, Code of Federal Regulations *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*ⁱⁱ.

The GFOA focuses on the following areas in their best practices with regard to P-Cards. Based upon the GFOA whitepaper, there should be:

- A. Instructions on employee responsibility and written acknowledgments should be signed by the employee.
- B. Ongoing training of cardholders and supervisors.
- C. Spending and transaction limits for each cardholder both per transaction and on a monthly basis.
- D. Written requests for higher spending limits.
- E. Well-documented recordkeeping requirements, including review and approval processes.
- F. Clear guidelines on the appropriate uses of purchasing cards, including approved and unapproved Merchant Category Codes (MCC).
- G. Clear guidelines for making purchases by telephone and fax or over the Internet.
- H. Periodic audits for card activity and retention of sales receipts and documentation of purchases.
- I. Timely reconciliation by cardholders and supervisors.
- J. Procedures for handling disputes and unauthorized purchases.
- K. Procedures for card issuance and cancellation, lost or stolen cards, and employee termination.
- L. Segregation of duties for payment approvals, accounting, and reconciliations.
- M. Regular review of spending per vendor and merchant category codesⁱⁱⁱ.

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In addition, there are specific areas of focus that should be considered by the County, some of which are addressed in the draft policy (purchasing should be tax-exempt) and the aforementioned use of other devices which could lead to a P-Card purchase.

The ultimate goal of the County should be a final policy and procedure which reduces the potential instance of fraud, waste and abuse.

Overall Considerations

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance,) discusses in sections 67 and 320 provisions for **micro-purchases**. There's also an overall goal of consistent treatment of costs and cost principles, policies and procedures in section 401 of the Uniform Guidance with a goal of not unfairly benefitting or burdening the federal government. That said, there are also Colorado Statutes that the County must adhere to and follow.

Section 67 defines *Micro-purchase* as a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-federal entity's small purchase procedures. The non-Federal entity uses such procedures in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. **The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is \$3,500 except as otherwise discussed in Subpart 2.1 of that regulation (relating to wage-rate determination,) but this threshold is periodically adjusted for inflation.** Section 320 requires to the extent practicable, the non-federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

We recommend the County consider clarifying its current policy by moving the Exceptions section of the policy to the front of the document or further expounding on this section in front of the policy so that P-card users understand there are different requirements for purchasing with federal dollars. If the County were a State, section 317 of the Uniform Guidance requires a State to follow the same policies and procedures it uses for procurements from its non-federal funds. As the County is a subrecipient of federal funds, section 318 requires the County to use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law and the standards (in that section)^{iv}.

If the County retains the \$5,000 per transaction limit, chances of fraud, waste and abuse will increase.

We believe the reorganization of the Policy is appropriate and easily understood. It is easy to understand the responsibilities of Elected Officials, Department Directors, Managers, Supervisors, P-Card Holders and the P-Card Administrator. We recommend an appendix with four columns (Policy Element, Elected Officials, P-Card Holders, P-Card Administrator) be attached for clarity for users and ease of updating.

The County should consider annual recertification for P-Card holders through the use of updated best practices provided by the P-Card administrator. Principle B of GFOA uses the word "ongoing" to describe the best practices involving training. Section 3.1 of the draft policy requires Elected Officials, Department Directors, Managers or Supervisors to attend mandatory supervisory P-Card training with management responsibilities. Section 4.1 of the draft policy requires P-Card holders to be trained before receiving P-Cards. It also states training for Elected Officials is 'highly recommended.' This appears to be counter to Section 3.1 and should be clarified. In all cases, given the level and rapidity of change in

the industry, it would serve the County well to have required annual training for all holders as a condition of holding the P-Card. Most Administrators provide this on-line.

Spending limits are included in the draft policy in accordance with GFOA principle C. However, there are purchase limits (\$5,000 per item per section 8.1) and a monthly limit of \$10,000. One would presume the per item limit of \$5,000 per item is per day. The County should consider lowering these amounts per the previous discussion on the threshold.

As part of the appendix previously discussed, recordkeeping requirements for each could be consolidated into one place in accordance with GFOA principles E and H. Records should be kept for audit purposes by each level of responsibility at each step of the lifecycle of P-Cards – application, approval, training, delivery, purchases, reconciliation, approval / non-approval, termination and securing or recertification. Records should be kept and secured in accordance with Colorado statutes. Section 4.6 discusses submittal, but not retention.

In accordance with GFOA principle F, the draft policy somewhat includes clear guidelines on the appropriate uses of purchasing cards, including the approved and unapproved Merchant Category Codes. The draft policy does not include MCC codes, but few do. Section 4.9 also includes references to sub-sections starting at 4.8.X which are typographical errors. There is also a good reference in 6.1 to GSA per diem rates. However, the County should consider establishing MCC limits with the P-Card Administrator as to time and distance from the County. For example, the Director of Finance could be alerted when a P-Card is attempted to be used after standard business hours, or outside of the County or for particular MCC codes that are unauthorized.

We recommend specific guidelines for making purchases by telephone, fax, over the Internet or by smartphone / device in accordance with GFOA principle G. These provisions were conspicuously absent in the draft policy. Given the level of hacking and the proliferation of identifiable information over such devices and transferred in an unsecure manner, we believe this is an important issue.

We recommend a specific prohibition against the splitting of charges. This is somewhat in accordance with GFOA principle J. Charge splitting is best exemplified by filling of a gas tank of a department of public works vehicle, then filling gas cans to be used in personal vehicles and then charging on the P-Card. Splitting of transactions also circumvents the limits (\$4,500 in one charge, \$2,000 in another). Only in reconciliation could a supervisor notice an inordinate amount of fuel or repeated charges on the same day.

We recommend stronger language for termination procedures. This is in accordance with GFOA principle K. Cancellation, lost or stolen cards or in the case of termination can usually be handled immediately online with the P-Card administrator by the supervisor. We believe this should be considered to lower the potential for fraud, waste and abuse.

Sections 3.3 to 3.6 have good detail of segregation of duties for payment approvals, accounting and reconciliations in accordance with GFOA principle L. However, we recommend additional language requiring that approval cannot be made by the person using the card. This is counter to section 3.5 which allows Elected Officials to approve expense reports. But we believe the Finance Director's role could be strengthened in this area, unless it is the Finance Director's card charges which are being approved. In such cases, the County Manager should approve the charges.

We recommend the County perform a regular review of spending per vendor and MCCs. This will delineate any potential fraud, waste and abuse, including, but not limited to repeated purchases at the same vendor. This is in accordance with the provisions of Section 320 of the Uniform Guidance as discussed previously.

Section 7 has a good list of prohibitions. We recommend the following additions:

- Theater tickets for entertainment purposes
- Airline club fees, social clubs, purchasing clubs or airline memberships
- Transportation of all kinds without approval of the County Manager and County Director of Finance.
- Cash advances and traveler's checks
- Prescription drugs and controlled substances (or cannabis in Colorado)
- Gambling of all types (lottery, casinos etc).
- Hazardous materials
- Any purchase where there is a potential for using rewards points for personal purchases. (For example, the purchase of an Amazon Prime membership falls under rewards programs and is not an allowable expense because this membership is not limited).

Conclusion

We would be pleased to consult with you at any time on specific recommendations and practices. We thank you for this opportunity.



Eide Bailly LLP

ⁱ <http://gfoa.org/purchasing-card-programs>

ⁱⁱ <https://www.federalregister.gov/documents/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>

ⁱⁱⁱ GFOA.

^{iv} Uniform Guidance, Sections 317-320.



Assessor's Office
Internal Audit Report
November 29, 2017

Adams County, Colorado

Adams County, Colorado
Assessor's Office *Internal Audit Report*
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EXECUTIVE SUMMARY

Eide Bailly LLP performed internal audit procedures surrounding compliance with State Statutes and general operational efficiencies and effectiveness of the Adams County Assessor's Office based upon risks the Assessor requested be addressed as part of the 2017 internal audit risk assessment process. Our evaluation included the Assessor's Office processes and controls over compliance with State Statutes. This internal audit of the Assessor's Office was performed on the current processes in place at the time of the internal audit, during the period from September 8, 2017 to October 6, 2017.

During the internal audit, we observed that the Assessor and her staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed or suggested. The Assessor is newly elected and has been in office for almost three years. By utilizing the pre-existing asset of experienced staff as well as incorporating new talent, more efficient procedures and broadening of the technological resources, the office has become more dynamic and efficient in the performance of its statutory obligations.

During our internal audit, we identified recommendations that would improve the Office's controls over information technology and security procedures surrounding the office which are discussed in detail in the Results and Recommendation section below.

BACKGROUND

The Adams County Assessor's Office role within the County is to administer the Office in a manner that assures public confidence in accuracy, productivity, and fairness to provide just and equalized valuations of all real and personal property. The Office consists of several departments which include the following: Administration, Commercial, GIS, Land, Mobile Home, Personal Property and Residential. All departments are located in one location in Brighton, Colorado. Each department is responsible for different aspects of the Office operations.

The internal audit encompassed the risk areas discussed with the Assessor within each department as indicated below, surrounding the following operations:

- Administration – Annually preparing, documenting and making budget recommendations as well as management of all assessment personnel. This includes certification of valuations to all taxing entities within the County, performance of all data processing functions, preparation of tax rolls for County Treasurer, processing abatements and refund petitions, and publishing the annual abstract of assessment.
- Commercial – Determining the value on commercial and industrial classes and subclasses of property.
- GIS – Coordination of geographic information and data for assessment purposes and the maintenance of the countywide geographic information system. This also includes preparation of base maps and updating information on all real estate conveyances, property transfers, splits and legal descriptions for property tax purposes.
- Land – Valuation of vacant land, improved and agricultural land throughout the County. This department also processes newly-platted subdivisions, reviews valuation methods and procedures, physically inspects all parcels of land for valuation purposes, and confirms/verifies sales prices to provide current and updated values.
- Personal Property – Discovers, lists and values all business personal property that is productive to income associated with residential, commercial, industrial, agricultural and natural resource properties. This department publishes notices of valuations and

- determinations, processes appeals, audits books and records of businesses, and physically inspects personal property.
- o Residential – Valuation of all improved residential parcels (buildings or structures) which include condominiums, townhomes, apartments and single-family residences. The department confirms and verifies sales data, physically inspects residential improved properties, obtains the property characteristics, sketches the improvement, takes photographs of the property, classified the property, reviews comparative properties, and other tasks for proper valuation.
- o Mobile Home – Valuation of mobile homes similar to residential property.

The Assessor's Office has minimal revenue streams; however, those are reflected in the Assessor's Office budget and monitored through the budget process.

OBJECTIVES AND SCOPE

Eide Bailly LLP performed an internal audit of the processes and controls surrounding valuation methods and operational efficiencies and effectiveness within the Adams County Assessor's Office based upon the risk assessment determinations performed with the Office in September, 2017. The overall objective of the internal audit was to identify potential opportunities to strengthen internal controls related to adherence to State Statutes and policies within the Office.

The scope of our procedures included the following within the departments of the Assessor's Office:

- Inquiring and documenting policies and procedures within the office
- Obtaining an understanding of Title 39 of the Colorado Revised Statutes as they relate to the Assessor's Office
- Compliance with State Statutes
- Providing reporting to the Treasurer's office
- Obtaining an understanding of the operational effectiveness and efficiencies surrounding the internal controls within the Office.

Procedures performed during this internal audit included the following:

- Interviews with the Assessor and her staff to identify key risks within the operations of the Office as identified above
- Review of processes with key staff related to the identification of key controls of the operations of the Office
- Perform specific testing over adherence to State Statutes and the Office policies.

INTERVIEWS CONDUCTED

A key component of our procedures involved interviewing key personnel of the Office and of those that oversee the operations of the Office. Numerous interviews were conducted to obtain an understanding of the processes, key controls and key risks within each division. These interviews were important for us to identify the key controls throughout the Office and to identify any opportunities for improvement. The personnel we interviewed were as follows:

- Patsy Melonakis – Elected Official, Assessor
- Cindy South –Deputy Assessor
- Lisa Roberts – Administrative Manager
- Donna Slagel – Assessor Analyst

PROCEDURES PERFORMED

We evaluated the adequacy of controls and processes related to State compliance requirements and general operational efficiencies and effectiveness in place through the following procedures:

Compliance with State Statutes

The Assessor's office must adhere to Title 39 of the Colorado Revised Statutes. Through inquiries and review of State Statutes, we obtained an understanding of the policies and procedures in place to insure the County adheres to these statutes and requirements and documented these policies accordingly. This understanding assisted in developing procedures used in our testing of compliance. We tested compliance according to certain sections of Title 39 which are described as follows:

CRS 39-5-101 addresses the duties of the Assessor. The primary duty of the Assessor is listing all taxable real and personal property located within the County. CRS 39-5-104 requires that valuation of each property be separately appraised and valued. We obtained an understanding of the Assessor's Office by reviewing State Statutes and through inquiry of the Office personnel. We obtained an understanding of the County's assessment software, RealWare. This software is used by each appraiser within the Assessor's Office to assist in valuation of the properties and for maintenance of property inventories by type which are listed as follows: Commercial Property, Agricultural Property, Industrial Property, Mobile Homes Property, Producing Mines/Natural Resources, Residential Property, Oil & Gas, State assessed, Exempt, Vacant Land, and Personal.

Title 30 of the Colorado Revised Statutes fixes salary amounts for various elected officials, including the Assessor. As part of our internal audit, we tested the County's compliance with the salary amount set forth in Title 30. We obtained the personnel file for the County Assessor noting the new hire form at the date she was sworn in stating annual wage. We noted that the wage rate agreed to the statutory rate indicated in Title 30. We also obtained two pay advices, one for 12/31/2016 pay date and the other for the 9/30/2017 pay date. We agreed the salaries paid for each pay advice to the statutory salary without exception.

Valuation

CRS 39-1-102 provides for definitions of different types of land, livestock, equipment, improvements, Assessor, Board, conservation purpose, et al. CRS 39-1-103 provides for the actual value determined and assessments that the Assessor must provide for: "All real and personal property shall be appraised and the actual value thereof for property tax purposes determined by the Assessor. This section defines the three appraisal approaches and documentation requirements for normal valuations: 1) Cost Approach, 2) Market Approach or 3) Income Approach. This section also provides for the value of agricultural lands and other properties. It also indicates that at the sole discretion of the Assessor if neither of the three valuation approaches works then a similar comparison of property can be used for valuation. Personal property taxes are also addressed in this section and the filing of the annual Declaration. Section 39-1-104 provides for the valuation assessment percentages of all taxable property within the state at 29 percent of the actual value. This section doesn't apply to residential real property, producing mines, and lands or leaseholds producing oil or gas. Section 39-1-104.2 addresses the residential rate of valuation and provides a process for adjustments in the ratio of valuation for assessment for residential real property. Based on the determination by the administrator that the target percentage is 45.67 percent, the ratio of valuation for assessment for residential real property is 7.96 percent of actual value for the property tax years commencing on or after January 1, 2015, but before January 1, 2017.

In order to test valuation of properties in the system, we first obtained an understanding of the processes and procedures of the Office with various personnel specifically on how valuation and assessment is performed. From this we performed a walkthrough of the valuation process as follows: we selected a residential property from the property listing. We observed the Office personnel entering the property's account number, which is the property's unique identification code, into the RealWare system. The property specifications are entered into the system by the appraiser. We observed the specifications of the property, input by the appraiser, within the system which included year the property was built, square footage, and bed and bath count. Based on the property specifications indicated above, RealWare has a unique calculation tool which calculates the property valuation based on property type. It was noted that being a residential property, the appraiser used the market based approach and looked at comparative properties in the area to value the home. We noted the comparatives maintained in RealWare.

Because all of the above valuations and appraisals are statutorily required and the Assessor's Office utilizes appraisers to perform these functions, State Statutes also require specific standards be met by appraisers. According to state law, appraisers who substantially contribute to an appraisal must be specifically acknowledged or licensed. Appraisers are licensed according to level, each requiring different qualifications. The levels of appraisers are as follows: Ad Valorem, Licensed and Certified Residential. We selected five appraisers that are employed by the County. For each appraiser selected, we obtained certificates of completion from various continuing education courses. We noted that each appraiser tested has obtained the appropriate amount of credits to meet state requirements.

As part of our walkthrough of properties within the system, we obtained an understanding of the procedures surrounding the completeness of the property listings maintained by the Office and once valued, the procedures performed to transmit information to the County Treasurer's Office for proper collection. Per discussions with personnel, RealWare has a calculation date which shows when the last time the property was assessed. We noted each property should have a current date. Pictometry is used to determine any missed properties or improvements. This is an aerial imagery tool used to locate any properties that may not be included in the system. Once a property is detected by the Pictometry system, an appraiser does a field check to determine valuation and enters information into the system. Once all properties have been valued and certified, the tax rolls are uploaded to the Treasurer's system by the County's Information Technology and Innovation Department (ITI). Once received the Treasurer takes the data uploaded and compares it to data kept at the Assessor's Office to ensure accuracy and completeness of data that was uploaded by the ITI.

For further testing, we selected five properties within each of the categories mentioned above. We selected these properties from the listing of all properties provided. These properties were selected at random based on a random number generation. For the properties selected we obtained the actual value of the property from RealWare and noted support for that value. We also obtained from RealWare the assessed value calculated from the actual value. We recalculated the value based on the statutory assessment rates. Through our calculations we noted no significant differences (+/- \$5) largely due to rounding. We also noted the valuation approach used, all of which were either cost, market or income based approaches as described in State Statutes. Based on the approach used, we documented the information used associated with this approach.

Furthermore, CRS 39-1-113 requires that a hearing be held for any abatements or refunds of property taxes. That hearing must have the assessor or a representative and the taxpayer present. We noted through our testing that either the appraiser or the County Assessor was present for these hearings.

Article 3, part 2 of the Colorado Revised Statutes allows for certain exemptions for qualifying seniors and disabled veterans. We obtained an understanding through inquiry of the Office personnel and performed a walkthrough over this exemption, including both an approval and denial. Each individual applying for the senior exemption status must fill out an application and submit it to the County Assessor's Office. The County Assessor will research the following to determine eligibility: 1) the applicant must be at least 65 years old on January 1 of the year in which they apply, 2) the applicant must be the owner of record and must have been the owner of record for at minimum 10 consecutive years prior to January 1, 3) the applicant must occupy the property as their primary residence and must have done so for at minimum 10 consecutive years prior to January 1 and 4) must submit application by July 15. If the individual meets all these requirements, a letter of approval will be sent notifying them of their approval and new exemption status. Once approved, their information is entered into the RealWare system which calculates the amount of the exemption. The exemption amount is then sent to the County Treasurer who sends an updated bill to the taxpayer and sends the remaining amount due to the State for payment. Each individual may receive up to \$100k in exemptions.

For our walkthrough of the exemption process, we selected the account R0068650 from a listing of exempt accounts. We viewed the application from the property owner noting it was submitted on February 7 which was well before the July 15 deadline. We then viewed the birthdate listed on the application, noting the age requirements were met for the Senior Exemption at the time the application was submitted. Information on the individual's property was viewed in the County's RealWare system which lists all sales on the property. We noted the following information: the last sale on the property was in 1999, the individual lives in the home, and the home was used as their primary residence. Once the Assessor's Office reviews all the eligibility requirements, and approves the exemption, the RealWare system generates the amount of the exemption. We noted the RealWare system generated a \$100,000 exemption for this individual. We noted that this exemption notice was forwarded to the Treasurer's Office who sends an updated bill to the taxpayer and sends the remaining amount due to the State for payment. For our walkthrough of a declined exemption application, we selected account R0074393 from the exempt account listing noting it went through the same process as discussed above. After reviewing the individual's application and RealWare system, we noted this individual was denied the exemption status because they were not listed on the title of the home. It was noted through inquiry the individual's name applying for the senior exemption must be shown on the title during the application process.

Statutory Deadlines

According to State Statutes, the Assessor's Office operates under numerous deadlines throughout the year. The deadlines and our related testing are described as follows:

- According to CRS 39-1-111, the Board of County Commissioners is required to levy taxes no later than December 22, each year. As soon as levies have been made, the Board of County Commissioners must certify those levies with the Assessor. We tested the County's compliance with this deadline noting the certification of mill levies was filed on December 16, 2016 for the 2017 budget year.
- According to CRS 39-2-115, each county assessor shall file with the Property Tax Administrator two copies of an abstract of assessment of the county no later than August 25 of each year. In order to test compliance with this statute, we inquired of County personnel as well as verified with an employee with the Division of Property Taxation with the State of Colorado that the abstract was submitted timely. Through verification with the State, it was noted that the

General Operations and Internal Control Policies and Procedures within the Office

Our internal audit procedures also included obtaining an understanding of various processes, policies, procedures and internal controls within the Office, to determine that internal controls were designed and implemented to provide the Office with the opportunity for success in meeting the obligations of State Statutes, discussed above and security of County assets, so important to the successful operations of the office.

Quality Control Aspects of the Office's Internal Controls

The Assessor's Office currently employs 46 staff members that provide services to the following Assessor's Office departments/statutory requirements/classes:

- Personal Property (5 appraisers)
- Commercial/Industrial Property (6 appraisers)
- Agricultural Property (1 appraiser)
- Residential Property (12 appraisers)
- GIS Management (1 specialist, 1 analyst and 4 technicians)
- QC positions: Assessor Analyst (1)
- Mobile Home Property (2 abatement technicians)
- Transfer Property (2 transfer clerks)
- Senior Exemptions (1 technician)
- Administrative Staff (4 technicians)
- Vacant Land (1 appraiser)
- Compliance Analysts (2 appraisers)
- Chief Deputy Assessor (1)
- GIS Manager (1)
- Administrative Manager (1)

The above departments/categories of the Assessor's Office have supervisors that guide each category, along with an Administrative Manager, Chief Deputy Assessor and Assessor.

The internal control goal of the Assessor's Office is to provide transparency to the public in valuing all lands/property within Adams County, fairly and within statutory requirements. Each staff person within the Office has a role to play in accountability of the Office to the public and to the respective division/department of which they are a part.

One of the internal control requirements implemented within the Office with the new Assessor, requires the accountability of all appraisers and county property. In order to properly fulfill their duties, appraisers often are out in the field performing assessments. Because of this, the Assessor's Office maintains its own fleet of County-issued vehicles. These vehicles all indicate they are Adams County vehicles. Keys are kept in the Administrative Manager's office. Vehicles are assigned to each appraiser and are checked out in the morning and checked in prior to close of business. Each vehicle is equipped with GPS in order for the County to track where each vehicle has been. Mileage is also tracked by employees in a log-book upon usage. This information is also tracked in the County's system. This accountability tracking process allows for ease of transparency in reporting to the public the whereabouts of the Assessor's Office employees when performing their assigned functions.

Appraisers are also responsible for entering valuations into the system. The Assessor's Office has developed a quality control process to review and test all valuations entered into the system for accuracy as follows:

- Field Appraisers-enter all valuations into the system currently
- Assessor analysts-runs queries on valuation entries and performs a QC review if exceptions appear
- Chief Deputy-reviews valuations that appraisers enter
- Appeal process is also a check on valuations if challenged by property owners
- Abatements-mistakes in assessments and revisions are approved

Software Security

As part of our understanding of the appraisal process, software utilized to calculate, house and report valuations, properties and the updates, thereof, we inquired about the software security, backups of the software/data in cases of breaches or downtime and also how terminated employees are removed from system to insure the safety of the data within the Office.

In our testing of terminated employees within the Office for 2017 and the ITi controls surrounding employee access to RealWare software, which is the Office's assessment software, we determined that one employee is the administrator of the software. The software administrator assigns roles to all personnel based on staff level or position and has rights to see all aspects of the software, including changing personnel roles. As staff are set up in the system, the administrator assigns roles and issues a log-in for that employee. The administrator sets the log in to where the employee, upon initial log-in, must change the password. If the employee ever forgets the password, they will notify the Administrator who will issue another password to be immediately changed by the employee.

Certain roles in the system only show certain information. For example, a commercial appraiser can only see the commercial tab within the software so they cannot affect any other appraisal classification when entering in information. Observation: EB observed Cindy access employee listing with assigned roles.

When an employee is terminated, the administrator immediately takes all roles away from the terminated employee so they have no access to the system. It was noted that a user cannot be deleted in the system for historical purposes; however, all functions are taken away from them. Our examination of the terminated employees noted that any roles they once had were unchecked, leaving them with no rights to system information.

Because of the lack of support of the administrator in the security monitoring role, we recommend adding another level of Information Technology or Human Resources security to the RealWare system. Once an employee is terminated, HR or ITi should immediately remove them from the County's system in order to safeguard any information and to further support the role of the current administrator, in case of sickness, absence or any potential lapse in removal of employees. HR or ITi should have a secondary sign off in order to guarantee all access is removed upon termination and to protect all quality control parties involved in the process.

In most instances, the quality control process is segregated among several people, with the exception of the overall system review and termination of employee's functions, as mentioned above.

Overall Security

In evaluating risks within the internal audit function, all key employees within the Office being audited are interviewed about risks. The top official within the Office, is given priority in any interview in evaluating the highest risks that we evaluate in performing the duties of the Office. As in accounting processes and internal controls, the Assessor was asked what her number one concern was for her Office in safeguarding the assets of the County or 'what keeps you up at night'? The answer given was 'to perform the duties of my Office, the safety of my employees is my number one concern, priority and what keeps me up at night'.

Our government officials and their staffs, that provide services to the public and also are charged with protecting our constitution, are not always considered in the most favorable light, especially when statutory responsibilities require valuation increases, tax increases, or any increases that affect the public's pocket book and are outside of public control. Those officials are required to deal with a sometimes angry public, which raises concerns for those on the front lines in dealing with the potential for unusual or sometimes toxic groups of people. We believe identification of those elected officials and department heads in the line of fire, of which the Assessor and her staff are one, should be tantamount in the protection of our number one asset, our people. Once identified, protection through security measures such as armed guards, bullet proof glass, locking doors, cameras and immediate access to protection/first responders should be of utmost importance in eliminating this heightened risk to below maximum in all offices.

We understand that a security risk occurred recently at the County's Administrative offices and that heightened security measures are being implemented. We suggest that further discussions with those elected officials and department heads that have the responsibility of valuation, collecting, adjudicating and reporting to the public in precarious situations be further investigated, for better security for these offices and others within the County Administrative offices to further protect the most important assets of the County, its people.

Conclusions surrounding Adherence to the Internal Controls established within the Office

Based upon our internal audit performed surrounding the Adams County Assessor's Office and the internal control structure established within the office as it relates to those risks and procedures discussed above, we found no findings that indicate noncompliance with the Office internal controls. We did however, indicate areas that we believe should be considered for improvement to further protect those in supervisory positions as it relates to software security and physical security of the office that we bring to your attention, below. While no findings related to these recommendations were noted, we do believe consideration of these improvements will strengthen the overall internal controls of the office.

RESULTS AND RECOMMENDATIONS

Following are our observations and recommendations from the business objectives assessed along with management’s action plan to address these issues.

Recommendation #1

During our discussions with the Assessor and other office personnel, as well as observations during our internal audit procedures, we determined that the overall security measures presently in place for protection of the office personnel appear inefficient and may lack effectiveness, if tested.

Risk

Due to the nature of the Assessor’s Office statutory requirements to value, assess and report fairly on the property within Adams County, including hearing complaints and appeals, the nature of the Assessor’s Office statutory processes is cause for concern surrounding the safety of office personnel to be able to perform and carry out the duties of the Office, in a safe, secure and stable environment on a daily basis.

Recommendation

Protection through security measures such as armed guards, bullet proof glass, locking doors, cameras and immediate access to protection/first responders should be of utmost importance in eliminating this heightened risk to below maximum in the Assessor’s Office.

We understand that a security risk occurred recently at the County’s Administrative offices and that heightened security measures will be considered. We suggest that further discussions with those elected officials and department heads that have the responsibility of valuation, collecting, adjudicating and reporting to the public in precarious situations be further investigated, within the County Administrative offices to further protect the most important assets of the County, its people.

Action Plan

Person Responsible	Patsy Melonakis	Estimated Completion Date	Ongoing
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Discussions with the County’s top management, Board of County Commissioners and other elected officials will continue. Discussions surrounding improved security measures will be ongoing and incorporated into existing procedures. Leadership and managers will review, update, and train, as necessary, but not less than once per calendar year on each assigned new security process.

Recommendation #2

It was noted through our various walkthroughs of the procedures in place surrounding the Office's RealWare software that one person had access to all roles assigned within the software. This access includes administrative functions, appeals, list, and other functions within the program.

Risk

Having one person with total authority of the appraisal software who knows all applications within the software places both the person having that authority and the Office at risk. The greatest risk to the Office is simply override of controls over the program. The risk to the employee is lack of segregation of duties and potential for blame when something else goes wrong in the system outside of the lone individual's purview.

Recommendation

We recommend that added or secondary authority be assigned to ITi instead of only one person within the Assessor's Office.

Action Plan

Person Responsible	Estimated Completion Date	Ongoing
Patsy Melonakis		

The Assessor's DBA in ITi will be requested to support the authority within RealWare to provide a secondary check on personnel roles within the Assessor's Office software by January 1, 2018. The specific risk is elevated with terminated employees' removal from the system to protect the Office, the personnel managing the Office and the terminated individual.

BOARD OF COUNTY COMMISSIONERS FOR
ADAMS COUNTY, STATE OF COLORADO

RESOLUTION APPROVING INTERNAL AUDIT CHARTER FOR ADAMS COUNTY

Resolution 2015-013

WHEREAS, on October 26, 2011, the Adams County Board of County Commissioners established an internal audit function for Adams County government for the purpose of enhancing public accountability and adhering to best practices in government; and,

WHEREAS, pursuant to the professional standards of the audit profession, it is recommended that an organization have an Internal Audit Charter setting forth the mission and scope of the audit and the responsibilities and authority of the internal auditor; and,

WHEREAS, on October 29, 2012, the Adams County Board of County Commissioners approved an Internal Audit Charter; and,

WHEREAS, the Internal Audit Charter approved on October 29, 2012 is hereby presented with amendments to better clarify the role of the internal auditor.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners, County of Adams, State of Colorado, that the Internal Audit Charter for Adams County, Colorado, a copy of which is attached hereto and incorporated herein by this reference, be approved.

BE IT FURTHER RESOLVED that the Chairman of the Board of County Commissioners be authorized to execute said Internal Audit Charter on behalf of the County of Adams, State of Colorado.

Upon motion duly made and seconded the foregoing resolution was adopted by the following vote:

Henry _____ Aye
Tedesco _____ Aye
Hansen _____ Aye
Commissioners

STATE OF COLORADO)
County of Adams)

I, Karen Long, County Clerk and ex-officio Clerk of the Board of County Commissioners in and for the County and State aforesaid do hereby certify that the annexed and foregoing Order is truly copied from the Records of the Proceedings of the Board of County Commissioners for said Adams County, now in my office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County, at Brighton, Colorado this 6th day of January, A.D. 2015.

County Clerk and ex-officio Clerk of the Board of County Commissioners

Karen Long:



By:



Deputy

**ADAMS COUNTY
INTERNAL AUDIT CHARTER
UPDATED: JANUARY 6, 2015**

MISSION AND SCOPE OF WORK

The mission of the Internal audit function is provide independent, objective assurance and consulting services designed to institute best practices in government and provide transparency to the citizens of the County. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of business processes, internal controls, and risk management.

The scope of work of the internal audit function is to determine whether the County's business processes, internal controls, and risk management, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- County offices and departments are operating in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.

Opportunities for improvement identified during audits will be communicated to the appropriate level of management, the Board of County Commissioners, and the general public.

ACCOUNTABILITY

The Internal Auditor, whether an individual, or a firm or other entity, in the discharge of their duties, shall be accountable, to the extent assigned, to County Management and the Board of County Commissioners to:

- Provide assessments on the adequacy and effectiveness of the County's business processes and risk management in the areas set forth under the mission and scope of work in connection with audits undertaken for the audit plan.
- Report significant areas of concern related to the County's business processes, including potential improvements to those processes.
- Periodically provide information on the status and results of the annual audit plan.

INDEPENDENCE

To provide for the independence of the internal audit function, the Internal Auditor reports administratively to the County Manager, or designee, and functionally to the Board of County Commissioners in a manner outlined in the above section on Accountability.

RESPONSIBILITY

The Internal Auditor has responsibility to:

- Participate in the development of a flexible annual audit plan, in partnership with County Management, using appropriate risk-based methodology, and submit that plan to the Board of County Commissioners for review and approval.
- Implement the annual audit plan as approved, including, as appropriate, any special tasks or projects requested by County Management and the Board of County Commissioners.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance program by which the Internal Auditor assures the operation of internal audit activities.
- Perform other services, as assigned, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and controls coincident with their development, implementation, and/or expansion, as assigned.
- Provide draft reports to affected management and elected officials prior to presentation of final reports to the Board of County Commissioners or publication of such reports, and incorporate management and elected official comments into the final reports.
- Issue periodic reports to the Board of County Commissioners and management summarizing results of audit activities.
- Notify County Management and the Board of County Commissioners of any suspected fraudulent activities within the County and participate in investigations, as assigned.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the County at a reasonable overall cost.

AUTHORITY

The Internal Auditor is authorized to:

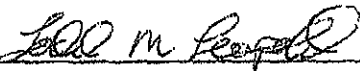
- Have access to all functions, records, property, and personnel, to the extent needed to audit or evaluate processes which have been approved as part of the annual audit plan, or are otherwise directed by the Board of County Commissioners or County Management, unless otherwise prohibited by law.
- Have direct access to the Board of County Commissioners for the purpose of reporting.
- Allocate resources, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of County personnel.

The Internal Auditor and staff of the internal audit department are not authorized to:

- Perform any operational duties for the County.
- Initiate or approve accounting transactions for the County.
- Direct the activities of any County employee except to the extent such employees have been appropriately assigned by County Management to assist the Internal Auditor.

STANDARDS OF AUDIT PRACTICE

The internal audit program is designed to comply with The Institute of Internal Auditor's (IIA) *International Professional Practices Framework*, which includes the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*).



County Manager



Board of County Commissioners Chair

August 11, 2015
Dated