

Douglas County, Colorado

Single Audit Reports

December 31, 2019

Douglas County, Colorado
Year Ended December 31, 2019

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Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture				
Passed-through Colorado Department of Human Services				
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551	*	\$ 36,950	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*	478,994	-
SNAP Cluster Total			<u>515,944</u>	<u>-</u>
State Administrative Matching Grants for the Watershed Rehabilitation Program	10.916	60-8B05-A14-02	194,993	-
Total U.S. Department of Agriculture			<u>710,937</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		202,038	198,538
CDBG - Entitlement Grants Cluster Total			<u>202,038</u>	<u>198,538</u>
Total U.S. Department of Housing and Urban Development			<u>202,038</u>	<u>198,538</u>
U.S. Department of Justice				
State Criminal Alien Assistance Program	16.606		159,929	-
Passed-through Colorado Department of Public Safety, Division of Criminal Justice				
Equitable Sharing Program	16.922	*	361,841	-
Total U.S. Department of Justice			<u>521,770</u>	<u>-</u>
U.S. Department of Transportation				
Passed-through Colorado Department of Transportation				
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	19-HTR-ZL-00144	363,177	-
Total U.S. Department of Transportation			<u>363,177</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed-through Colorado Department of Human Services				
TANF Cluster				
Temporary Assistance for Needy Families (TANF)	93.558	*	1,530,114	-
TANF Cluster Total			<u>1,530,114</u>	<u>-</u>
Child Support Enforcement	93.563	*	859,376	-
Low-Income Home Energy Assistance Program	93.568	*	6,973	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	*	694,984	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	740,863	-
CCDF Cluster Total			<u>1,435,847</u>	<u>-</u>
Stephanie Tubbs Jones Chile Welfare Services Program	93.645	*	146,131	-
Foster Care Title IV-E	93.658	*	1,367,776	-
Adoption Assistance	93.659	*	265,437	-
Social Services Block Grant	93.667	*	697,879	-
Guardianship Assistance	93.090	*	11,312	-
Passed-through Colorado Department of Local Affairs				
Community Services Block Grant	93.569	L15CSBG14	64,642	-
Community Services Block Grant	93.569	L18CSBG77	25,070	-
Passed-through Colorado Office of Behavioral Health				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	CTGG1 1HJA	40,799	-
Community Mental Health Block Grant	93.958	SM10006-18	118,272	-
Total Department of Health and Human Services			<u>6,569,628</u>	<u>-</u>
Passed-through Colorado Department of Health Care Policy and Financing				
Medicaid Cluster				
Medical Assistance Program	93.778	*	1,062,921	-
Medicaid Cluster Total			<u>1,062,921</u>	<u>-</u>
Total Department of Health Care Policy and Financing			<u>1,062,921</u>	<u>-</u>

Douglas County, Colorado
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001		2,241,248	-
Total Executive Office of the President			<u>2,241,248</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 11,671,719</u>	<u>\$ 198,538</u>

Douglas County, Colorado
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Douglas County, Colorado (the County) under programs of the federal government for the year ended December 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position or fund balance of the County.

Note B – Summary of Significant Accounting Policies

The County’s summary of significant accounting policies is presented in Note 2 in the County’s basic financial statements. Amounts reported in the Schedule are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund except for the following programs, which are reported in the schedule of expenditures of federal awards on the cash basis:

SNAP Cluster	10.551 & 10.561
Temporary Assistance for Needy Families Cluster	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575 & 93.596
Stephanie Tubbs Jones Child Welfare Services Program	93.645
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Guardianship Assistance	93.090
Medicaid Cluster	93.778

When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Costs Rate

The County has not elected to use the 10% de minimis cost rate.

Douglas County, Colorado
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

Note D – Human Service Programs

The County's Department of Human Services operates several federally funded human services programs where benefits are provided to qualified citizens. The benefit distribution method consists of participants receiving benefits using a state-maintained electronic banking card (EBT) instead of the County's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the County, in the amount of \$15,703,959 of which \$9,289,184 is the federal share. The revenue and expenditures associated with these federal programs are not recognized in the County's basic financial statements.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of County Commissioners
Douglas County, Colorado
Castle Rock, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Douglas County (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated May 21, 2020, which contained an emphasis of a matter paragraph for adoption of accounting principle. Our report includes a reference to other auditors who audited the financial statements of the Public Trustee Fund, a fiduciary fund of the County, which was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County’s internal control. Accordingly, we do not express an opinion on the effectiveness of County’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of County Commissioners
Douglas County, Colorado

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

Management's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 21, 2020

**Independent Auditor’s Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of County Commissioners
Douglas County, Colorado
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited Douglas County Government’s (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County’s major federal programs for the year ended December 31, 2019. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 21, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the

Board of County Commissioners
Douglas County, Colorado

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 21, 2020

Douglas County, Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion(s) expressed in the independent auditor's report on compliance for major federal awards was (were):
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

7. The County's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Child Support Enforcement	93.563
Foster Care Title IV-E	93.658
Medicaid Cluster	93.778
High Intensity Drug Trafficking Areas Program	95.001

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

Section II – Findings Required to be Reported by *Government Auditing Standards*

**Reference
Number**

Finding

2019-001 **Finding:** Financial Reporting and Accounting for Inventory

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the County should have controls in place to ensure the County's inventory, in particular the Road and Bridge inventory, is properly recorded.

Condition: During the 2019 audit, we observed a lack of formal written policies and procedures around the valuation of the inventory at each location, furthermore an inventory rollforward from prior year should be used that would detail the purchases and usage to arrive at the year-end total inventory balances.

Effect: The lack of a formal written policies and procedures increases the risk of inaccurate valuation and loss of inventory that may not be identified. In addition, the risk of a material misstatement increases as the County's inventory balances increase. An audit adjustment was proposed for \$46,500 and the County elected to pass on recording

Cause: Effective internal controls were not established to prevent, detect or correct clerical errors in the recording of inventory.

Recommendation: We recommend that the County perform at least quarterly inventory observations and reconciliation between the inventory system and actual balances. Ideally the rollforward would be tracked within the system but it should be substantiated by adequate supporting documentation. We also recommend the County establish formal policies and procedures around the inventory observation and the tracking of inventory in the system.

Views of Responsible Officials: The County agrees with the finding. See separate report for planned corrective actions.

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

**Reference
Number**

Finding

2019-002 Finding: Incurred but not Reported (IBNR) Liability

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the County should have controls in place to ensure the County's self-insured programs are properly recorded and updated within the County's risk management software (Origami), and payments received/made are properly applied. The County self-insures for property and liability insurance and for Workers Compensation, the County is insured through Pinnacol Assurance with a \$250,000 deductible per event.

Condition: During the 2019 audit, we observed that the County's risk management software (Origami) had not been updated since September 2019 with workers compensation information from Pinnacol due to a technology issue. Information was manually uploaded into the system, however, this did not occur until the audit work had commenced. Also, the Origami system is "time sensitive" meaning that data must be pulled from the system for the exact point in time it pertains (*i.e.* data for the month ended December 31, 2019 must be extracted from the system on that date). However, the Workers Compensation Claims Study for year-end was not pulled until January 17, 2020, thereby creating challenges with the cut-off of data.

The property and liability claims should be updated on a quarterly basis within the Origami system, but this did not occur timely, resulting in difficulties ensuring the completeness of the liability at year-end. Furthermore, there were a number of claims listed as "open" within Origami, but were in fact actually closed several months prior. While the Origami system is not integrated with the general ledger, the accurate recognition of the incurred but not reported (IBNR) liability relies on the information in the Origami system and while the general ledger is used to record the payment of claims, entries do not include detail of claim number, so the County is unable to substantiate the accuracy of past amounts reported as a liability at year-end for trend analysis.

Finally, as the Risk Manager is the only individual in the department, an inherent segregation of duties issue exists that is not mitigated through existing controls.

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

**Reference
Number**

Finding

Effect: The lack of segregation of duties, and separate monitoring and reconciliation controls increases the risk that claims could be overlooked and therefore increases the risk that the IBNR liability may be understated. This also increases the risk that errors would not be identified quickly. In addition, inaccurate claims detail and related reports could lead to a potentially misstatement in the IBNR liability at year-end.

Cause: The County's Risk Manager is currently the only individual who has full access to the Origami software. While other individuals have access to select portions of the system, there is no additional individuals who are cross-trained over the claims process or software access. In addition, the information used to record claims paid within the general ledger does not contain the level of detail needed to track payments by claim number.

Recommendation: We recommend a current county employee be cross-trained over the Origami Software as a back-up and to provide adequate segregation of duties, as necessary. In addition, we recommend that a monitoring or reconciliation process be implemented to help ensure that the internal Origami software is being updated timely and accurately. Finally, we recommend that the recording of claims payments within the general ledger be modified to include claim number.

Views of Responsible Officials: The County agrees with the finding. See separate report for planned corrective actions.

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No Findings Noted

Douglas County, Colorado
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

Reference Number	Summary of Finding	Status
2018-002	<i>Medicaid Cluster - Eligibility</i> - We recommend the County utilize available COGNOS reports to determine which cases are close to exceeding the processing guidelines. We also recommend the County verify that CBMS automatically generated and sent the notice of action to the client for all cases in which they granted authorization that are not real time eligibility.	Implemented.
2018-003	<i>Child Care and Development Fund (CCDF) Cluster - Eligibility</i> - We recommend the County utilize the trainings to emphasize how to calculate income. We also recommend adding a more specific description of the checklist providing “caseworker utilized gross income to calculate applicants monthly income.” To help the casework conduct an appropriate self-review to ensure the correct elements in the calculation were utilized.	Implemented.
2018-004	<i>Medicaid Cluster, Social Services Block Grant, Child Support Enforcement - Procurement, Suspension & Debarment</i> - We recommend that the County review the approval and documentation process for the suspension and debarment requirement (SAM’s) to determine why the controls failed and make corrections to the design and implementation of controls that will prevent and detect and correct this from occurring in the future.	Implemented

2019-001 Finding: Financial Reporting and Accounting for Inventory

Status: Corrective action in progress.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the County should have controls in place to ensure the County's inventory, in particular the Road and Bridge inventory, is properly recorded.

Condition: During the 2019 audit, it was observed that there was a lack of formal written policies and procedures around the valuation of the inventory at each location, furthermore an inventory rollforward from prior year should be used that would detail the purchases and usage to arrive at the year-end total inventory balances.

Corrective Action: We agree with the finding. Public Works administration will write and publish formal policies regarding the accurate recording of not only the decreases to their inventory but also the additions to inventory. The formal policy will include a requirement to track and reconcile inventory on a quarterly basis as well as detail their plan to create an accurate rollforward from year to year. They have also committed to research the capabilities of the PubWorks system to better track incoming inventory at each location as deliveries of inventoried supplies are made.

Person(s) Responsible for Implementation: Rod Meredith – Director, Public Works and Shawna Potter – Administrative Assistant, Public Works.

Implementation Date: May 2020 through December 2020

2019-002 Finding: Incurred but not Reported (IBNR) Liability

Status: Corrective action in progress.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the County should have controls in place to ensure the County's self-insured programs are properly recorded and updated within the County's risk management software (Origami), and payments received / made are properly applied. The County self-insures for property and liability insurance and for Workers Compensation, the County is insured through Pinnacol Assurance with a \$250,000 deductible per event.

Condition: During the 2019 audit, we observed that the County's risk management software (Origami) had not been updated since September 2019 with workers compensation information from Pinnacol due to a technology issue. Information was manually uploaded into the system; however, this did not occur until the audit work had commenced. Also, the Origami system is "time sensitive" meaning that data must be pulled from the system for the exact point in time it pertains (i.e. data for the month ending December 31, 2019 must be extracted from the system on that date). However, the Workers Compensation Claims Study for year-end was not pulled until January 17, 2020, thereby creating challenges with the cut-off of data.

The property and liability claims should be updated on a quarterly basis within the Origami system, but this did not occur timely, resulting in difficulties ensuring the completeness of the liability at year end. Furthermore, there were a number of claims listed as "open" within Origami but were in fact actually closed several months prior. While the Origami system is not integrated with the general ledger, the accurate recognition of the incurred but not reported (IBNR) liability relies on the information in the Origami system and while the general ledger is used to record the payment of claims, entries do not include detail of claim number, so the County is unable to substantiate the accuracy of past amounts reported as a liability at year-end for trend analysis.

Finally, as the Risk Manager is the only individual in the department, an inherent segregation of duties issue exists that is not mitigated through existing controls.

Corrective Action: We agree with the finding. The tools available within the County's risk management software (Origami) will be utilized more fully by using the auto report function to send reports to both the County Manager and Finance Director for review on a monthly basis. Origami has an audit function that validates whether these reports have been accessed for review. This combined with the timely recording and updating by the risk manager or the individual acting as the backup for the risk manager should shore up controls and provide more segregation of duties.

A department of one creates practical challenges when trying to maintain sufficient internal controls, however there are competing needs and finite resources within the County. Management will explore ways to mitigate these issues.

Person(s) Responsible for Implementation: Megan Datwyler, Risk Manager

Implementation Date: May 2020 through September 2020