

Agenda Item

DATE: AUGUST 21, 2023 – 3:00 P.M.
TO: DOUGLAS COUNTY BOARD OF COUNTY COMMISSIONERS
FROM: DOUG DEBORD, COUNTY MANAGER
SUBJECT: **MONITORING REPORT 3.5 – PROTECTION OF ASSETS**


Staff will present the Monitoring Report for Policy 3.5 – Protection of Assets for Board discussion.

Attachments: County Manager Report
County Attorney Report

**POLICY 3.5 PROTECTION OF ASSETS
MONITORING REPORT**

TO: Board of County Commissioners
FROM: County Manager
RE: Internal Monitoring Report – Management Limitations
POLICY: 3.5 Protection of Assets
DATE: August 21, 2023

I hereby present my monitoring report on Management Limitation 3.5 – Protection of Assets. This report is presented in accordance with the monitoring schedule set forth in the Board’s Policy Manual. I certify that the information contained in this report is true and correct.

Signed: , County Manager
Date: August 3, 2023

Monitoring Report

3.5 - Protection of Assets

Management Limitation	Compliance	Partial-Compliance	Non-Compliance
3.5 Within the scope of his/her authority in the County and given available resources, the County Manager shall not allow the County's assets to be unprotected, inadequately maintained or unnecessarily risked. Accordingly, the County Manager shall not:	X		
3.5.1 Fail to have in place a Risk Management program that insures against property losses and against liability losses to Commissioners, staff and Douglas County to the amount legally obligated to pay, or allow the organization to be uninsured:	X		
3.5.1.1 Against theft and casualty losses	X		
3.5.1.2 Against liability losses to Board members, staff and the organization itself in an amount equal to or greater than the average for comparable organizations	X		
3.5.1.3 Against employee theft and dishonesty.	X		

Monitoring Report

3.5 - Protection of Assets

Management Limitation	Compliance	Partial-Compliance	Non-Compliance
3.5.2 Allow un-bonded personnel access to material amounts of funds, or fail to provide adequate insurance to protect against employee dishonesty and theft.	X		
3.5.3 Subject facilities and/or equipment to improper wear and tear or insufficient maintenance (except normal deterioration and financial conditions beyond County Manager control).	X		
3.5.4 Unnecessarily expose County government, the BOCC or staff to claims of liability.	X		
3.5.5 Fail to protect intellectual property (including intellectual property developed using County resources), information, and files from loss or significant damage.	X		

Overview - 3.5 Protection of Assets

Description: Within the scope of his/her authority in the County and given available resources, the County Manager shall not allow the County's assets to be unprotected, inadequately maintained or unnecessarily risked.

I report compliance based on the information that follows in this report.

Accordingly, the County Manager shall not:

3.5.1 Fail to have in place a Risk Management program that insures against property losses and against liability losses to Commissioners, staff and Douglas County to the amount legally obligated to pay, or allow the organization to be uninsured:

3.5.1.1 Against theft and casualty losses,

3.5.1.2 Against liability losses to Board members, staff and the organization itself in an amount equal to or greater than the average for comparable organizations, and

3.5.1.3 Against employee theft and dishonesty.

Overview 3.5.1

Description: Fail to have in place a Risk Management program that insures against property losses and against liability losses to Commissioners, staff and Douglas County to the amount legally obligated to pay or allow the organization to be uninsured.

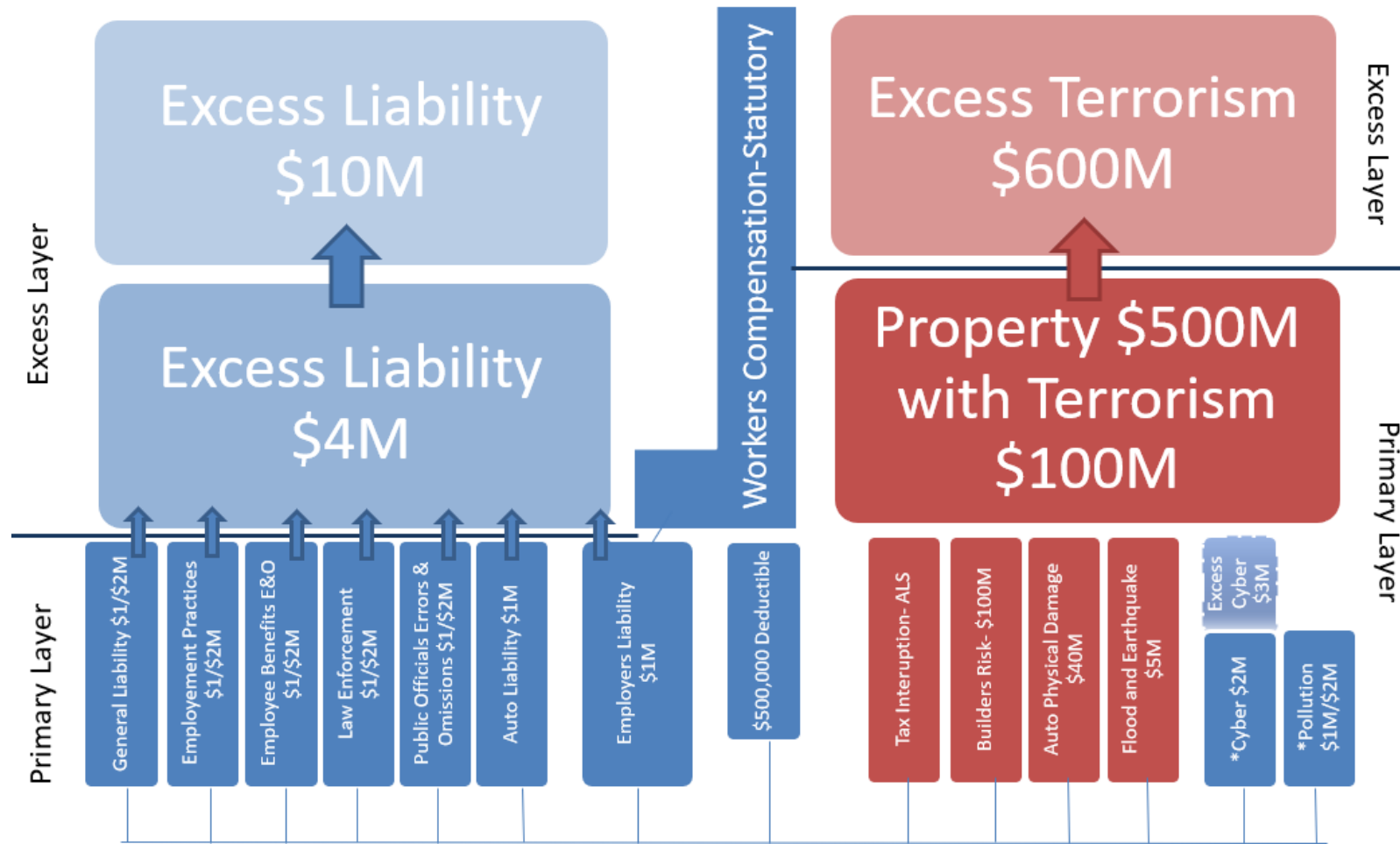
I report compliance with 3.5.1 based on the following:

The County has a risk manager on staff and insurance contracts are in place to protect the County against insurable losses. Primary and Excess Insurance programs are structured to maximize financial risk transfer to various insurers with prudent deductible levels to minimize annual premium spend. Emerging risks are identified ongoing and appropriate insurance coverage(s) are purchased as needed. During this reporting period Risk Management engaged in a competitive process for General Liability, Public Officials and Law Enforcement liability coverage. The insurance marketplace has hardened, and insurance companies have less appetite for government risks, particularly Law Enforcement. Increased deductibles were evaluated, and adjustments were made to balance annual premium spend with prudent risk transfer.

I report compliance with 3.5.1.1 and 3.5.1.2 based on the following:

In conjunction with the protection granted by the Colorado Governmental Immunity Statutes, Douglas County maintains coverage that meets or exceeds the coverage of comparable counties.

Douglas County Insurance Program Structure



Multiple Lines of Coverage with Various Retentions** for Primary Coverage

*Cyber and Pollution are purchased with Property Program but are Liability coverage **Liability Retention increased to \$350k and WC to \$500K

I report compliance with 3.5.1.3 based on the following: The County maintains a crime insurance policy on all employees. Our policy includes indemnification to elected officials; coverage for elected officials in lieu of a bond and social engineering or fraudulent instruction coverage with a sub-limit:

SOCIAL ENGINEERING FRAUD INSURING AGREEMENT ENDORSEMENT

This endorsement changes the following:

Crime

It is agreed that:

- The following is added to ITEM 5. of the DECLARATIONS:

Insuring Agreement	Single Loss Limit of Insurance	Single Loss Retention
Social Engineering Fraud	\$100,000	\$10,000

- The following **INSURING AGREEMENT** is added to section **I. INSURING AGREEMENTS**:

SOCIAL ENGINEERING FRAUD

The Company will pay the **Insured** for the **Insured's** direct loss from the transferring, paying or delivering of **Money** or **Securities**, directly caused by **Social Engineering Fraud**.

COVERAGE \$ 50,000 **Policy Aggregate Sublimit of Liability** applicable to all
ENDORSEMENT(S): **loss** under Insuring Agreement FI – **Fraudulent**
Instruction. To indemnify the **Named Insured** for, in
excess of the application Retention, resulting directly from
an Insured having transferred, paid, or delivered any
Money or Securities as a direct result of Fraudulent
Instructions.]

3.5.2 Allow un-bonded personnel access to material amounts of funds, or fail to provide adequate insurance to protect against employee dishonesty and theft.

I report compliance with 3.5.2 based on the following:

Per Colorado Revised Statutes, in lieu of a bond for each elected official, a County may purchase crime insurance coverage to protect the people of the County from any malfeasance while the elected official is in office. The County has crime insurance coverage in the amount of \$2,000,000. The crime policy is endorsed to extend coverage to elected and appointed officials. This policy also provides indemnification to officials.

The following replaces the INDEMNIFICATION provision as set forth in paragraph 6. of the Government Entity Crime Endorsement:

Indemnification

The Company will indemnify any of the **Insured's** officials who are required by law to give bonds for the faithful performance of their duties against loss through the failure of any **Employee** under the supervision of that official to faithfully perform such **Employee's** duties as prescribed by law, when such failure directly causes direct loss of, or direct loss from damage to, the **Insured's Money, Securities** and **Other Property**, subject to the applicable Limit of Insurance. The provisions of this Condition apply to Insuring Agreement A only.

Insuring Company: Travelers Casualty and Surety Company of America

3.5.3 Subject facilities and/or equipment to improper wear and tear or insufficient maintenance (except normal deterioration and financial conditions beyond County Manager control).

I report compliance with 3.5.3.

Facilities, Fleet and Emergency Support Services staff use a maintenance tracking software program that identifies the following:

- Preventative maintenance schedule
- Work order processing
- Equipment historical information
- Maintain warranty and equipment specifications
- Warranty Services

Additionally, Facilities and Fleet staff are trained and certified in the operations and maintenance of all County building equipment and vehicles. Certifications for specialized disciplines are maintained in staff personnel records.

3.5.4 Unnecessarily expose County government, the BOCC or staff to claims of liability.

I report compliance with 3.5.4 based on the following: In addition to the protection provided by the Colorado Governmental Immunity Statutes and some boundaries established by federal and/or state laws, the County maintains liability insurance coverage that meets the appropriate liability levels. The specific information for this coverage was covered in 3.5.1.1 and 3.5.1.2 above.

In addition to insurance coverage, the County mitigates risk through a variety of risk control measures that include risk avoidance, loss prevention and loss reduction. Examples of these include:

- Ergonomic workstation evaluations/training/adjustments were provided via outside contractor.
- Ethics training provided to all employees (Human Resources).
- Cybersecurity training is offered on an ongoing basis. Training is facilitated through a third-party provider with regularly scheduled training campaigns using professionally developed content and with reporting on completion rates at the department and individual user level.
- Building evacuations are conducted twice yearly for each County building. (Facilities in conjunction with OEM)
- Employee Safety and Security trainings are conducted throughout the year.
- Conduct pre-employment background checks including, but not limited to: reference checks, social security number validation and trace, criminal felony and misdemeanor search, national sex offender registry check and widescreen plus national criminal search.
- The County checks driver records annually for jobs that require a driver's license.

- The County meets the federally mandated drug and alcohol testing requirements of employees who hold Commercial Driver's Licenses.
- County-wide employee emergency notification system and update COOP. (OEM, HR, Facilities)
- Annual Sexual Harassment Training is conducted for all employees and supervisors.
- Utilize HireRight for background checks – best in class vendor for electronic background checking of candidates. Provides comprehensive social security number verification, court convictions/dispositions, and out-of-state information.
- Utilize SkillSurvey to improve the quality of preemployment reference checks.
- Continued testing for opioids to the new hire pre-employment drug testing panel.
- Review internal process for Mill Levy Certification – New

The County mitigates risk through contractual transfer; and risk financing that includes adequate insurance and reserve levels. The following is a sampling for this reporting period:

- All professional services contracts are reviewed by legal and risk management ensuring contract compliance and transference of risk, when necessary.
- Contracts provide protection for the County by having clauses such as the scope of services, maximum liability, term, conflict of interest, indemnification, etc. The insurance requirements in contracts are also identified.
- Any party that rents a County facility is required to have insurance.
- Actively investigates and pursues all subrogation possibilities.

3.5.5 Fail to protect County data, information, and files from loss or significant damage.

I report compliance with 3.5.5 based on the following:

- Audit and Assess: After completion of a three-year initiative to assess and remediate known dangers to intellectual assets and private information, IT has enhanced and automated the County's ability to react and respond to cyber risks. Process are currently in place as follows
 - Automated patching and software deployments
 - Third-party compliance analysis and metrics. This compliance analysis provides a robust compliance state of the County for Criminal Justice Information System (CJIS) security, Health Insurance Portability Accountability Act (HIPAA)
 - Colorado House Bill 18-1128 Protections for Personally Identifiable Information (PII). The County continues to enforce controls to comply with HB 18-1128
- Employee Cybersecurity Awareness Training: The Information Technology department continues to maintain a County-wide information security training program to raise awareness in all parts of the County on how to better protect the County's

information and intellectual assets. Information Technology also continues to execute a County-wide phishing attack simulations to further enhance employees' capabilities to detect and respond to cyber threats. Both programs are ongoing and part of the formal IT Cybersecurity Awareness Program which is updated yearly as necessary.

- Security Built In: Information Technology cyber security personnel are involved in IT operational and architectural activities in a position to influence those activities as necessary from a cybersecurity perspective. This influence provides continuous dedication and vision for security within ongoing IT operations and planning.
- Monitoring: The Information Technology department continues to leverage a managed Cyber Security Operation Center service to monitor the County's systems on a 24x7 basis and to improve identification of cybersecurity incidents, identification of vulnerabilities, and to provide overall and specific guidance regarding the cybersecurity threat landscape based on industry standard intelligence resources and deployments of technology and services in our environments.
- Recovery: IT maintains backup copies of software, program code and system data using a combination of onsite and offsite storage adjusted for the use profile of the individual systems. The County also maintains Disaster Recovery site and program that provides the ability to recover all Tier 1 assets within 24 hours of a major incident. Testing of Tier 1 applications occur annually
- Policy: The Douglas Employee Handbook, Email Use Policy and Internet Use Policy specify actions, responsibilities, and conditions of employment that govern the creation, storage, access, use, and security of County Information hardware, software, and data assets by employees. IT keeps these policies and procedures up to date and communicates key changes when necessary.
- Physical Security - the County's facilities are protected in the following ways:
 - Access to facilities is restricted using an access card system (approval required before access is granted).
 - Buildings are monitored electronically and physically by Facilities Management personnel and a third-party monitoring company.
 - Facilities Security Team composed of field technicians responsible for installation and maintenance of all security and access control systems.

Policy 3.5 Protections of Assets Internal Monitoring Report

To: Board of County Commissioners
From: Jeff Garcia, County Attorney
Re: Internal Monitoring Report – Executive Limitations
Policy: Policy 3.5 Protection of Assets – 2023 report
Date: August 21, 2023

I hereby present my monitoring report on your Executive Limitation *Policy 3.5: Protection of Assets* presented in accordance with your monitoring schedule set forth in the Board Policy Manual.

I certify that the information contained in this report is true.

Signed: Jeff Garcia, County Attorney

Date: July 14, 2023

Interpretations

A 3.5 Within the scope of his/her authority in the County, the County Attorney shall not fail to review and advise regarding any legal issues that would allow the County's assets to be unprotected, inadequately maintained or unnecessarily risked.

- I interpret “may not fail to review and advise” the same as in policy 3.2.
- I interpret “legal issues that would allow the County's assets to be unprotected, inadequately maintained or unnecessarily risked” to mean that the County Attorney will keep the Board and the County Manager apprised of any on-going or contemplated legal cases or claims.
- I interpret “assets” as physical and intellectual property of the County with a value greater than \$25,000. Also, for individual issues with dollar amounts under \$25,000 for which the County may be owed or be in a position to recover a County asset, the County Attorney has the discretion to work with various department heads and EO's to take all reasonable steps to secure or recover such County asset. The Board will be apprised of circumstances when outside counsel is needed.
- I interpret “unprotected, inadequately maintained or unnecessarily risked” to mean that assets would not have adequate physical, procedural, or policy safeguards in place to reasonably prevent their theft or destruction. The County will advise as appropriate when there is a known risk to County assets.

A 3.5 Within the scope of his/her authority in the County, the County Attorney shall not fail to review and advise regarding any legal issues that would allow the County's assets to be unprotected, inadequately maintained or unnecessarily risked.



I report compliance.

Contracts:

The County Attorney's office advises the County in a variety of ways, each with an asset protection purpose. The County Attorney's office has reviewed in excess of 500 contracts so far this year, with only a handful of those NOT executed through DocuSign. Contract review ensures there are no unnecessary risks to County property and service commitments.



Litigation Filed Against the County.

Please refer to the Attorney's Office Case and Claims Report.

Department of Human Services

Please refer to the Attorney's Office Case and Claims Report

TERPO/ERPO CASES

Please refer to the Attorney's Office Case and Claims Report.

Litigation filed by the County.

Please refer to the Attorney's Office Case and Claims Report.



Property Valuation. Defense of 265 appeals filed to the Board of Assessment Appeals, to the District Court and for abatements and arbitration appealing the valuations for 2021-2022 taxes.

Investments. Review of investment policies to ensure legal compliance.

Public Trustee. Nothing at this time.