



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

# Adams County, Colorado

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

<b>MOTOR VEHICLE OPERATIONS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• 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)</li> <li>• 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)</li> <li>• Prepared deposits are kept in a safe until deposits are taken to bank, usually the next morning, with exception of the Bennett</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> <li>• Managers at one branch who were operating cash drawers did not have any other person verify the funds collected (Obj. 3, 5, 6)</li> <li>• Bank accounts are reconciled by accounting manager without appropriate segregation of duties (Obj. 1, 2, 3, 4)</li> <li>• 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)</li> <li>• 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)</li> </ul>

**MOTOR VEHICLE OPERATIONS**

<b>Strong Controls</b>	<b>Weak Controls</b>
<p>location which deposits once a week due to small number of transactions. (Obj. 5, 7)</p> <ul style="list-style-type: none"> <li>• 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)</li> <li>• 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)</li> </ul> <ul style="list-style-type: none"> <li>• Inventory is verified upon receipt from Department of Corrections (Obj. 9)</li> <li>• Inventory is tracked by the County on an internally generated spreadsheet that has limited accessibility (Obj. 9, 10)</li> <li>• 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)</li> <li>• A weekly reconciliation is performed of titles issued, reprinted, and voided independently of location management (Obj. 9)</li> <li>• Inventory assigned to each branch is identifiable within the inventory system by assigned branch (Obj. 9, 10)</li> <li>• Unissued inventory is securely stored in location that is only accessible to motor vehicle location personnel (Obj. 12)</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> <li>• No documentation exists to evidence the final approval to issue a refund check to the customer (Obj. 1)</li> <li>• Counterfeit pens were not consistently used by all locations (Obj. 12)</li> </ul> <ul style="list-style-type: none"> <li>• No formal/written or documented procedures exist surrounding inventory (Obj. 13)</li> <li>• 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)</li> <li>• No verification of delivery (receiving report) is provided by the location to the warehouse upon delivery of inventory (Obj. 10)</li> <li>• 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)</li> </ul>

<b>ELECTIONS OPERATIONS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Receipts are prepared from pre-numbered receipt book (Obj. 3, 4)</li> <li>• 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)</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• No review was performed over prepared election expense allocation/reimbursement report (Obj. 1, 2, 3, 4)</li> <li>• No reconciliation was performed between amounts billed to amounts collected for each jurisdiction (Obj. 3, 4, 7, 8)</li> <li>• 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)</li> </ul>

<b>RECORDING OPERATIONS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• 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)</li> <li>• Money from cash drawer will be placed in sealed envelopes maintained in the safe overnight (Obj. 3, 4, 6)</li> <li>• Each morning all totals from the prior day are verified by another technician (Obj. 1, 2, 3, 4, 5, 6)</li> <li>• Security cameras are in place to record all transactions and balancing drawers (Obj. 5)</li> <li>• Deposits are maintained in locked safe overnight prior to pick up by armored car service (Obj. 5)</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• None noted</li> </ul>

## 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
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
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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	Erin Brim	Estimated Completion Date	December 31, 2017
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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**

<b>Person Responsible</b>	Tamsin Totays	<b>Estimated Completion Date</b>	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**

<b>Person Responsible</b>	<b>Estimated Completion Date</b>
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**

<b>Person Responsible</b>	<b>Estimated Completion Date</b>
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**

<b>Person Responsible</b>	<b>Estimated Completion Date</b>
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**

<b>Person Responsible</b>	<b>Estimated Completion Date</b>
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**

<b>Person Responsible</b>	<b>Estimated Completion Date</b>
Tamsin Totays	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**

<b>Person Responsible</b>	Tamsin Totays	<b>Estimated Completion Date</b>	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**

<b>Person Responsible</b>	Christi Coburn	<b>Estimated Completion Date</b>	March 10, 2017
<p>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.</p>			