



2020 Executive Summary

Adams County, Colorado

January 14, 2020

Executive Summary.....	1
Individuals Contacted.....	1
Scope	2
Procedures Performed	2
Proposed Audit Plan.....	4



Executive Summary

Internal Audit departments operate using guidance provided by the International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors. Standards of the IPPF address planning and indicate that risk-based plans should determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

With the issuance of RFP 2014.403, Proposal for Internal Auditor Services, our proposal dated October 21, 2014 and the Purchase of Service Agreement signed February 3, 2015, Adams County changed its internal auditor services agreement and vendor to Eide Bailly, LLP. We were hired as part of the Adams County team to provide consulting/special projects as well as risk assessments/internal audits for top management with final reporting and approvals by the Board of County Commissioners.

We have included our 2019 internal audit and special/consulting reports which included a report on the County Clerk and Recorder's ballot truck consulting investigation, Assessor's transition audit, CliftonLarsonAllen management letter follow up of findings, and the Parks, Open Space & Cultural Arts process and control review surrounding the fairgrounds. This report outlines those procedures as well as any other reports issued prior to 2019 (*Figure 4: Page 6*). We also included the proposed audit plan for 2020, should we continue as your internal auditors, which may include follow up projects from our risk assessment updates (*Figure 3: page 5*). Certain department directors and elected officials provided input as part of the current and updated risk assessment process to and will be included in the interview process/risk assessments updates as the audit plans are refined and approved during 2020.

The risk assessment process is not an exact science but should occur on an annual basis. The majority of risks are self-reported by the director/elected official and staff of the respective function. While every risk and its associated ranking are thoroughly discussed with the risk's owner, no audit procedures are performed to validate the rankings (thorough audit procedures will be developed and performed as part of the individual audits proposed as a result of this report). The audit team applies professional judgment and experience to determine the final risk rankings.

It is very important to note that risks are written as if they are occurring. Readers should not assume the noted risk actually exists or that the function is deficient in any way. The purpose of the risk assessment is to develop an audit plan, not to report problems with current operations. In contrast, the purpose of an internal audit is to evaluate and conclude on the adequacy and effectiveness of operations and internal controls through interviews, review of documentation, testing, and other detailed procedures. A countywide risk assessment does not validate data or go into the same level of detail as an internal audit and should not be viewed as such.

Individuals Contacted

Department directors and elected/appointed officials were contacted for input into the updated risk assessment process. *Figure 1: Adams County Contacts* lists each function contacted, along with the function's respective leader. Internal Audit contacted each of these individuals as part of the risk assessment process. Additionally, the majority of functions included key members of their staff when providing input and feedback.

Figure 1: Adams County Contacts: Department Director/Elected Official Contact

Assessor – Ken Musso
Clerk & Recorder – Josh Zygielbaum
Coroner – Monica Broncucia-Jordan
County Manager – Ray Gonzales
Deputy County Manager – Administrative Services – Alisha Reis
Finance Director – Benjamin Dahlman
Director of Parks, Open Space & Cultural Arts – Byron Fanning
Deputy Director of Human Services Department, Children and Family Services – Janis James
Assistant District Attorney – Jess Redman

Objective

A risk assessment is performed as part of any internal audit function, the objective of which is to determine the risks to the organization and develop an appropriate risk-based audit plan.

Scope

The scope of our risk assessment included all departments and elected offices within Adams County.

Procedures Performed

We performed the following procedures to complete our risk assessment:

1. Presentation of methodology to directors/elected officials interviewed – For the internal audit function in 2019, our risk assessment methodology and procedures were presented to the department directors and elected/appointed officials that we met with to promote consistency within the process across all operating entities. For the 2020 and subsequent risk assessments, we will present our methodology to any newly interviewed and/or elected officials or newly hired department directors, should the County decide to engage Eide Bailly to continue as your Internal Auditors.
2. Solicitation of risks – Each interviewed director/official was asked to review the goals/responsibilities of their function and risks to accomplishing these goals/responsibilities. For each risk, respondents were instructed to rank the magnitude of impact and likelihood of occurrence.

Magnitude of impact assesses the severity of the risk, assuming it were to occur, using rankings of high, medium, and low.

Likelihood of occurrence assesses the chance the risk will come to fruition, regardless of the severity of the risk, using rankings of probable, potential, and remote.

3. Evaluation of risks – Internal Audit reviewed all completed risk assessments in conjunction with the function’s goals/responsibilities, information available on the function’s internet/intranet sites, and Internal Audit’s experience with government operations. Additional risks or changes to risk rankings were proposed when deemed appropriate.

4. Departmental/Elected Office interviews – Internal Audit held individualized risk assessment sessions with each elected official and/or department director, listed above (*Figure 1, above*). Internal Audit also met with top management and several elected officials to obtain their input regarding updates to the previous risk assessment. The purpose of these meetings and contacts was to clarify responses submitted in the self-assessment, review and revise risk rankings as necessary, and discuss additional risks proposed by Internal Audit.
5. Validation of risks – To ensure risks and associated rankings were appropriately captured, top management was provided copies of the final risks/rankings and given the opportunity to propose additional changes.
6. Consolidation of risks – Upon completion of the risk validation process, risks from each function were consolidated into a master risk assessment covering the entire county. We assigned risk rankings numerical weights as presented in *Figure 2: Risk Rankings*:

Figure 2: Risk Rankings

Magnitude Rankings		Likelihood Rankings	
High	3	Probable	3
Medium	2	Potential	2
Low	1	Remote	1

Financial magnitude was multiplied by the likelihood ranking to arrive at an overall raw risk score.

As discussed in the preceding scope section, some county officials and departments requested an expanded risk assessment scope to evaluate aspects of their operations with legal/regulatory, operational, and reputational risks. When all four categories of risk were considered, we multiplied the mathematical average of rankings in all four of the magnitude categories by the likelihood ranking to arrive at an overall raw risk score.

In addition to individualized risk rankings, we used budgeted expenditures as another factor in the risk assessment process. Risks associated with departments/elected official offices with larger budgets were given additional weight. Departmental budgets were summarized and given a “percent rank” in relation to other departments. This percent rank was added to the overall raw risk score as a “budgetary factor” to produce a final risk score.

Since Internal Audits were conducted at some Adams County departments/elected official offices during the years 2012 through 2019, we developed a “prior audit” factor which when applied, reduced the final risk score for the audited departments.

As the Internal Audit function continues to mature, overall risk scores in future years will likely include additional factors influencing risk such as the number of agreed upon management actions not completed. Such additional factors will help ensure that all functions receive adequate audit coverage, regardless of initial risk rankings.

7. Development of audit plan – We translated the final risk scores into relative rankings and sorted the scores in descending order. It is important to note that individual risk factors do not necessarily translate one for one into proposed audits. In some cases, the noted risk may be an inherent risk for which the County has no control over. In these cases, the County should be aware that the risk exists despite the fact that the risk cannot be addressed in an audit. In other cases, individual risks may not warrant a discrete internal audit and rather, are combined with other risks to produce a more comprehensive audit of the function. Further detail on the proposed audit plan is included in the “Proposed Audit Plan” section below.
8. Presentation of draft risk assessment and audit plan – This report, in draft format, was presented to top management for review and comment prior to formal adoption of the annual audit plan by the Board of County Commissioners in public hearing. While all comments were considered, Internal Audit, as an independent function reporting directly to the Board of County Commissioners, made the final decisions on risks, rankings, and proposed audits presented to the Board.
9. Approval of annual audit plan – As a final step in the risk assessment and audit planning process, the audits outlined in this report are presented to the Board of County Commissioners for final approval.

Proposed Audit Plan

Internal audit was set up with an annual budget affording approximately 600-800 annual audit hours. We have structured our internal audit plan to fit within close proximity to this budget. The internal audit budget also includes audit hours to administer the audit function, update the risk assessment annually, and conduct follow up audits to determine if agreed upon management actions have been satisfactorily completed.

Based on the results of our 2019 risk assessments and pending 2020 risk assessment updates, we propose the 2020 internal audit plan presented below, in *Figure 3: Proposed Internal Audit Plan*. Our proposed audit plan was based on the risk assessment results and our knowledge of county government operations. This plan may be modified as necessary during the year to address immediate concerns or changing conditions. Specific timing of each audit engagement will be determined upon approval of the audit plan and coordination with auditees.

Figure 3: Proposed 2020 Internal Audit Plan

2020 Proposed Internal Audit Plan	Dates	Hours
2020 Risk Assessment – Continue to meet with department directors and elected officials to update the risks/rankings identified in the 2019 risk assessment to refine the 2020 audit plan.	On-going	200
2020 – Coroner – Internal controls surrounding inventory collection, safeguarding, reporting and releases to appropriate persons should continue based upon the 2019 meetings and correspondence with the Coroner and gathered information to date.	TBS/On-going	100
2020 – Parks, Open Space & Cultural Arts – Follow up review of processes and controls over sales of alcoholic beverages and recommendations from 2019 internal audit procedures.	TBS	100
2020 – Finance – Review processes and controls surrounding payments to vendors using automated clearing house (ACH) and other electronic methods	TBS	100
2020 – Human Resources – Review processes and controls within the Human Resources Department and its compliance with laws and regulations.	TBS	100

2020 – Public Works – Follow up review of construction processes and controls	TBS	100
Administration- Time required to manage the internal audit function, and perform other procedures, not otherwise associated with specific audits.	Ongoing	100
Total budgeted hours- 2020		800

Figure 4: 2015-2019 Internal Audit Reports and Special/Consulting Projects Performed to Date

2019 Internal Audit and Special Projects	Status
2019 Risk Assessment – Interviews with certain department directors/elected officials to update the risk assessment to evaluate risks to the County and develop the 2019 internal audit plan.	Complete
2019 Clerk and Recorder’s ballot truck consulting investigation (outside of IA budget) as a fraud investigation.	Complete
2019 – Parks, Open Space & Cultural Arts – Review processes and controls surrounding the sale of alcoholic beverages at the fairgrounds.	Complete
2019 – Assessor’s Office – Agreed-upon procedures surrounding transition processes from outgoing Assessor to incoming Assessor.	Complete
2019 – County Manager’s Office – Follow up review of management letter comments issued by the County’s external auditors.	Complete
2019 – Coroner’s Office -Meetings and correspondence with the Coroner, culminating in narratives drafted and gathered information to date surrounding the internal controls over inventory collection, safeguarding, reporting and releases to appropriate persons; accounting transactions/contracts surrounding the office; budgeting and reporting in compliance with County policies, laws and regulations.	On-Going

2018 Internal Audit and Special Projects	Status
2018 Risk Assessment – Interviews with certain department directors/elected officials to update the risk assessment to evaluate risks to the County and develop the 2018 internal audit plan.	Complete
2018 – Assessor’s Office – Follow up review of operations and recommendations from 2017 internal audit procedures.	Complete
2018 – Clerk & Recorder – Follow up of operations, internal controls, segregation of duties and recommendations/findings from 2017 internal audit.	Complete
2018 – Finance – Report on the County’s vendor pre-qualification process and related purchasing policies and procedures	Complete

2017 Internal Audit and Special Projects	Status
2017 Risk Assessment – Interviews with department directors/elected officials to update the risk assessment to evaluate risks to the County and develop the 2017 internal audit plan.	Complete
2017 – Assessor’s Office – Review of operations and compliance with laws and regulations, specifically the process to assess mobile home parks and resulting Board of Equalization hearings and appeals process that have been denied the Office.	Complete
2017 – Clerk & Recorder – Review of operations, internal controls, segregation of duties and off-site cash collection sites.	Complete
2017 – Finance – Review and provide comment on the County’s purchasing card draft policy	Complete
2017 – Finance – Review the County’s procurement procedures specifically surrounding the bid process.	Complete

2016 Internal Audit and Special Projects	Status
2016 Risk Assessment – Interviews with department directors/elected officials to update risk assessment to evaluate risks to the County and develop the 2016 internal audit plan.	Complete
2016–Finance – Payroll analysis/strategy to determine best practices, efficiencies and effectiveness in changing payment cycles and processes and potential vulnerabilities with current planned timing.	Complete
2016–County Treasurer’s Office – Follow up review of adequacy of internal controls over financial operations, including receipt and disbursement of funds and roll out of new treasury management system.	Complete
2016 – Sheriff – Operational audits of the office, internal controls, segregation of duties, search and seizure funds, commissary funds based upon risks the Sheriff would like addressed.	Complete

2015 Internal Audit and Special Projects	Status
2015 Risk Assessment – Interviews with department directors/elected officials to update risk assessment to evaluate risks to the County and develop the 2015/2016 internal audit plan.	Complete
2015 Marijuana Lot Drawing – We assisted with the conduction of the Marijuana Lot Drawing held on January 27, 2015 for selection of applications for marijuana establishments as outlined in the Adams County Board of County Commissioner Resolution 2014-358 Approving Marijuana Regulation Amendments in Unincorporated Adams County	Complete
2015 Stormwater Utility Fees – We reviewed the internal controls surrounding the billing process and tested the billing process and calculations before bills were mailed to constituents of unincorporated Adams County related to the 2015 Stormwater Utility Fee billed in accordance with the Adams County Resolution Establishing Rates, Fees and Addressing Credit and Appeal Policies and Additional Details	Complete