

Douglas County, Colorado

Single Audit Reports

December 31, 2020

Douglas County, Colorado
Year Ended December 31, 2020

Contents

Schedule of Expenditures of Federal Awards 1

Notes to Schedule of Expenditures of Federal Awards 3

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* 5

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 7

Schedule of Findings and Questioned Costs 10

Summary Schedule of Prior Audit Findings 17

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

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 the Treasury				
Passed through Colorado Department of Local Affairs COVID-19 Coronavirus Relief Fund	21.019	F21-CVRF-CM018	\$ 30,095,609	\$ 7,982,468
Passed through Colorado Department of Human Services COVID-19 Coronavirus Relief Fund	21.019	*	220,646	-
Total Department of the Treasury			<u>30,316,255</u>	<u>7,982,468</u>
Election Assistance Commission				
Passed through State of Colorado, Department of State Help America Vote Act Election Security Grants	90.404	CT-VAAA-2021-3939	32,177	-
COVID-19 Help America Vote Act Election Security Grants	90.404	CT-VAAA-2021-3033	35,485	-
COVID-19 Help America Vote Act Election Security Grants	90.404	CT-VAAA-2021-3235	38,525	-
Total Election Assistance Commission			<u>106,187</u>	<u>-</u>
U.S. Department of Agriculture				
Passed-through Colorado Department of Human Services SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551	*	23,888	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*	602,203	-
SNAP Cluster Total			<u>626,091</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>626,091</u>	<u>-</u>
U.S. Department of Justice				
Passed-through Colorado Department of Public Safety, Division of Criminal Justice Equitable Sharing Program	16.922	*	58,263	-
Total U.S. Department of Justice			<u>58,263</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	339,176	-
Total U.S. Department of Transportation			<u>339,176</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed-through Colorado Department of Human Services				
Temporary Assistance for Needy Families (TANF)	93.558	*	1,762,836	-
Child Support Enforcement	93.563	*	986,395	-
Low-Income Home Energy Assistance Program	93.568	*	1,366	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	*	1,479,482	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	352,476	-
CCDF Cluster Total			<u>1,831,958</u>	<u>-</u>
Stephanie Tubbs Jones Chile Welfare Services Program	93.645	*	159,087	-
Foster Care Title IV-E	93.658	*	1,376,387	-
Adoption Assistance	93.659	*	410,341	-
Social Services Block Grant	93.667	*	694,827	-
Guardianship Assistance	93.090	*	16,491	-
Passed-through Colorado Department of Local Affairs				
Community Services Block Grant	93.569	L15CSBG14	106,765	-
Community Mental Health Block Grant	93.958	SM10006-18	205,298	-

Douglas County, Colorado
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
Passed-through Colorado Department of Health Care Policy and Financing Medicaid Cluster				
Medical Assistance Program	93.778	*	1,287,769	-
Medicaid Cluster Total			<u>1,287,769</u>	<u>-</u>
Total Department of Health and Human Services			<u>8,839,520</u>	<u>-</u>
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001		2,397,184	-
Total Executive Office of the President			<u>2,397,184</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 42,682,676</u>	<u>\$ 7,982,468</u>

* Pass-Through Entity Identifying Number not available

Douglas County, Colorado
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

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, 2020. 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 or other applicable regulatory 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, 2020

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 \$22,142,994 of which \$16,345,053 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 the 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 16, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 2020-001, 2020-002 and 2020-003, that we consider to be significant deficiencies.

Board of County Commissioners
Douglas County, Colorado

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 financial statements. 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. The County'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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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
April 16, 2021

**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’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 the County’s major federal programs for the year ended December 31, 2020. 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 the 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, 2020.

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 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 16, 2021, 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
April 16, 2021

Douglas County, Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

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, 2020

7. The County's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
COVID-19 Coronavirus Relief Fund	21.019
Medicaid Cluster	93.778

8. The threshold used to distinguish between Type A and Type B programs was \$1,280,480.

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, 2020

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

Reference Number	Finding
2020-001	<p>Finding: Accounts Payable</p> <p>Criteria or Specific Requirement: Internal controls over financial reporting should be in place to ensure the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition: During the search for unrecorded liabilities, we noted a number of improperly accrued invoices related to the County’s Restaurant and Event Venue Impact Grant Program. The grants were awarded in late December 2020 and were not paid until after year-end. An audit adjustment of \$2.6 million was proposed of which \$2.4 million was recorded by the County and the County chose not to record the remaining \$200 thousand.</p> <p>Effect: Approximately \$2.6 million in adjustments were proposed to properly state accounts payable as of December 31, 2020.</p> <p>Cause: The County’s Restaurant and Event Venue Impact Grant Program was funded through the <i>Coronavirus Aid, Relief, and Economic Security Act</i> (CARES Act). The original CARES Act guidance required that all costs be incurred prior to December 30, 2020. As such, the County awarded a significant number of grants on the last few days of December 2020. The County incorrectly excluded some of these payments from the year-end accruals.</p> <p>Identification as a Repeat Finding: Not Applicable</p> <p>Recommendation: We recommend that internal controls over year-end accruals, including the County’s Restaurant and Event Venue Impact Grant Program, be strengthened to include a more thorough review of awards dated close to year-end to ensure proper recognition and cutoff of payables.</p> <p>Views of Responsible Officials: The County agrees with the finding. See separate report for planned corrective actions.</p>

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
2020-002	<p>Finding: Incurred but not Reported (IBNR) Liability</p> <p>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). This would include ensuring that payments received/made are properly applied.</p> <p>Condition: The original IBNR reports provided were inaccurate requiring follow up with risk management to obtain sufficient reports to substantiate the year-end IBNR liability which identified the need for audit adjustments. The Workers Compensation IBNR liability required an audit adjustment of \$200 thousand which was recorded by the County. The property liability required an audit adjustment of \$118 thousand which was also recorded by the County.</p> <p>Effect: Approximately \$318 thousand in adjustments were proposed and made to properly state the IBNR liability as of December 31, 2020.</p> <p>Cause: The reports produced by the County’s risk management software (Origami) were not reviewed in detail before being provided to accounting to be used to record the resulting IBNR liability. While Origami is currently being updated regularly, there is still some cleanup of old cases which needs to occur to improve the accuracy of the system reports.</p> <p>Identification as a Repeat Finding: 2019-002</p> <p>Recommendation: We recommend that internal controls over IBNR be strengthened to include a more thorough review of claims at year-end to help ensure the reserve amount reported is reasonable. In addition, we recommend that the monitoring or reconciliation process be continued to help ensure that the internal Origami software is being updated timely and accurately.</p> <p>Views of Responsible Officials: The County agrees with the finding. See separate report for planned corrective actions.</p>

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
2020-003	<p>Finding: Special Revenue Fund Revenue Recognition</p> <p>Criteria or Specific Requirement: Management is responsible for implementing internal controls over financial reporting, including internal controls over revenue recognition and to ensure compliance with applicable accounting standards. Per Governmental Accounting Standards Board Standard No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> (GASB 54) paragraph 30, “specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes.”</p> <p>Condition: During our testing of special revenue fund revenues, we noted the following:</p> <p>(A) In 2019, the County incorrectly recorded grant revenue of \$917 thousand within the Parks Sales and Use Tax Fund when it should have been recorded within the Conservation Trust Fund. An interfund transfer was recorded in 2020 to correct this issue.</p> <p>(B) In November 1994 and then extended in 2000, voters in Douglas County approved a 0.17% Open Space Sales and Use Tax. Of this amount 0.20% was to be used for Parks. The County recorded the entire 0.17% of sales tax revenue within the Open Space, Trails and Parks Fund and then recorded a transfer to the Parks Sales and Use Tax fund. Per GASB 54 requirements above, this revenue should only have been recorded in the fund in which it was to be expended, <i>i.e.</i>, Parks Sales and Use Tax Fund. An audit adjustment of \$2.1 million was proposed and made by the County to move the amount previously recorded as a transfer to revenue.</p> <p>Effect: (A) An audit adjustment of \$917 thousand was proposed to properly state fund balance as of 2019, which the County chose not to record. In 2020, a transfer was made to correct ending fund balance as of year-end.</p> <p>(B) An audit adjustment of \$2.1 million was proposed to properly state revenue within the Open Space, Trails and Parks Fund and the Parks Sales and Use Tax Fund as of December 31, 2020.</p>

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	<p>Cause: (A) The Finance Department is reliant upon other Departments to inform them which fund new grant revenue is related to. In this instance, the Finance Department was initially instructed to put the revenue in the incorrect fund.</p> <p>(B) The County was unaware that transferring the funds rather than recording the revenue within the fund in which it would be expended violated GASB 54 paragraph 30.</p> <p>Identification as a Repeat Finding: Not Applicable</p> <p>Recommendation: We recommend the County Finance Department work with other Departments to help ensure that the correct recording of any new revenue streams including a review of the supporting documents or agreements. In addition, we recommend that revenue be recorded directly within the fund which will expend the funds for any new voter approved sales tax.</p> <p>Views of Responsible Officials: The County agrees with the finding. See separate report for planned corrective actions.</p>

Douglas County, Colorado
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

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, 2020

**Reference
Number**

Finding

No Findings Noted

2020-001 Finding: Accounts Payable

Status: Corrective action in progress.

Criteria: Internal controls over financial reporting should be in place to ensure the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP).

Condition: During the search for unrecorded liabilities, we noted a number of improperly accrued invoices related to the County's Restaurant and Event Venue Impact Grant Program. The grants were awarded in late December 2020 and were not paid until after year end. An audit adjustment of \$2.6 million was proposed of which \$2.4 million was recorded by the County and the County chose not to record the remaining \$200 thousand

Corrective Action: We agree with the finding. The accounts payable department requests that all prior year payments made by the end of January should be entered into the correct period. Due to the one-time nature of the payments and an uncertainty of program deadlines regarding the Restaurant and Event Venue Impact Grant Program there was a misunderstanding of the requirements by the Community Development department which was responsible for the payment of these grant awards. Accounts payable should have reviewed and appropriately accrued for these payments and if there are similar type grant awards in the future they will be duly documented and reviewed for accuracy.

Person(s) Responsible for Implementation: Judi Dinkel – Accounting Manager and Kati Ryder – Manager, Planning.

Implementation Date: December 31, 2021

2020-002 Finding: Incurred but not Reported (IBNR) Liability

Status: Correction 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.

Condition: The original IBNR reports provided were inaccurate requiring follow up with risk management to obtain sufficient reports to substantiate the year-end IBNR liability which identified the need for audit adjustments to correct the balance originally recorded by the County. For Workers Compensation IBNR liability an audit adjustment of \$200 thousand was proposed and made by the County. For property and liability an audit adjustment of \$118 thousand was proposed and made by the County.

Corrective Action: We agree with the finding. The Risk Management department will create a policy to standardize the date and timing of the IBNR reports creation. The department will work closely with Pinnacle to receive an accurate reporting of IBNR amounts for our Worker's Compensation program. The Risk Management department will continue to benefit from all the hard work done in 2020 to improve the reporting in Origami and in the JD Edwards system to further improve the reporting of the year-end property and liability IBNR.

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

Implementation Date: December 31, 2021

2020-003 Finding: Special Revenue Fund Revenue Recognition

Status: Corrected.

Criteria: Management is responsible for implementing internal controls over financial reporting, including internal controls over recognition and to ensure compliance with applicable accounting standards. Per Governmental Accounting Standards Board Standard No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) paragraph 30, "those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes."

Condition: During our testing of special revenue fund revenue inflows, we noted the following:

- (A) In 2019, the County incorrectly recorded grant revenue of \$917 thousand within Parks Sales and Use Tax Fund when it should have been recorded within the Conservation Trust Fund. An interfund transfer was recorded in 2020 to correct this item.
- (B) In November 1994 and then extended in 2000, voters in Douglas County approved a 0.17% Open Space Sales and Use tax. Of this amount 0.20% was to be used for Parks. The County recorded the entire 0.17% of sales tax revenue within the Open Space, Trails and Parks Fund and then recorded a transfer to the Parks Sales and Use Tax fund. Per GASB 54 requirements above, this revenue should only have been recorded in the fund in which it was to be expended, i.e., Parks Sales and Use Tax Fund. An audit adjustment of \$2.1 million was proposed and made by the County.

Corrective Action:

- (A) The \$917,000 was received in December of 2019 specifically for use on the East-West regional trail project. This project was being funded partially out of the Parks Sales and Use Tax Fund and partially out of the Conservation Trust Fund. When the revenue was received it was applied in error to the project in the Parks Sales and Use Tax Fund. The error was not discovered until the annual report of Conservation Trust Funds was completed in 2020. We will continue to work with management to stress the importance of recognizing revenue in the correct fund.
- (B) The County has been applying the wording from the original Open Space Sales And Use Tax resolution, 994-062, which states that "all revenue derived from said sales and use tax shall be deposited into said fund" (Open Space Lands, Trails and Parks Fund), since 1995. Since the entirety of the Sales and Use Tax revenue was recognized in the Open Space, Trails and Parks Fund the County chose to transfer the 20% designated in the resolution for park purposes into the Parks Sales and Use Tax Fund through an interfund transfer. When GASB 54 was implemented by the County in 2010 the change to the requirements for revenue recognition were not properly documented. This change was implemented in the 2020 financials and will be done correctly moving forward.

Person(s) Responsible for Implementation: Judi Dinkel - Accounting Manager

Implementation Date: A) ongoing, B) March 18, 2021