

State of Colorado



John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA

**Department of Personnel
& Administration**

Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado 80202
(303) 866-6200
Fax (303) 866-3569
www.colorado.gov/dpa

October 5, 2012

John Hickenlooper, Governor
136 State Capitol
Denver, Colorado 80203

Dear Governor Hickenlooper:

Pursuant to Section 24-30-203.5(6), C.R.S., I am forwarding the recovery audit contractor Balance Risk LLC's final report. To date, the contractor has issued four reports all of which are posted on the Office of the State Controller's website at http://www.colorado.gov/dpa/dfp/sco/audit/Recovery_Audit.htm

The final report summarizes the audit scope and discusses the areas reviewed including improper payments, unclaimed property, contracts, and telecom services. The report also includes the contractor's findings and recommendations and audit summaries for each agency reviewed by the recovery audit contractor.

The Office of the State Controller and State agencies are in the process of preparing responses to the contractor's findings and recommendations which will be provided to you in November 2012. Additionally, we anticipate that the contractor's report and our responses will be discussed during the Legislative Audit Committee hearing on December 12 or 13, 2012.

Please contact my office if you have questions about the audit or Balance Risk's report.

Sincerely yours,

David J. McDermott, CPA
Colorado State Controller

State of Colorado



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October 5, 2012

Dianne E. Ray, State Auditor,
Representative Cindy Acree, Chair Legislative Audit Committee, and
Representative Cheri Gerou, Chair Joint Budget Committee
200 East 14th Avenue
Denver, Colorado 80203

Dear Auditor Ray, Representative Acree, and Representative Gerou:

Pursuant to Section 24-30-203.5(6), C.R.S., I am forwarding the recovery audit contractor Balance Risk LLC's final report. To date, the contractor has issued four reports all of which are posted on the Office of the State Controller's website at http://www.colorado.gov/dpa/dfp/sco/audit/Recovery_Audit.htm

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Continued on next page.

"Working Together To Serve Colorado"

Dianne E. Ray,
Representative Cindy Acree, and
Representative Cheri Gerou

Page 2 of 2

October 5, 2012

Please contact my office if you have questions about the audit or Balance Risk's report.

Sincerely yours,



David J. McDermott, CPA
Colorado State Controller

Cc:

Legislative Audit Committee Members

Representative Cindy Acree, Chair
Representative Angela Williams, Vice-Chair
Senator Lucia Guzman
Representative James Kerr
Senator Steve King
Senator Scott Renfroe
Representative Su Ryden
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Joint Budget Committee Members

Representative Cheri Gerou, Chair
Senator Mary Hodge, Vice-Chair
Representative Jon Becker
Senator Kent Lambert
Representative Claire Levy
Senator Pat Steadman



State of Colorado
Recovery and Contract Compliance Audit Report
Contract 12 AAA 34968
Performed
August 22, 2011 through August 31, 2012

Submitted to

Mr. Bob Jaros

State of Colorado
Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado
303 866-3765

Submitted by

Robert J. Serocki
Balance Risk, LLC
September 26, 2012

September 26, 2012

Mr. Bob Jaros
Deputy Controller for the State of Colorado
633 17th Street,
Suite 1500
Denver, CO 80202

Dear Mr. Jaros:

We are pleased to present a report of our audit results, observations, comments and recommendations following our State of Colorado accounts payable and contracting review for fiscal years 2008 through 2010, excluding the Department of Higher Education and Medicaid payments.

As you are well aware, this audit has been for our team a very frustrating experience, both in terms of non-productive time and poor results. We have done our best to capture essential big picture issues and recommendations for your consideration to provide a foundation for improved controls and more productive payment processing.

The Balance Risk audit team would like to express our appreciation to both you and David McDermott for your support and assistance during the audit. We appreciated not only the time and effort extended to help us execute the work but also the insight and knowledge you shared relative to operation of the state government.

We believe that our suggestions can assist in reducing cost and provide unique opportunities to aid in the implementation of the new accounting system. If we can be of further assistance, or if you need clarification of our comments, please call us.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Serocki".

Robert J. Serocki
Balance Risk, LLC

cc: David McDermott, Controller

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State of Colorado – Recovery and Contract Compliance Audit

Audit Management Report

Executive Overview

The scope of the Recovery and Contract Compliance audit for the State of Colorado included accounts payable transactions during the period July 1, 2007 to June 30, 2010 for all Colorado State agencies excluding Higher Education and Medicaid payments. Balance Risk reviewed approximately 5.1 million transactions input for payment totaling approximately \$25.3 billion.

The objective of our recovery audit was to perform a non-intrusive audit, find hard dollar recoveries, provide solid process improvement recommendations for the State of Colorado and communicate any potential fraud issues noted during the review.

Claims Status

Balance Risk identified 51 claims totaling \$214,635 in gross audit claim dollars. The status of our audit findings to date is as follows:

Claim Status	# of Claims	Amount	% to Total Gross	% to Audit Spend
Gross	51	\$ 214,635	100%	.085%
Void/Pay Back	17	(63,317)	29%	-
Net	34	\$ 151,318	71%	.060%

The error rate for net recoveries versus auditable spend is .085%. We typically recover within .04% to .1% of auditable dollars, so the error rate detected is extremely low. This corresponds to 99.915% process accuracy for the scope period reviewed. A significant majority of scope spend included payments for grant funding which essentially had virtually no recovery potential because of the fund flow and reconciliation process for those payments.

The environment for payment processing includes several mitigating controls that were very effective in identifying inappropriate payments during the fiscal years reviewed.



State of Colorado – Recovery and Contract Compliance Audit

A complete analysis of claim root cause and recommendations is included in the **Major Audit Findings and Recommendations** section of this report.

While there were virtually no claim issues developed considering the total volume of payment activity during the scope period, it is important to note several issues significantly impacted our ability to execute the audit:

- Essential data elements for recovery auditing are optional or not captured in COFRS
- Barriers to success encountered during the engagement
- Data acquisition delays

We discuss these areas for consideration in future recovery audit activities for the State of Colorado in the following sections of the report: **Exhibit B Data Processing; Exhibit C Challenges, Barriers to Audit Success and Lessons Learned; and Exhibit D Chronology of Data Acquisition for Improper Payment Review**

Recommendations

During our review, we worked with a severely antiquated COFRS accounts payable system. We identified and communicated several control exposures to the Controller and Deputy Controller specifically related to COFRS. Balance Risk endorses the State's efforts to upgrade to a modern accounting system and take full advantage of available technologies. We understand the new system is scheduled to be implemented by fiscal year 2015. In light of that, we offer recommendations for consideration related to system configuration, data capture, best practice invoice input conventions and vendor master maintenance that can be initiated now to improve current processes and facilitate transition to the new accounting system.

In performing an audit with 20 different audit clients/cultures for paying invoices, many if not all of these recommendations apply in varying degrees to any specific agency. Also, because we audited a scope period that was two calendar years behind current activity, we noted that several agencies have already addressed concerns and implemented some of our recommendations into their current processes.

In response to your request that we provide concrete recommendations to improve current processes Balance Risk recommends:

Address accounts payable system inadequacies and process issues.



State of Colorado – Recovery and Contract Compliance Audit

These recommendations speak specifically to COFRS limitations:

- Capture essential data elements in the accounts payable process including invoice date and invoice number
- Establish unique vendor numbers that are not the tax identification number
- Input transactions at the invoice level versus payment voucher level
- Retain payment header information and ensure payment status reflects actual activity – we found this information in many cases was not archived
- Implement a statewide invoice input convention (smart invoice numbering methodologies for unique payment types)
- Utilize migration to the new accounts payable system to upgrade standards for vendor master file definition and file maintenance

These recommendations apply to both COFRS and SAP:

- Eliminate application of vendor credits against open invoices
- Input gross invoice payment amount, including vendor invoice credits
- Recognize vendor refunds in accounts payable transaction detail

As noted, some agencies have already implemented these recommendations and they are currently in use. Consistent statewide application is needed.

Improve access to accounts payable data. This includes not only accounts payable transaction data but also documentation such as invoices, purchase orders, receiving documents and contracts. There are many ways to do this, but we suggest:

- Implement statewide accounts payable and contract document imaging
- Develop data analytics to improve identification and remediation of payment errors prior to warrant issue
- Set statewide standards for data capture and metrics for all payment activity across all agencies (Accounts Payable, purchase and travel cards, automated payment processing).



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Improve productivity of the accounts payable process. Current payment processing for both COFRS and SAP is decentralized and inconsistent across agencies. Where possible, the State should at every opportunity embrace the following:

- Centralize the Accounts Payable function, specifically, transaction input and payment of invoices
- Utilize new system functionality including batch upload and recurring payments to increase the volume of automated processing
- Monitor days to pay and other standard metrics to dramatically improve productivity, reduce cost and highlight potential process issues across all agencies

During our review, we learned about workarounds used by agencies to cope with COFRS significant system limitations. Essentially, we were told how various agencies “tricked the system” to get obligations processed for payment.

It is expected that our recommendations will be met with loud vocal resistance because they invariably will take people out of their comfort zone and require a new vision for both procure to pay activities, accounting and reporting and analysis.

After spending a year hearing “...that can't be done”, “... we do not have time to do that”, “...you will have to wait a few weeks” it is time for the State to address risk exposures as opportunities for improved control and reporting, and begin to transition to a new paradigm starting with accounts payable.

It is likely that legislative restrictions currently exist that would prohibit some change included in our recommendations to improve controls and increase productivity. Legislative support likely will be required to help make change possible.

Establish standards for communication and accountability for material aged open items. Since COFRS does not capture invoice date, there is currently no system capability to measure and report days to pay or late payment of invoices. Establishing statewide processes from current agency best practices for reporting and escalation of issues will provide efficiencies and improve vendor relations.



State of Colorado – Recovery and Contract Compliance Audit

Increase visibility and frequency of the recovery audit process.

While the audit from a financial perspective can be categorized as unproductive, this engagement revealed some significant control concerns and process issues that need to be addressed as a high priority in the conversion to the new accounting system. Balance Risk recommends the State consider ongoing recovery/process audits as part of their regular control practice. Considering the challenges, barriers and lessons learned, there should be an examination of the fee basis for work and the scope period reviewed should be aligned more closely to actual current activity which would allow a more accurate assessment of existing controls and procedures.

Change management and control. With current reliance on manual controls and reconciliation processes due to system limitations, the State will need to move up a steep learning curve to get both State finance and operations personnel up to speed on new accounting system functionality. Some of this will require a leap of faith to leave reliable slow manual processes and convert to unknown but dramatically more efficient means to get things done. Effective change management control will be essential to ensure new procedures are incorporated in a productive and thoughtful manner.



State of Colorado – Recovery and Contract Compliance Audit

Audit Scope

The State of Colorado provided us with an extract of accounts payable records from two systems, COFRS and SAP for the period July 1, 2007, through June 30, 2010, including an extract of Vendor Master File data. Potential issues researched included duplicate payments, unprocessed credits, overpayments to vendors, contract terms review and unclaimed property. Auditable transactions during the scope period were approximately 5.1 million invoices and expenditures of \$25.3 billion.

Data Files Examined

- Payment History
- Project Management System
- Contract Tracking System
- Unclaimed Property

Documentation Reviewed

- Vendor Invoices
- Payment History
- Vendor Statement of Account
- Credit Memos
- Vendor Correspondence
- Vendor Refunds
- Contracts and Purchase Orders

Audit Areas

Inappropriate Payments

Inappropriate or duplicate payment review involves acquiring accounts payable transaction and payment information and formatting the data so that standard and custom data analysis can be performed to identify potential overpayment issues. Skilled auditors then review the various reports to eliminate false positive items and generate a short list of items for document review.

Review of detailed documentation (invoices, purchase orders, receiving reports) then determines whether an issue is a valid claim. These are vetted against due diligence information such as vendor refund database to determine whether the vendor had already addressed the overpayment.



State of Colorado – Recovery and Contract Compliance Audit

Claims are generated and receive internal client review and approval prior to presentation to the vendor. The vendor may provide additional information showing the claim is not valid or has already been addressed. With that information, the claim can be voided. Alternatively, vendors process refunds for valid claims.

Statement Solicitation

Select vendors with material spend volume are sent letters requesting that they provide a current statement of account on all open items (invoices and credits) on their invoice and payment tracking system. Review of statements identifies open credits and also provides information on whether there are significantly aged open invoices that have not been paid by the client.

Contract Compliance Audit

Contract audits involve reviewing fully executed contract terms and conditions and identifying specific contracts that have exposures for overpayment. Subsequent detailed analysis of spend information, invoices and supporting documentation identify areas where vendors may have overbilled based on terms of the agreement.

Audit issues are identified and discussed with the client and vendor and claims are documented based on findings providing both a legal basis for the claim and a dollar amount calculated using all information available during the review. In some cases, the vendor and client agree to settlements of recoveries and going forward procedures to ensure the root cause issue of the claim is resolved.

Unclaimed Property

Unclaimed property review involves data analysis to ensure that items with open payments (uncashed warrants) or items that have been escheated to a state unclaimed property department are valid. The level of procure to pay expertise required for this review is very high.

Balance Risk found an area with claim issues that was challenged by the applicable agency resulting in a settlement. A more complete discussion of this scope area can be found in ***Exhibit E Unclaimed Property Review***.

Telecommunications Recovery Audit

Balance Risk partnered with a specialized telecommunications recovery audit firm, Abilita for this portion of the audit review. A summary of Abilita's work is included on pages 14 and 15.



State of Colorado – Recovery and Contract Compliance Audit

Issues Encountered During This Audit

This recovery audit was rife with problems. We have provided a detailed assessment of both technical and execution challenges and their impact on our ability to perform the work. Please see ***Exhibit B Data Processing and Exhibit E Chronology of Data Acquisition and Analysis for Improper Payment Review.***



State of Colorado – Recovery and Contract Compliance Audit

Major Audit Findings and Recommendations

The objectives of our recovery audit were to:

- Recover hard dollar improper payments during the scope period.
- Identify root cause issues for overpayments.
- Provide concrete audit recommendations in the management report to improve current processes.
- Assist in the assessment for the risk of misuse, mismanagement abuse and fraud.

Claims by Category

The major claim area is Payment Processing Errors (89% of net claims). Note that approximately 29% of all payment processing errors identified during the review were resolved prior to completion of fieldwork.

We fully expect to find almost all claims written were actually already applied to other invoices and therefore have already been resolved. Net final realized recoveries will be a very small percentage of the gross claim amount.

Efforts to improve documentation of internal recovery actions are necessary, but the results show that internal payment controls are functioning well. Final total gross claims written were approximately one tenth of the amount estimated at the time of our proposal.

Category	# of Claims	Amount	Void	Net Amount	% to Net
Accounts Payable Processing Errors	43	\$198,361	\$63,317	\$ 135,044	89%
Unused Credits/Other	1	170	-	170	>1%
Approver Errors	7	16,104	-	16,104	11%
Totals	51	\$214,635	\$63,317	\$151,318	100%



State of Colorado – Recovery and Contract Compliance Audit

Claims by Root Cause

The table below summarizes our gross audit claims by error type.

Root Cause	# of Claims	Amount	% to Total
Accounts Payable Processing Errors			
Invoice Number Entered Differently	24	\$ 152,088	71%
Different Invoice Dates Entered	6	27,445	13%
Incorrect Vendor Number Used	6	10,043	5%
Paid Under Two Vendor Records for Same Vendor	7	8,785	4%
Unused Credits/Other Items			
Unused Credit following Vendor Application	1	170	>1%
Approver Errors			
Vendor Invoiced Twice	4	10,338	5%
Paid Same Invoice/Amount Different Account Coding	2	4,999	2%
Paid Invoice and Also Statement	1	767	>1%
Totals	51	\$ 214,635	100%

Payment Processing Errors (\$198,361-89% of Gross Claim Amount)

Findings

Errors noted were primarily due to breakdown in input convention execution.

- **Invoice numbers input differently:** Processors input two different numbers for the same invoice. Most errors in this category are due to inadequate application of department invoice input conventions, rather than a simple keypunch error.
- **Different invoice dates entered:** Processors input an invoice with a different record date which is not identified by COFRS as a potential duplicate item.
- **Incorrect vendor number input for payment:** Processors input the incorrect vendor number then subsequently paid the correct vendor at a later time.
- **Paid the same vendor using two vendor numbers:** Processors pay the vendor two times under different vendor master records.



State of Colorado – Recovery and Contract Compliance Audit

Recommendations

The errors disclosed during testing are regular and recurring issues with many Accounts Payable organizations. The frequency and dollar exposure relative to total accounts payable activity is within normal processing activity standards.

We recommend the State of Colorado assess the total number of Accounts Payable processors used for all agencies. Significantly larger organizations have realized significant cost savings and improved process controls by centralized processing in a shared service environment.

Establishing best practice invoice input conventions and populating invoice date and invoice number in the new accounts payable system will aid in identification of potential duplicate payments.

Vendor master record maintenance is also essential to minimizing these types of errors from occurring in the future. We encourage systematic and continuous review of vendor records focusing on:

- Same legal entity (tax identification number)
- Same / similar address
- Input errors which result in multiple vendor records (vendor set up convention)

Approver Errors (\$16,104-11% of Gross Claim Amount)

Findings

Issues and recoveries in these areas relate to responsibilities outside Accounts Payable. Vendors that invoice twice for a service using different invoice numbers, invoices that are approved with different coding are not detected with current COFRS field validations and vendors that submit invoices and also statements of account for payment are more commonly controlled from the approval control point and other mitigating controls such as budget analysis of spend.

Recommendations

Again, the frequency and dollar exposure relative to total accounts payable activity is not material. Recoveries in this area typically relate to activity outside



State of Colorado – Recovery and Contract Compliance Audit

the sphere of control of the Accounts Payable Department. Organizations improve the control environment by:

- **Executing effective vendor statement solicitations**
- **Performing data analytic testing on accounts payable activity:** Reviewing invoice input processing can identify anomalies and highlight areas for revisiting best practice procedures for invoice approvers.
- **Discouraging vendor application of overpayments to open invoices:** Often, vendors that have aged open items apply account credits to clear open invoices. This practice should be discouraged through active review of vendor accounts and addressing open issues in a timely manner.

Claims by Year

The audit results indicate that mitigating controls in place are effective in addressing overpayment issues.

Fiscal Year	# of Claims	Amount	Void	Net	% to Net
2008	23	\$ 119,413	\$ 10,622	\$ 108,791	56%
2009	13	28,999	21,650	7,349	13%
2010	15	66,223	31,045	35,178	31%
Totals	51	\$ 214,635	\$ 63,317	\$ 151,318	100%

Efforts to focus on more immediate control of payment issues will yield additional improvement over time, but should be balanced to consider diminishing returns and other opportunities for those resources.



State of Colorado – Recovery and Contract Compliance Audit

Claims by Agency

It is important to note based on current vendor correspondence that virtually all of the claims written will likely be voided because the vendor applied the overpayment to other invoice charges and the State paid the net balance due or that the vendor refunded the overpayment and provided appropriate additional information that we did not have in our due diligence data set.

Agency	# of Claims	Amount	Void	Net	% to Total
A Dept of Personnel & Admin/Payroll	1	\$ 6,158	\$ 6,158	\$ -	3%
B Dept of Agriculture	4	11,853	2,404	9,449	5%
C Dept of Corrections	5	27,039	2,388	24,651	13%
F Dept of Public Health & Envirmnt	9	60,259	27,281	32,978	28%
H Dept of Transportation	7	2,176	2,176	-	1%
I Dept of Human Services	7	24,415	11,645	12,770	11%
K Dept of Labor & Employment	2	4,765	-	4,765	2%
O Dept of Veterans Affairs	3	1,460	1,460	-	>1%
P Dept of Natural Resources	12	75,007	9,805	65,202	35%
R Dept of Public Safety	1	1,503	-	1,503	>1%
Totals	51	\$ 214,635	\$ 63,317	\$ 151,318	100%

Efforts to focus on more immediate control of payment issues will yield additional improvement over time, but should be balanced to consider diminishing returns and other opportunities for those resources.

By providing complete audit information for vendor refunds and discouraging application of overpayments, the number and amount of claim issues prepared during the audit would be reduced, thus reducing administrative support time and effort. This would free up time for other process controls and recovery activities.

A summary of testing for each agency is included in **Exhibit F Summary of Improper Payment Testing by Agency**.



State of Colorado – Recovery and Contract Compliance Audit

Telecommunications Recovery Audit

Balance Risk partnered with telecom recovery expert, Abilita, for this technical and specialized segment of the audit scope.

Abilita identifies and recovers money for clients four ways:

- **Pricing errors** – where actual billing pricing does not match contract pricing (i.e. discounts not applied);
- **Service errors** – where you are paying for something you don't have;
- **Service adjustments** – where you have and are paying for a service that you are not using and don't need;
- **Alternative plans** – different, more attractive price plans for the same service from the same supplier.

Abilita's audit program includes a review of actual bills with an eye on issues that can be corrected and implemented in a very short period of time, with minimal administrative support required from State resources (low-hanging fruit) and can show actual savings quickly. Examples of findings for the pilot project work detailed below include discounts not being applied consistently; and old, out-of-date long distance plans that have a fixed program fee, but without any actual usage. These modifications can result in refunds/credits as well as going forward savings.

Auditor experience allows them to identify cost saving opportunities to lower costs by suggesting alternative plans. For example, Abilita noticed that bills included features that are priced individually – an account may have a base rate for a line and additional features such as call waiting, call forwarding, voice mail, that are being invoiced separately. Newer plans from the supplier bundle those features in with the base rate resulting in a lower net price for the service provided. These modifications have no impact on the user experience, require no work on the part of the State and result in going-forward savings.

It is important to note that the Office of Information Technology (OIT) performs a similar extensive review of services and rates to control cost for the majority of telecom services for the State of Colorado. There is additional spend outside of the OIT/Telecom group with other agencies in the State. That additional spend outside OIT is specifically what Abilita is reviewing (estimated at 400,000 per month).



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Abilita focused on the Colorado Department of Transportation, specifically Regions 1 and 6 for two reasons:

- The department's willingness to cooperate to help identify and recover potential overpayment issues, including access to billing documentation
- Getting paid fee on recoveries for this department did not have funding source issues that had been identified with other State agencies

Abilita reviewed one year of invoices on services they ordered directly from the provider. The results of the pilot review are summarized as follows:

Department of Transportation Region 1 CenturyLink spend – \$7588 / mo.

Pricing and service review

Discounts and Long Distance plans (refunds/credits) - \$4692

Discounts and Long Distance plans (going forward) - \$391 / mo.

Alternative plan review

Potential plan changes – \$390 / mo.

Department of Transportation Region 6 CenturyLink spend – \$6558 / mo.

Pricing and service review

Discounts and Long Distance plans (refunds/credits) - \$4980

Discounts and Long Distance plans (going forward) - \$415 / mo.

Alternative plan review

Potential plan changes – \$310 / mo.

Abilita obtains a Letter of Agency from the State (or agency) and then contacts the vendor directly to acquire Customer Service Records (CSR's) from the provider. The CSR's include additional billing information such as actual service address, time of installation, and in some cases the individual that authorized the service order. Abilita then provides this information as a value added service to the organization. Detailed review of this information can identify service locations that are no longer in use – generating additional cost reductions.

The Abilita pilot audit has identified over 10% savings on the telecom spend reviewed (estimated \$40,000 per month savings for the state). Abilita is in the process of finalizing pilot project claim issues and is looking to continue their work on a going forward basis. Balance Risk recommends that the State continue to contract and work with Abilita maximize recoveries and improve controls over future telecom expenditures. Detail of the Abilita work and benefits were presented in a meeting with the Controller and Deputy Controller on September 11, 2012. It is likely that the Legislature would have to approve contracting with Abilita to extend their work and complete recovery efforts.



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Exhibits

Exhibit A: Audit Analysis – Result of Claims

Exhibit B: Data Processing

Exhibit C: Challenges, Barriers to Audit Success, Lessons Learned

Exhibit D: Chronology of Data Acquisition for Improper Payment Review

Exhibit E: Unclaimed Property Review

Exhibit F: Summary of Improper Payment Testing by Agency



State of Colorado – Recovery and Contract Compliance Audit

Exhibit A: Audit Analysis – Result of Claims

A summary of the ultimate resolution of audit claims is included below:

Result of Claims	# of Claims	Amount	% to Total
Collected – Vendor Refunded	4	\$ 2,759	1%
Collected – Unclaimed Property	1	995	>1%
Uncollected – In Process	29	147,564	69%
Voided – Vendor Refunded	2	2,109	1%
Voided – Applied to Open Invoices	11	60,374	28%
Voided - Unable to Collect	4	834	>1%
Totals	51	\$ 214,635	100%

It is important to look at voided issues as well as recoveries during audits. To date, fully 29% of gross claims were voided because issues for overpayment, while valid, had been resolved outside of the accounts payable system. These items were either applied by the vendor to open invoices (28%) or refunded by the vendor (1%). We anticipate that virtually all remaining open claims written for this audit will be voided due primarily to application of overpayments to other valid invoiced charges.

Efforts to input all relevant transaction information into the accounts payable system will result in more accurate reporting and will enhance the control environment.



State of Colorado – Recovery and Contract Compliance Audit

Exhibit B: Data Processing

Data input for payment of invoices in COFRS

In typical accounts payable systems, invoices are input for a selected vendor with the following essential data elements:

- Invoice Number
- Invoice Date
- Invoice Amount
- Comments or added notes may also be included in a description field

The invoice data string is traditionally tested using field validation criteria to ensure that the information conforms to set standards. This typically includes a check for duplicate invoice number and amount.

COFRS invoices are input into a Payment Voucher (PV). Differences between data captured in COFRS from traditional accounts payable system include:

- The PV does not have an invoice date; rather there is a record (voucher) date input that is from the current accounting period
- Invoice number is not a required field (optional) in a PV
- Invoices are input at the account coding level, which means a single invoice can be broken into multiple transaction lines for coding purposes
- One or more PV's can be paid on a Warrant

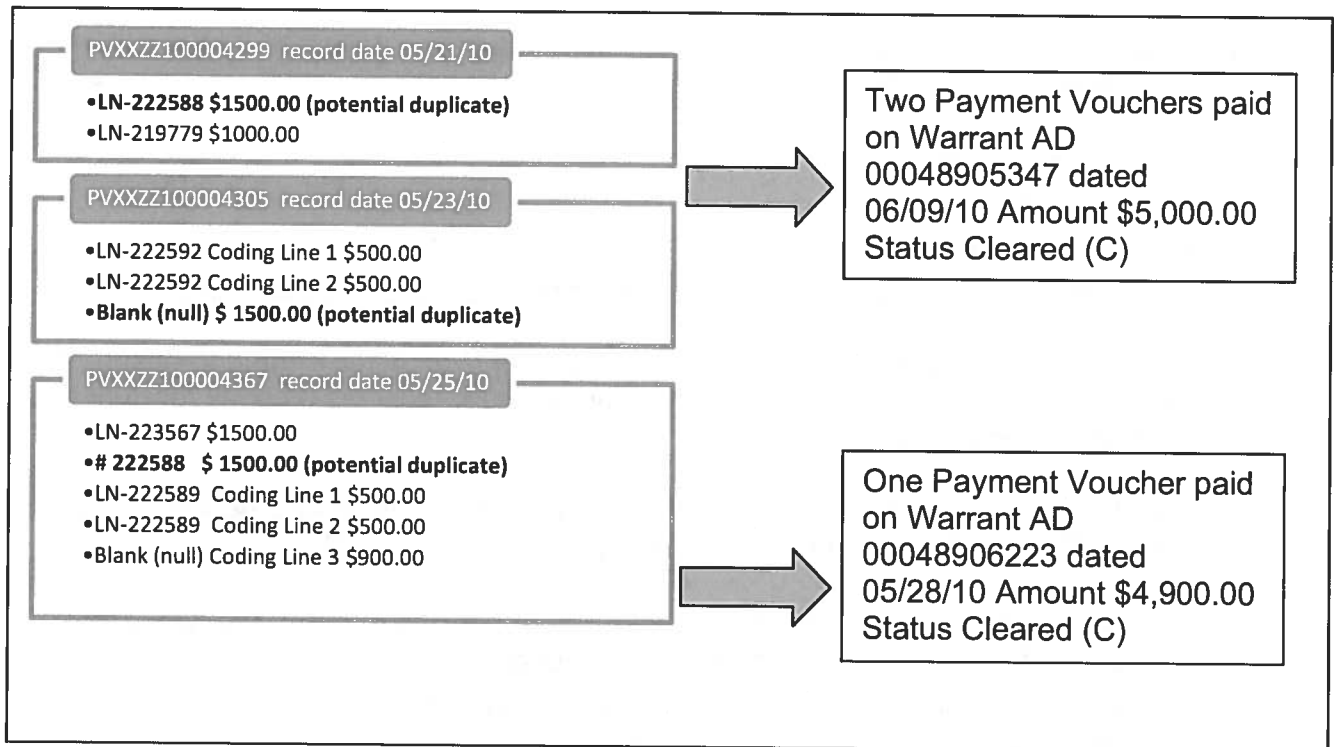
The population of detail transactions during the scope period of the audit used in our duplicate payment analysis included 1.2 Million records where no invoice number was input. These were characterized as a “Blank Invoice” or null value. Blank invoices made up 23% of transactions and 63% of dollars paid from the accounts payable system for the scope of the audit.

The graphic below illustrates the structural options that had to be considered in performing analysis to identify potential duplicate payment opportunities for this audit. Extraordinary efforts were made in compiling the data to perform the analysis. Data quality for this engagement was extremely poor compared to other audits we have performed over the last decade and had a significant impact on our ability to identify potential inappropriate payments.



State of Colorado – Recovery and Contract Compliance Audit

Examples of Payment Voucher Input and Processing



Note: The examples provided were created for illustrative purposes and do not represent actual transaction data reviewed during the audit.

The COFRS data issues illustrated above present an increased risk exposure for fraudulent payments to go undetected compared to a traditional modern accounts payable system. The most common data analytic tools and programs are not as effective in this data environment due to the large degree of variability from system configuration and the use of multiple invoice input conventions within and between the various agencies included in the review.

Our recommendations include input of invoice date, development of “smart” invoice number conventions for various types of payments, and utilization of batch processing and recurring payments functionality when appropriate in the new accounts payable system.



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Exhibit C: Challenges, Barriers to Audit Success, Lessons Learned

Balance Risk offers the following description of unique circumstances encountered during this recovery audit engagement with the State of Colorado.

Challenges

Productivity– Lack of technical support relative to COFRS data acquisition and transfer required Balance Risk to learn how to interpret data relationships from a 20 year old system to effectively use the data on this audit. Transaction detail data transfer was delayed for six weeks after contract signing because the State had no available resources to do the work and then the data was sent in small batch files over the next six weeks that required significant time to scrub and consolidate for use. Payment header information was initially not provided and took an additional seven months to locate and send.

Missing data – Data was either intentionally deleted (deemed sensitive and not provided as part of the data set) or was not retained and unavailable for the review. Approximately 30% of the COFRS transaction data was unusable because there was not matching payment header information available. Currently, the Controller’s office is not required to archive payment header information.

Truncated data – The COFRS vendor number field is the Tax Identification Number for the vendor set up in the system. In some cases, this represents an individual’s social security number. The State Controller decided the whole vendor master file record would not be provided. The vendor number was truncated to include the last 4 digits plus a one character indicator. The workaround to create a usable vendor master file took six weeks to create and test for use on the audit. This represents about 12% of the time required to execute the work. Balance Risk estimates approximately 20% of all State employees have some access to complete vendor numbers through an individual’s ability to view procurement or payment voucher documents (on desks, in file rooms and retention storage locations), access COFRS on line or view the information in the business data warehouse.

State Employee Priorities – Recovery audits are rarely part of an employee’s core responsibilities. We found that many State employees had little to no sense of urgency relative to providing access for meetings, answering questions or providing documentation to review. We are now aware of the spectrum of cultural behavior from very responsive to extremely apathetic experienced during this engagement. Balance Risk estimates that approximately 50% of the time period in executing the work was



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spent waiting for opportunities to meet, responses to questions, data or documents (approximately 6 months of the 12 month timeline for this audit).

Barriers to Success

Specific Coding for Recoveries – The Controller's Office required that for any recovery, Balance Risk would be required to provide the historical coding for information regarding the initial funding source for each claim. We identified recoveries in our Statement review where the vendor could not specifically identify transactions for the initial source of the overpayment. We abandoned the issues because the State would not accept the recovery check without the exact historical coding information. Balance Risk also provided theoretical examples of potential recoveries in Unclaimed Property where we would not specifically know the source of the recovery. The Controller's Office pointed out that the recoveries may not have resulted from a payment from the State to a vendor and therefore would be out of scope and we would not be paid fee on the recovery.

Federal Funding of Recovered Items – The United States Federal Government does not have a published policy on audit firms receiving fee for recoveries for a State. We had a statement refund relative to the Department of Natural resources (\$170.11 recovered in January 2011). Balance Risk was instructed by the Controller's Office to continue with work and that we would sort out whether we would be paid fee on recoveries within an agency after the recoveries were realized. For the example provided we learned seven months later on August 31, 2012 that the Federal funding agency would not allow fee to be paid to Balance Risk for this recovery and we would not be able to bill fee for work performed.

The ability to earn fee is a basis of both the legislation and the contract to perform the work. Balance Risk relied on the level of auditable spending estimated in our initial bid and also on the good faith that we would be paid for recoveries realized.

Legal Challenges by State Agencies on Audit Work – During our Unclaimed Property review for a specific Department we identified and the State recovered significant monies relative to Owner property managed by the Unclaimed Property Department, which were acknowledged in a meeting with the Department, Deputy Controller and Balance Risk on February 28, 2012. Immediate procedural and legal challenges were presented by the Executive Director and senior level management for that Department. Closed door meetings and inter department discussions involving the Controller's Office, State Attorneys General and the Department occurred for several



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months. Balance Risk was not allowed to participate in any of the discussions or allowed to gain an understanding of the legal issues being discussed.

After significant negotiations between the Controller's Office and the Department, on May 25, 2012, Balance Risk agreed to a settlement. The Controller's Office has a copy of the agreement for information regarding the stated issues. The Colorado State Attorney General was supposed to issue an official Opinion on the matter within six weeks of the settlement. No Opinion has been released as of the date of this report, September 26, 2012. A more detailed discussion of this area is included in **Exhibit E Unclaimed Property**

State of Colorado had no skin in the game – The typical recovery audit engagement is built on a foundation of the value of recoveries to the organization. Organizations want to recover overpayments and also institute controls and procedures to prevent overpayments in the future. The work is often done on a contingent fee basis. What drives the support for executing the work is the desire to maximize recoveries. We encountered what can be characterized as a range of support from cooperative and enthusiastic to caustic and hostile. The stigma of an "audit finding" and potential political fallout in many instances far outweighed the value of any recovery for any amount for many State employees. Our work was seen by many as a threat, to some as a required nuisance and to very few as an opportunity for improvement.

Significant delay between audit scope and current activity – The legislated scope of the audit was effectively two years from current activity. This impacts the ability of the audit firm to review current procedures and make meaningful recommendations. Balance Risk will try to incorporate balance in comments to include process and control improvements, but we did not review documentation outside the scope period to validate any agency comments regarding improvements.

Lessons Learned

Balance Risk submitted a proposal for recovery audit work for the State of Colorado on a contingent basis. We were awarded and contracted for the work with an understanding that we were going to encounter some difficult circumstances, but learned after several months into the work that:

- If we recovered improper payments but could not specifically identify the historical coding, such as for statements or unclaimed property, the State would not accept the recovery and Balance Risk would not be paid earned fee



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- If the recoveries related to funding from most federal agencies (to date only CDOT federal funding from Federal Highway Administration - FHWA is the exception) Balance Risk would not be paid earned fee
- If we did find material recoveries the applicable agency could utilize procedural and legal challenges internally within the State of Colorado to prevent Balance Risk from continuing work

At the conclusion of this engagement it is Balance Risk's opinion that State employees would comply but never fully honor the spirit of the legislation or the contract that was signed to perform the work. The Controller's Office guidance to Balance Risk to find recoveries and then sort out the potential for earning fee was a significant disincentive to the audit team. With no skin in the game, the audit was not supported by the State with any sense of urgency. In addition, the significant gap between the audit scope and current activity caused issues with requests for invoice documentation.

The delays in transmitting information, missing data and work around and scrubbing required to get data in a usable format were required due to decisions made by the State. General reluctance on proposing contracts for audit from several agencies was also a significant deterrent to performing work in that area.

In good faith, we executed our stated audit objectives in spite of the known limitations of internal support, questions regarding realized recoveries and our fee. We will report best practice recommendations that the State should embrace and implement over time to improve productivity of payment processing, reliable access to data and control over disbursements.

Balance Risk strongly recommends that the State change the fee basis for any subsequent recovery, contract compliance or process review work performed due to the inherent problems experienced during this review.



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Exhibit D: Chronology of Data Acquisition and Analysis for Improper Payment Review

The COFRS data acquisition process for this audit was problematic, as we experienced delays in data delivery and data quality and integrity issues that required significant hours of reformatting and scrubbing the information so that it would be suitable for use with our analytic tools. Traditionally in working with homegrown system data we are required to learn from scratch data relationships as well as determine how to configure the data so it would be usable for our needs. What was most challenging during this engagement was the lack of essential information from COFRS needed to perform the most basic recovery audit analytics and the significant time required by the State to deliver what data they could find.

Specifically, COFRS does not capture invoice date and invoice number is not a required data element in the payment process. That means a blank or null invoice number can be used to pay monies to a vendor. We specifically noted the difficulty in locating and delivering the payment data (warrant or electronic transfer number, date, amount paid and payment status) for COFRS accounts payable transactions. Per the Controller, this information is not required to be retained or archived for audit purposes, but is essential in recovery audit analytics to validate actual amount paid to a vendor.

A thorough discussion of Data Issues is included in **Exhibit B Data Processing**. The timeline represents the significant dates in acquiring COFRS data. An audit of this size traditionally would take no more than two months to transmit and format the data, create a statement mailing list and develop potential duplicate payment reports.

- 07/14/11 Balance Risk awarded RFP Solicitation by the State of Colorado
- 08/22/11 Contract Fully Executed for recovery audit services
- 09/12/11 Vendor Master Table transferred with truncated vendor number
- 09/30/11 Test data set transferred from the Controller’s Office for COFRS detail transactions
- 09/30/11 Received COFRS tables and file structure pamphlet
- 10/11/11 First COFRS transaction detail transmitted by Controller’s Office

Percent
COFRS Data
Received

Week 3 – 5%

Week 8- 25%



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- 10/27/11 Meeting to identify warrant header (payment) information required to execute the audit has not been provided in transaction data received to date
- 11/09/11 Sixty-eighth and final transaction detail set transferred
- 11/15/11 Files are formatted and loaded, begin review of data relationships
- 12/29/11 First OIT analyst assigned to find Warrant Header Information
- 12/30/11 First transfer of OIT Warrant Header Information
- 01/23/12 Audit Coordinator leaves position to pursue other opportunities
- 01/24/12 Warrant Header Information project is transferred to a second OIT analyst just prior to leaving position with the State
- 01/30/12 Follow up with Second OIT analyst indicates no progress has been made
- 02/01/12 Appeal to Controller's Office for assistance in getting some IT support
- 02/20/12 Investigating variances between Warrant Header information and sum of Payment Voucher detail transaction total amounts
- 03/14/12 Full reconciliation of all unmatched detail transactions to Warrant Header information is complete and sent to Second OIT analyst
- 4/10/12 Second appeal to Controller's Office to get assistance and closure on Warrant Header information
- 04/30/12 We are informed the Second OIT analyst leaves position to pursue other opportunities
- 04/30/12 Third OIT analyst is assigned to the Warrant Header project
- 05/04/12 The final 82 thousand additional Warrant Header records are found and transferred. Balance Risk establishes this as the final data cutoff, 8 ½ months after contract execution. See Note 1 below.
- 05/16/12 Data is compiled and potential duplicate payment reports are generated
- 05/23/12 Balance Risk travels to Transportation Region offices and Corrections to pull potential improper payment documents identified in duplicate payment reports

Percent
COFRS Data
Received

Week 11- 75%
Week 18- 80%
Week 30- 85%
Week 35 – 100%
Week 38



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- 05/30/12 Audit Coordinator requests from Agencies contacts for document requests
- 06/05/12 Balance Risk goes on site at Department of Personnel & Administration to pull documents for potential overpayment issues
- 06/14/12 First document requests are sent by Balance Risk to respective agencies
- 08/31/12 Balance Risk concludes improper payment review

Percent
COFRS Data
Received

Week 40

Week 42

Week 53

Note 1: Of the original 7.2 million payment voucher transactions transmitted for use on the audit, only 5.1 million transactions (70% of the total) were used in data analytics for inappropriate payment review because 2.1 million records could not be joined to a warrant header record including validation of the net amount paid and payment status.

Impact of Data Acquisition on Audit Timing

Typical Audit Workflow Schedule – The process flow below illustrates the typical organization and sequence of a recovery and contract compliance audit:

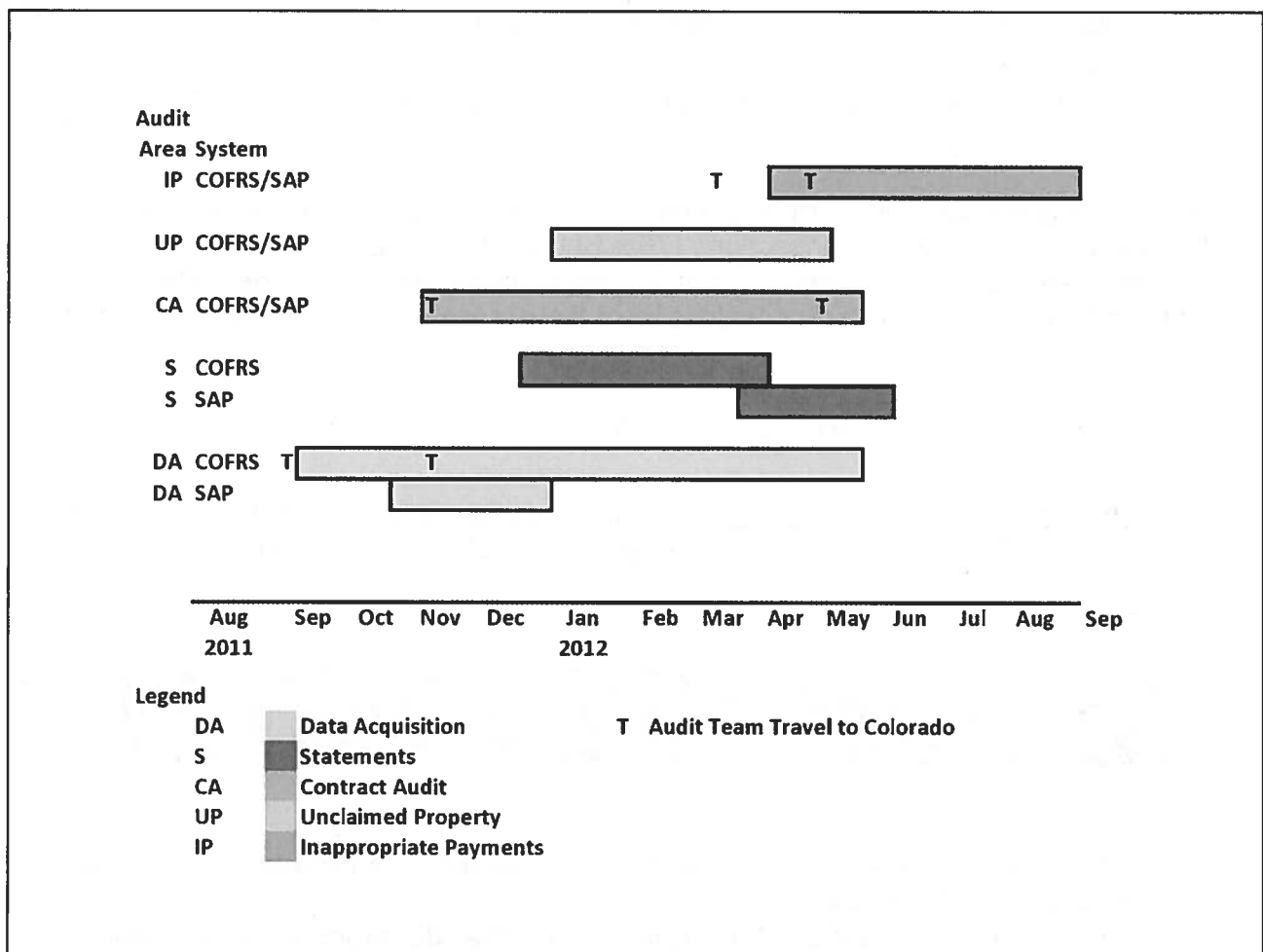


1. **The typical audit process is initiated by transfer of detailed transaction and payment information**
2. **Auditors use this data to complete work that develops understanding of client and processes and the control environment (Statements, Duplicate Pay Review)**
3. **More difficult and technical audit areas are completed in later stages of the review (Contracts, Unclaimed Property)**



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State of Colorado Recovery Audit Timeline –Data transfer and the scheduling and sequencing of work are shown below. Delays were well in excess the variability experienced in a normal first time audit for a new client and dramatically impacted our ability to manage the audit on several levels. Note that inappropriate payment review which always is executed at the beginning of the audit was the last area completed due to data issues.





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Exhibit E: Unclaimed Property Review

Balance Risk regularly includes a review of unclaimed property as part of our recovery audit activities. The review identifies monies that are scheduled to be escheated or have already been sent to unclaimed property that are not valid, either because the payment was made in error, was duplicated or a credit was received and the liability or obligation was cleared and is no longer due.

In the case of the State of Colorado, our work included two areas of testing:

1. Aged open warrants that had not yet been sent to Unclaimed Property
2. Review of State Unclaimed Property open items for items that had previously been paid and were no longer due

We obtained a listing of Warrants in COFRS that had been classified as Expired and sent to Unclaimed Property. Our analysis showed there were material dollars in open Owner accounts at Unclaimed Property from the Department of Revenue (DOR). We provided DOR a sample of five items for further review. Our belief was the department could have turned over monies to Unclaimed Property for expired warrants and also subsequently issued either a carry forward credit or duplicate refund warrant to the Owner.

DOR review disclosed that the Owner in one of the five sample items did in fact receive a carry forward credit, meaning the monies being held by the Unclaimed Property group for that Owner had already been satisfied. This had occurred while the DOR was using a legacy system that has subsequently been updated to the current system with significantly improved controls. In a meeting on February 28, 2012 with the Deputy Controller and Balance Risk, DOR notified us of their findings. DOR had also claimed the money from Unclaimed Property. DOR executive management then began a series of internal legal challenges within the State, disputing the validity of the item as a claim within the recovery audit contract. Since Balance Risk was not allowed to participate in any of the closed door discussions, we were effectively locked out of further work in this area. After several months of discussion between DOR and the Controller's Office with their respective Attorneys General, Balance Risk was presented and signed a settlement agreement on May 25, 2012 relative to this area of review.

The State Attorney General's Office was supposed to release an Opinion on the DOR legal challenge relative to whether this audit area was within scope of this recovery audit within 30 days of the signing of the agreement. As of the time of this report, September 26, 2012, the Attorney General has not released an Opinion relative to the DOR challenge.



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A copy of the settlement agreement is available from the Controller's Office for your consideration.

Balance Risk urges the State Legislative Audit Committee and Office of the Auditor to review the terms of the settlement agreement and existing unclaimed property statutes to understand the legal positions of all parties involved in the settlement. In addition, Balance Risk recommends that the Audit Committee consider reviewing the work performed by the Department of Revenue from the time Balance Risk identified the audit area and potential recovery opportunity to ensure that:

- All similar material unclaimed property items have been appropriately identified and recovered
- DOR unclaimed property recoveries are supported with adequate documentation
- DOR followed appropriate State guidelines for reporting recoveries and remediation efforts
- A similar review was performed on Paid items to Owners from Unclaimed Property during the transition from the legacy system to the current system to ensure there were no duplicate refunds issued by DOR

Balance Risk estimates that State resources or the cost of State employee's time during the legal dispute process was equal to almost twice the value of the settlement in this matter.

Balance Risk did not appreciate the extent to which an agency could block our ability to perform the legislated audit scope of work.

We recommend that transparency and full disclosure of the agency's work is pursued to ensure that the end result was accurate, complete and that the State realized all valid unclaimed property recoveries.



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Exhibit F: Summary of Improper Payment Testing by Agency

Attached are the summaries of audit testing for improper payments by agency:

Agency	Page
A Department of Personnel & Administration/Payroll	32
B Department of Agriculture	35
C Department of Corrections	38
D Department of Education	40
E Office of the Governor	42
F Department of Public Health & Environment	44
H Department of Transportation	47
I Department of Human Services	50
J Judicial Department	52
K Department of Labor & Employment	54
L Department of Law	56
M General Assembly	58
N Department of Local Affairs	60
O Department of Veterans Affairs	62
P Department of Natural Resources	64
R Department of Public Safety	67
S Department of Regulatory Agencies	70
T Department of Revenue	72
V State Department	74
W Treasury Department	76

Note:

Due to the very low level of claims written for this audit and the number of items voided or likely to be voided due to application of overpayments, the summary of improper payments testing by agency should be utilized as support for recommendations on ways to improve productivity and controls on a going forward basis and as preparation for migration to the new accounting software.



Agency Audit Summary

Agency A, 998– Department of Personnel & Administration, Payroll

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,436 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and we pulled 34 documents from your archived files for further analysis.

Results: Our review identified one claim issue for approximately six thousand dollars that did not appear to have been previously resolved by the Agency or vendor. During final review prior to presenting the claim to the vendor, the Agency noted in accounts payable files that the overpayment had been applied to several subsequent invoices which effectively voided the claim.

Personnel & Administration fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	156,092	532,467,947.52	
No invoice number	55,296	379,661,243.77	71%
Voided	1,722	2,053,730.43	0%
Expired (sent to unclaimed property)	711	84,468.34	0%
Average Input per FY	52,031	177,489,316	
Average Input per Mo	4,336	14,790,776	
Transactions Reviewed			
Analytic items generated	1,436	10,191,700.79	
Documents reviewed	34	655,264.18	
Results			
Claims Written	1	6,157.77	
Claims Voided	1	6,157.77	
Currently Open	-	-	
Claims Collected	-	-	



Conclusions: Overall, the claim issues for Agency A and 998 (Payroll) noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as over 71% of invoice transaction dollars input for payment during the scope period did not have an invoice number which had an adverse affect on our analytics to identify potential overpayments. Slightly over half of the blank invoice numbers related to payroll transactions. We relied on the invoice description field to aid our review and eliminate false positives.

Our one claim for this agency was voided due to application of the overpayment to subsequent invoices. Application of overpayments to open vendor invoices should be discontinued. When overpayments are applied, the agency loses visibility of the invoiced items on accounts payable. In addition, there could be differences in funding or coding that would misstate accounting of both the overpayment and invoice where charges were applied. Also, application of credits to invoices could cause issues if review and approval routing is changed because the invoice is not being input into the system for payment processing. Finally, only manual controls would detect a potential duplicate payment should the vendor resubmit the invoice or invoices following application of overpayments.

Items resolved prior to the audit

We noted in our review of potential overpayments that 1,722 transactions totaling approximately two million fifty three thousand dollars were voided in COFRS which was the fourth highest agency total. Many of these items related to payroll transactions and overpayment refunds. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

We were able to incorporate vendor refund information into our due diligence process which eliminated many items that were improper payments that had previously been resolved. Currently, these transactions are input as a separate transaction type (CR – Cash Receipt) within COFRS. The State should consider incorporating input of vendor refund information into accounts payable activity when implementing the new accounting system. Currently, steps should be taken to standardize vendor refund detail for use in data analysis and prepare for the transition to the new accounts payable system.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Comment on Report:

DPA accounting has changed how we record credits for prior overpayments to properly reflect a reduction related to the credit and the current invoice at the gross amount rather than just recording the net payment.



Agency Audit Summary

Agency B– Department of Agriculture

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 797 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 24 documents for further analysis.

Results: Our review identified four claim issues for approximately twelve thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims and we are currently in correspondence with the vendors to resolve the issues and collect any overpayments due.

Conclusions: Overall, the claim issues for Agency B

noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Agriculture fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	31,260	49,896,743.40	
No invoice number	18,819	28,285,313.01	57%
Voided	160	405,043.54	1%
Expired (sent to unclaimed property)	18	3,599.26	0%
Average Input per FY	10,420	16,632,248	
Average Input per Mo	868	1,386,021	
Transactions Reviewed			
Analytic items generated	797	6,298,874.76	
Documents reviewed	24	444,223.40	
Results			
Claims Written	4	11,852.70	
Claims Voided	-	-	
Currently Open	4	11,852.70	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as Agriculture did not input an invoice number for over half of transactions analyzed. A large percentage of items with a blank invoice numbers related to expense reimbursements, utilities and agriculture assistance payments. We relied heavily on the invoice description field to aid our review, but over half of the items with a blank invoice number also did not have a description, which significantly impacted our ability to analyze the information. A majority of spend for this agency appeared to be related to grants. Control over grant spend includes internal reconciliation processes that ensure payments do not exceed authorized grant values, which can provide effective mitigating controls to identify or correct improper payments.

The recent move to a standard invoice numbering methodology for Agriculture is a good start in developing a strategy for “smart” invoice numbering sequences to transition into the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

Items resolved prior to the audit

We noted in our review of potential overpayments that 160 transactions totaling four hundred five thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

While the erroneous items were corrected through voiding transactions, long-term goals should include development of analytics to promote early detection and remediation of overpayments and measure effectiveness of training and execution regarding invoice input conventions.

We were able to incorporate vendor refund information into our due diligence process which eliminated many items that were improper payments that had previously been resolved. Currently, these transactions are input as a separate transaction type (CR – Cash Receipt) within COFRS. The State should consider incorporating input of vendor refund information into accounts payable activity when implementing the new accounting system. Currently, steps should be taken to standardize vendor refund detail for use in data analysis and prepare for the transition to the new accounts payable system.



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One vendor has confirmed the claim was valid and is sending a refund check to the State. Balance Risk will make reasonable efforts to present and resolve the remaining claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency C– Department of Corrections

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 4,110 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 115 documents for further analysis.

Results: Our review identified five claim issues for approximately twenty-seven thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims and we are currently in correspondence with the vendors to resolve the issues and collect any overpayments due.

Conclusions: Overall, the claim issues for Corrections

noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Corrections fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	177,619	957,949,235.17	
No invoice number	2,787	(24,802,384.62)	3%
Voided	446	754,808.45	0%
Expired (sent to unclaimed property)	7	618.20	0%
Average Input per FY	59,206	319,316,412	
Average Input per Mo	4,934	26,609,701	
Transactions Reviewed			
Analytic items generated	4,110	59,551,779.75	
Documents reviewed	115	1,351,276.15	
Results			
Claims Written	5	27,039.11	
Claims Voided	-	-	
Currently Open	5	27,039.11	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was not as difficult as other agencies due to the high percentage of invoice numbers input for transactions. This agency had very few Expired transactions as many of their inappropriate payments were detected during the semiannual review of aged open warrants.

Items resolved prior to the audit

We noted in our review of potential overpayments that 446 transactions totaling seven hundred fifty-five thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

While the erroneous items were corrected through voiding transactions, long-term goals should include development of analytics to promote early detection and remediation of overpayments and measure effectiveness of training and execution regarding invoice input conventions.

We were able to incorporate vendor refund information into our due diligence process which eliminated many items that were improper payments that had previously been resolved. Currently, these transactions are input as a separate transaction type (CR – Cash Receipt) within COFRS. The State should consider incorporating input of vendor refund information into accounts payable activity when implementing the new accounting system. Currently, steps should be taken to standardize vendor refund detail for use in data analysis and prepare for the transition to the new accounts payable system.

One vendor has confirmed the claim was valid and is sending a refund check to the State. Balance Risk will make reasonable efforts to present and resolve the remaining claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency D– Department of Education

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 9,837 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 28 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors. We have one open item with DAC-State Charter School Institute for fiscal year 2008 that may result in a claim.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate

relative to minimizing inappropriate payments during the scope period.

Education fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	115,238	12,246,066,835.70	
No invoice number	62,634	12,083,688,915.24	99%
Voided	392	3,726,725.18	0%
Expired (sent to unclaimed property)	53	5,597.69	0%
Average Input per FY	38,413	4,082,022,279	
Average Input per Mo	3,201	340,168,523	
Transactions Reviewed			
Analytic items generated	9,837	1,597,709,562.22	
Documents reviewed	28	307,093.15	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as 99% of the dollars input for payment did not have an invoice number. This was reflected in the total number of potential duplicates from our analytics which was the second highest of all agencies. We relied heavily on the invoice description field to aid our review, which helped us eliminate many false positives generated from our duplicate payment queries. A majority of spend for this agency involved pass through monies from the Federal Department of Education to school districts. Control over grant spend includes internal reconciliation processes that ensure payments do not exceed authorized grant values, which can provide effective mitigating controls to identify or correct improper payments.

Items resolved prior to the audit

We noted in our review of potential overpayments that 392 transactions totaling three million seven hundred twenty-seven thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

We are recommending that all agencies with a high percentage of no input values in the invoice field work to develop invoice input practices that incorporate “smart” invoice numbers (invoice numbering schemes) which would be especially appropriate for agencies that have significant grant pass through monies to aid in automated reconciliation processes, reporting metrics and data analytics.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency E– Office of the Governor

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,077 transactions with potential issues.

Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 31 documents for further analysis. We were informed the following:

For 23 of the documents requested - fiscal year 2008 documents were destroyed in the normal retention cycle and fiscal year 2009 documents were located in a basement storage area that flooded and were destroyed prior to normal retention destruction.

Five documents we had requested were actually located with other controllers. At the close of fieldwork we felt it would not be reasonable to require a last minute request and decided to exclude the items from testing and show the documents as unavailable.

The end result was only three documents were provided out of the total requested.

Office of the Governor fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	44,553	268,299,545.61	
No invoice number	22,669	142,842,861.23	53%
Voided	206	733,010.11	0%
Expired (sent to unclaimed property)	43	6,194.12	0%
Average Input per FY	14,851	89,433,182	
Average Input per Mo	1,238	7,452,765	
Transactions Reviewed			
Analytic items generated	1,077	12,714,308.27	
Documents reviewed	3	37,940.26	
Documents unavailable	28	799,702.66	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



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Results: Due to various reasons documents were not available for review. We were unable to research potential inappropriate payments identified in our data analysis.

Conclusions: We have no opinion on existing controls for this agency during the scope period.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency F– Department of Public Health & Environment

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 2,631 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 54 documents for further analysis.

Results: Our review identified nine claim issues for approximately sixty thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims prior to delivery to the vendors. For two claims, the vendor verified the overpayments which were applied to open invoices. We have voided those items and we are currently in correspondence with the vendors to resolve the remaining issues and collect any overpayments due.

Public Health & Environment fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	171,786	652,584,584.55	
No invoice number	36,450	8,780,887.94	1%
Voided	429	1,477,257.84	0%
Expired (sent to unclaimed property)	122	40,991.39	0%
Average Input per FY	57,262	217,528,195	
Average Input per Mo	4,772	18,127,350	
Transactions Reviewed			
Analytic items generated	2,631	22,450,309.54	
Documents reviewed	54	271,918.58	
Results			
Claims Written	9	60,258.61	
Claims Voided	2	27,281.25	
Currently Open	7	32,977.36	
Claims Collected	-	-	



Conclusions: Overall, the claim issues for Public Health & Environment noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was not as difficult as with other agencies because a significant percentage of spend had invoices numbers input. Transactions with no invoice number were mainly for payment of Purchase Card statements.

Two claims have been voided due to application of the overpayment to subsequent invoices. Application of overpayments to open vendor invoices should be discontinued. When overpayments are applied, the agency loses visibility of the invoiced items on accounts payable. In addition, there could be differences in funding or coding that would misstate accounting of both the overpayment and invoice where charges were applied. Also, application of credits to invoices could cause issues if review and approval routing is changed because the invoice is not being input into the system for payment processing. Finally, only manual controls would detect a potential duplicate payment should the vendor resubmit the invoice or invoices following application of overpayments.

Balance Risk recommends processing overpayment items as credits into accounts payable with all related invoices to maintain adequate control over transaction detail and ensure a complete universe of payment information is maintained for data analysis. Should a vendor not have adequate current invoice activity to clear the overpayment credit, then the vendor should submit a refund check for deposit.

Items resolved prior to the audit

We noted in our review of potential overpayments that 429 transactions totaling one million four hundred seventy-seven thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

We were able to incorporate vendor refund information into our due diligence process which eliminated many items that were improper payments that had previously been resolved. Currently, these transactions are input as a separate transaction type (CR – Cash Receipt) within COFRS. The State should consider incorporating input of vendor refund information into accounts payable activity when



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implementing the new accounting system. Currently, steps should be taken to standardize vendor refund detail for use in data analysis and prepare for the transition to the new accounts payable system.

Balance Risk will make reasonable efforts to present and resolve the remaining claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary Agency H– Department of Transportation

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 7,686 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 322 documents for further analysis.

Results: Our review identified seven claim issues for approximately two thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims prior to delivery to the vendors. For two

claims, the vendor verified the overpayments which were applied to open invoices. We have voided those items, plus four others that were less than our materiality threshold of \$500.00 and were largely written as test cases for the claim development and review process. We are currently in correspondence with the vendor to resolve the final claim and collect any overpayments due.

Conclusions: Overall, the claim issues for Transportation noted during our review are not material. We noted that Transportation is very active in performing data analysis and detecting and resolving

Transportation fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	541,800	4,399,496,126.81	
No invoice number	44	34,787,414.50	1%
Voided	422	4,189,032.03	0%
Expired (sent to unclaimed property)	1	1,625.00	0%
Average Input per FY	180,600	1,466,498,709	
Average Input per Mo	15,050	122,208,226	
Transactions Reviewed			
Analytic items generated	7,686	71,532,332.44	
Documents reviewed	322	1,276,374.36	
Results			
Claims Written	7	2,175.84	
Claims Voided	6	986.84	
Currently Open	1	1,189.00	
Claims Collected	-	-	



duplicate payment issues throughout the entire scope period of the audit. This indicates that existing controls and procedures are good relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was dramatically easier than other agencies as the department converted to SAP in 2006. A majority of spend for this agency relates to grants for major construction and maintenance of state transportation infrastructure. Control over grant spend includes monthly automated reconciliation processes that ensure payments do not exceed authorized grant values, which provides effective controls to identify or correct improper payments.

Several of our potential duplicate items were invoices that were split and input into multiple cost centers giving the appearance of a duplicate payment. We recommend that Transportation consider having vendors submit separate invoices to applicable organizations or establish delegation of authority for certain approvers that can approve an invoice coded to multiple cost centers.

We also noted several instances in the invoice files of vendor application of overpayments to other invoices that were not input into accounts payable. Application of overpayments should be discontinued. When overpayments are applied, the agency loses visibility of the invoiced items on accounts payable. In addition, there could be differences in funding or coding that would misstate accounting of both the overpayment and invoice where charges were applied. Also, application of credits to invoices could cause issues if review and approval routing is changed because the invoice is not being input into the system for payment processing. Finally, only manual controls would detect a potential duplicate payment should the vendor resubmit the invoice or invoices following application of overpayments.

Transportation began in May 2012 processing vendor refunds as credits into accounts payable with all related invoices which ensures a complete universe of payment information is maintained for data analysis. This dramatically improves productivity when analytics identify potential overpayment issues. Data at the vendor level can quickly indicate that a potential overpayment item has in fact been resolved.

Items resolved prior to the audit

We noted in our review of potential overpayments that 422 transactions totaling four million one hundred eighty-nine thousand dollars were voided in SAP. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided



SAP system data provided for the audit specifically describes through void reason codes why transactions were voided, who processed the void and when the transaction was voided. This allows specific root cause analysis and sophisticated data research to ensure virtually all like errors or issues are addressed within the data once an error has been accurately identified.

Transportation utilizes ACL analytic software, to help identify potential overpayments. We noted on several occasions in vendor invoice files that duplicate payments had been identified by internal audit reviews of accounts payable transactions. The audit group communicated the issue which was researched by the applicable Region or Headquarters department and then resolved.

We support Transportation efforts to refine their analytics queries and develop capabilities across the department to enhance the overall control environment. Balance Risk will make reasonable efforts to resolve the remaining open claim issue identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency I– Department of Human Services

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 15,664 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 100 documents for further analysis.

Results: Our review identified seven claim issues for approximately twenty-four thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims prior to delivery to the vendors. For one claim the vendor verified the overpayment part of

Human Services fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	1,027,791	2,289,727,160.60	
No invoice number	536,262	1,014,958,601.16	44%
Voided	3,595	3,227,252.26	0%
Expired (sent to unclaimed property)	2,023	319,545.55	0%
Average Input per FY	342,597	763,242,387	
Average Input per Mo	28,550	63,603,532	
Transactions Reviewed			
Analytic items generated	15,664	116,379,630.92	
Documents reviewed	100	6,349,968.82	
Results			
Claims Written	7	24,415.35	
Claims Voided	1	11,644.90	
Currently Open	6	12,770.45	
Claims Collected	-	-	

which was applied to an open invoices and the remaining balance was refunded to the Agency. We have voided that claim and we are currently in correspondence with the vendors to resolve the remaining issues and collect any overpayments due.



Conclusions: Overall, the claim issues for Human Services noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as 44% of the transactions spend for Human Services did not have an invoice number. We relied heavily on the invoice description field to aid our review, but over 20% of transactions with no invoice number also did not have a description, which significantly impacted our ability to analyze the information. This is evident by the highest number of potential overpayment items identified compared to all other agencies for this audit.

A majority of spend for this agency appeared to be related to grants. Human Services utilizes COFRS functionality for review of grant spend and also performs data review to ensure payments do not exceed authorized grant values, which provides effective mitigating controls to identify or correct improper payments.

Our one claim for this agency was voided due to application of the overpayment to subsequent invoices. Application of overpayments to open vendor invoices should be discontinued. When overpayments are applied, the agency loses visibility of the invoiced items on accounts payable. In addition, there could be differences in funding or coding that would misstate accounting of both the overpayment and invoice where charges were applied. Also, application of credits to invoices could cause issues if review and approval routing is changed because the invoice is not being input into the system for payment processing. Finally, only manual controls would detect a potential duplicate payment should the vendor resubmit the invoice or invoices following application of overpayments.

Items resolved prior to the audit

We noted in our review of potential overpayments that 3,595 transactions totaling three million two hundred twenty-seven thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

Balance Risk will make reasonable efforts to present and resolve the remaining claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency J– Judicial

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 5,813 transactions with potential issues.

Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 71 documents for further analysis. 19 documents (approximately 30% of the total requested) were provided during the fieldwork portion of the audit. An additional group of documents were sent to Balance Risk the week following completion of testing.

Results: Our review of documentation provided during the audit testing period did not identify any claim issues to pursue with vendors.

Judicial fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	1,203,228	313,498,283.71	
No invoice number	182,501	81,455,491.38	26%
Voided	2,836	1,297,287.60	0%
Expired (sent to unclaimed property)	2,448	66,700.73	0%
Average Input per FY	401,076	104,499,428	
Average Input per Mo	33,423	8,708,286	
Transactions Reviewed			
Analytic items generated	5,813	17,124,862.15	
Documents reviewed	19	100,817.48	
Documents unavailable	52	217,171.48	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Conclusions: Overall, for the documentation provided during the fieldwork portion of the audit, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency identified some interesting results. Judicial input the highest number of transactions of any agency reviewed. However, out of 20 agencies analyzed, Judicial was the 11th highest in total spend. It appears that there is a high frequency of vendors with low transaction volume (one or two time payments) as compared to other agencies. A full 26% of the dollars spent did not have an invoice number input including vendors for utilities, property leases, and medical and counseling services. A large portion of payment transactions for this agency included what appeared to be court case numbers.

With the move to a new accounting system, Judicial should look toward developing an agency-wide strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency K– Department of Labor & Employment

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,437 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 25 documents for further analysis.

Results: Our review identified two claim issues for approximately five thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims and we are currently in correspondence with the vendors to resolve the issues and collect any overpayments due.

Conclusions: Overall, the claim issues for Labor & Employment noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Labor & Employment fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	170,455	339,477,198.50	
No invoice number	44,934	19,525,187.35	6%
Voided	610	568,969.85	0%
Expired (sent to unclaimed property)	12	7,500.90	0%
Average Input per FY	56,818	113,159,066	
Average Input per Mo	4,735	9,429,922	
Transactions Reviewed			
Analytic items generated	1,437	6,889,805.63	
Documents reviewed	25	61,962.50	
Results			
Claims Written	2	4,765.00	
Claims Voided	-	-	
Currently Open	2	4,765.00	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency shows how agencies use COFRS differently to pay invoices. While transactions with no invoice number input was 6% of total dollars it represented 26% of all transaction lines and included medical services, utilities and payment to purchase card service providers . This agency utilized the invoice description field extensively and we were able to rely on that information to complete our review and eliminate many false positives identified in our data analytic process.

Items resolved prior to the audit

We noted in our review of potential overpayments that 610 transactions totaling five hundred sixty-nine thousand dollars were voided in COFRS and relative to other agencies it represents a very low percentage of activity. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

With the move to a new accounting system, Labor & Employment should look to developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

Balance Risk will make reasonable efforts to present and resolve the claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency L– Department of Law

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: This agency was one of the smallest in terms of transactions input for payment and dollars spent for the review. Data analytics identified 232 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 13 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Law fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	27,526	29,874,641.49	
No invoice number	7,558	14,958,416.42	50%
Voided	145	383,190.40	1%
Expired (sent to unclaimed property)	40	6,876.09	0%
Average Input per FY	9,175	9,958,214	
Average Input per Mo	765	829,851	
Transactions Reviewed			
Analytic items generated	232	2,373,101.26	
Documents reviewed	13	548,725.71	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as Law did not input an invoice number for approximately half of dollars spent during the scope period. This agency utilized the invoice description field extensively and we were able to rely on that information to complete our review and eliminate false positives identified in our data analytic process.

Items resolved prior to the audit

We noted in our review of potential overpayments that 145 transactions totaling three hundred eighty-three thousand dollars were voided in COFRS; relative to other agencies it represents a very low percentage of activity. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

With the move to a new accounting system, Law should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.

Agency Comment:

Beginning in 2011 the agency does input the date in as the invoice number for travel expenses. The remaining lines that are blank represent payments district attorney salaries for over 20 judicial districts.



Agency Audit Summary

Agency M– General Assembly

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: This agency represents the lowest level of activity and dollars spent during the scope period of our review. Data analytics identified 363 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 7 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

General Assembly fiscal years 2008-2010

Transactions Input	Count	Amount \$	% of Amount
Total transactions	14,929	26,877,409.17	
No invoice number	5,903	4,645,994.28	17%
Voided	32	42,151.71	0%
Expired (sent to unclaimed property)	9	291.80	0%
Average Input per FY	4,976	8,959,136	
Average Input per Mo	415	746,595	
Transactions Reviewed			
Analytic items generated	363	6,137,126.70	
Documents reviewed	7	44,252.00	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was the least complex due to the very small volume and type of payment. A large percentage of items with a blank invoice numbers related to travel and per diem reimbursements that were detailed in the invoice description field.

With the move to a new accounting system, General Assembly should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency N– Local Affairs

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 5,455 transactions with potential issues. This agency had one of the highest counts of potential overpayment issues due to the very high occurrence where the invoice field was not populated. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 8 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Local Affairs fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	68,546	766,409,738.92	
No invoice number	60,993	755,162,235.45	99%
Voided	545	1,528,525.15	0%
Expired (sent to unclaimed property)	331	70,386.00	0%
Average Input per FY	22,849	255,469,913	
Average Input per Mo	1,904	21,289,159	
Transactions Reviewed			
Analytic items generated	5,455	72,937,379.06	
Documents reviewed	8	956,761.40	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as Local Affairs did not input an invoice number for 99% of the spending analyzed during the scope period. Potential duplicates identified by our analytic programs for this agency were the fourth highest of all agencies tested. We relied solely on the invoice description field to aid our review, with the net result being only 8 documents requested for further review.

With the move to a new accounting system, Local Affairs should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.

Department Response:

The vast majority (97%) of DOLA’s payments are payments on grant contracts. Since DOLA typically has multiple contracts active with the same entity, we do not populate the invoice field for grants payments. Doing so would result in payments being rejected after the first payment. For example, using the description “payment #1” would result in multiple payment #1’s for the same entity (vendor). This is not practical since the system contains a hard stop for duplicate invoice numbers and will not allow the payment to go forward. DOLA has used smartcoding for many years. Specifically, we use a smart-coded encumbrance (PO #) number for our grant contract numbers and include the contract number in the description field. The contract numbers are 10 characters long, and the invoice field is limited to 12 characters. To do as the comment is suggesting would require a combination of the contract number as well as the payment number in the invoice number field. This would result in significant data entry and would be very prone to error.

Instead, DOLA has implemented many compensating controls prior to payment approval, both in Finance and in the divisions where the grant programs reside. These controls provide reasonable assurance the payments being made are not duplicates and that sufficient documentation exists to support the payment amount.



Agency Audit Summary

Agency O – Veteran’s Affairs

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 429 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 16 documents for further analysis.

Results: Our review identified three claim issues for approximately one thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims prior to delivery to the vendors. For two claims, the vendor verified the overpayments which were applied to open invoices. We have voided those items and we are currently in correspondence

with the vendors to resolve the remaining issue and collect any overpayments due.

Veteran’s Affairs fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	19,809	41,716,737.30	
No invoice number	6	1,768.91	0%
Voided	19	72,312.95	0%
Expired (sent to unclaimed property)	9	50,276.29	0%
Average Input per FY	6,603	13,905,579	
Average Input per Mo	550	1,158,798	
Transactions Reviewed			
Analytic items generated	429	1,235,844.36	
Documents reviewed	16	104,128.66	
Results			
Claims Written	3	1,460.12	
Claims Voided	2	1,216.32	
Currently Open	1	243.80	
Claims Collected	-	-	



Conclusions: Overall, the claim issues for Veteran’s Affairs noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was effective because virtually all of the transactions input for payment had an invoice number. Invoice description field information was also consistently input and was very helpful during our review.

We noted in our review of potential overpayments that only 19 transactions totaling seventy-two thousand dollars were voided in COFRS and 9 transactions totaling fifty thousand dollars were sent to unclaimed property. These were the second lowest totals for all agencies reviewed during the audit.

Two of the three claims written for this agency were voided because the overpayment had been applied to open invoices for that vendor. Application of overpayments to open vendor invoices should be discontinued. When overpayments are applied, the agency loses visibility of the invoiced items on accounts payable. In addition, there could be differences in funding or coding that would misstate accounting of both the overpayment and invoice where charges were applied. Also, application of credits to invoices could cause issues if review and approval routing is changed because the invoice is not being input into the system for payment processing. Finally, only manual controls would detect a potential duplicate payment should the vendor resubmit the invoice or invoices following application of overpayments.

Veteran’s Affairs has made process changes after the scope period instructing Accounts Payable processors to stop application of overpayments and only input gross invoice amount for payment. Balance Risk recommends processing overpayment items as credits into accounts payable with all related invoices to maintain adequate control over transaction detail and ensure a complete universe of payment information is maintained for data analysis. Should a vendor not have adequate current invoice activity to clear the overpayment credit, then the vendor should submit a refund check for deposit.

Balance Risk will make reasonable efforts to present and resolve the remaining claim issue identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Audit Summary

Agency P – Natural Resources

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 7,924 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 61 documents for further analysis.

Results: Our review identified twelve claim issues for approximately seventy-five thousand dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claims prior to delivery to the vendors. For one claim, the vendor verified the overpayments which were applied to open invoices and another the vendor refunded the overpayment

Natural Resources fiscal years 2008-2010

Transactions Input	Count	Amount \$	% of Amount
Total transactions	1,115,650	587,251,776.52	
No invoice number	687	559,267.18	0%
Voided	2,089	1,490,149.32	0%
Expired (sent to unclaimed property)	11,623	648,495.21	0%
Average Input per FY	371,883	195,750,592	
Average Input per Mo	30,990	16,312,549	
Transactions Reviewed			
Analytic items generated	7,924	41,947,861.18	
Documents reviewed	61	703,438.18	
Results			
Claims Written	12	75,006.66	
Claims Voided	2	9,804.63	
Currently Open	8	64,036.92	
Claims Collected	2	1,165.11	

which we missed in the vendor refund data set. For one claim, the vendor did not cash the erroneous payment which was sent to unclaimed property and is now being claimed back. A vendor has also refund the open balance on account for an overpayment. We are currently in correspondence with vendors to resolve the remaining claim issues and collect any overpayments due.



Conclusions: Overall, the claim issues for Natural Resources noted during our review are not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was easier than most agencies despite the large payment volume because Natural Resources input invoice number for most of transactions analyzed. We relied on the invoice description field to aid our review.

Items resolved prior to the audit

We noted in our review of potential overpayments that 2,089 transactions totaling one million four hundred ninety thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

While the erroneous items were corrected through voiding transactions, long-term goals should include development of analytics to promote early detection and remediation of overpayments and measure effectiveness of training and execution regarding invoice input conventions.

Natural Resources had the highest transaction count of items sent to Unclaimed Property. Over eleven thousand transactions totaling six hundred forty-eight thousand dollars was sent to unclaimed property during the scope of the audit, primarily for refund of hunting permit fees where the warrant was not cashed. Natural resources correctly pointed out that they have little control over that because they utilize the exact information provided at the time the license application and payment are submitted. One thing Natural Resources should consider is implementing electronic refund payment processes to potentially reduce unclaimed property items when warrants are not cashed.

Balance Risk will make reasonable efforts to present and resolve the remaining claim issues identified during the review. We estimate that a final disposition of claims should be completed by early November 2012.



Agency Comment:

Most of the unclaimed property checks are for hunting license refunds. Also, in 2011, Natural Resources made changes to the input convention to more effectively utilize the COFRS duplicate payment validation.



Agency Audit Summary

Agency R – Public Safety

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,921 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 21 documents for further analysis.

Results: Our review identified one claim for approximately one thousand five hundred dollars that had not previously been resolved by the Agency or vendors. The Agency reviewed the claim prior to forwarding to the vendor. The vendor agreed with the claim and sent a refund check to the State of Colorado Recovery Audit Account.

Conclusions: Overall, the claim issue for Public Safety noted during our review is not material. This would indicate that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Public Safety fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	51,800	265,514,502.16	
No invoice number	18,550	200,680,398.02	76%
Voided	217	436,124.59	0%
Expired (sent to unclaimed property)	1	27.30	0%
Average Input per FY	17,267	88,504,834	
Average Input per Mo	1,439	7,375,403	
Transactions Reviewed			
Analytic items generated	1,921	46,851,987.18	
Documents reviewed	21	93,375.59	
Results			
Claims Written	1	1,503.35	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	1	1,503.35	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as Public Safety did not input an invoice number for 76% of the audit payments analyzed. We relied heavily on the invoice description field to aid our review.

Items resolved prior to the audit

We noted in our review of potential overpayments that 217 transactions totaling four hundred thirty-six thousand dollars were voided in COFRS. There are many reasons payment transactions are voided, but the most frequent noted during our review were:

- Accounts Payable processors detect an issue prior to payment and cancel the transaction
- An improper payment was issued and the vendor returned the warrant
- The semi-annual review of open warrant transactions helped identify an improper payment and was subsequently voided

COFRS system data provided for the audit does not definitively identify why transactions were voided. Modern accounting systems are configured to provide this information through use of transaction codes and dating, user codes and comment fields.

While the erroneous items were corrected through voiding transactions, long-term goals should include development of analytics to promote early detection and remediation of overpayments and measure effectiveness of training and execution regarding invoice input conventions.

We were informed very late in our schedule for audit testing (8/31/12- the last day of document review) that invoices from the Office of the Governor for Homeland Security had been transferred over to Public Safety in October 2011. We chose not to pursue review of the item for this department which would have required last minute efforts on your part to pull documentation). A statewide document imaging system would provide seamless coordination and access to historical documents and will be recommended in the overall management report. Your organization is fully aware of the benefits of imaging and how it improves access to information and productivity.

The claim written for Public Safety was refunded by the vendor and deposited into the State of Colorado Recovery Audit Account.

Agency Comment:

Voided Transactions: It is not clear from your report how you determined that 217 transactions were voided and I am assuming this data came from warrant cancellations. We cancel approximately 10 warrants annually from the twice yearly review of open warrant transactions. All warrant cancellations are documented in some way with the Office of the State Controller (OSC) either due to an erroneous payment or by replacing a valid warrant to a vendor that was lost or misplaced. The affidavits provided to the OSC contains the reason for cancellation. I would think that lost or misplaced warrants by vendors makes up a majority of the 217 incidences. In our pre-



approval review of payments, we use several techniques to identify duplicate payments and make every effort to eliminate these types of errors.

Use of Invoice Number: We use the invoice number field when an invoice number is provided. Grant payments account for approximately 60 % of payments to vendors and these requests for reimbursement do not typically include an invoice number. Our employee travel expense reports also do not have an invoice number on them. It has been our practice to not populate the invoice number field for grant payments and reimbursement of employee travel expense reports. I think these two areas would account for the 76% of payment transactions you observed not using an invoice number. We are considering creating an invoice number for grant payments and employee expense reports that would be based on a date found on the payment document.



Agency Audit Summary

Agency S – Department of Regulatory Agencies

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 657 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 26 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Regulatory Agencies fiscal years 2008-2010

Transactions Input	Count	Amount \$	% of Amount
Total transactions	46,935	43,918,984.49	
No invoice number	24,515	20,778,117.54	47%
Voided	371	141,654.82	0%
Expired (sent to unclaimed property)	92	11,137.53	0%
Average Input per FY	15,645	14,639,661	
Average Input per Mo	1,304	1,219,972	
Transactions Reviewed			
Analytic items generated	657	3,649,382.71	
Documents reviewed	26	116,586.88	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



State of Colorado – Recovery and Contract Compliance Audit

Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was difficult as Department of Regulatory Agencies did not input an invoice number for 47% of the audit payments analyzed. We relied heavily on the invoice description field to aid our review.

A large percentage of items with a blank invoice numbers related to travel and per diem reimbursements, purchase card provider charges and leases that were detailed in the invoice description field.

With the move to a new accounting system, Department of Regulatory Agencies should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency T – Department of Revenue

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,075 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 6 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Revenue fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	59,039	309,983,958.60	
No invoice number	31,034	95,284,914.70	31%
Voided	191	519,730.75	0%
Expired (sent to unclaimed property)	25	954.19	0%
Average Input per FY	19,680	103,327,986	
Average Input per Mo	1,640	8,610,666	
Transactions Reviewed			
Analytic items generated	1,075	9,502,764.61	
Documents reviewed	6	5,887.64	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

This summary only relates specifically to review of potential duplicate payments identified during our audit analytics review of COFRS detail transactions and excludes all other areas of review, such as statements, unclaimed property and contract compliance auditing.

Data analysis for this agency was difficult as Department of Revenue did not input an invoice number for 31% of the payments analyzed. We relied heavily on the invoice description field to aid our review.

A large percentage of items with a blank invoice numbers related to expense reimbursements, utilities and supplies that were detailed in the invoice description field.

With the move to a new accounting system, Department of Revenue should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.

Agency Comment:

The summary was provided to executive management and they did not have any comment.



Agency Audit Summary

Agency V – Department of State

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 204 transactions with potential issues, the lowest total of all agencies reviewed in this audit. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 4 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

State fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	6,868	33,897,911.33	
No invoice number	2,816	5,849,362.23	17%
Voided	10	31,468.74	0%
Expired (sent to unclaimed property)	9	130,969.36	0%
Average Input per FY	2,289	11,299,304	
Average Input per Mo	191	941,609	
Transactions Reviewed			
Analytic items generated	204	3,382,471.61	
Documents reviewed	4	2,860.00	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was the not complex due to the low volume of transactions reviewed. Department of State did not input an invoice number for 17% of the payments analyzed. A large percentage of items with blank invoice numbers related to expense reimbursements, purchase card provider charges and utilities that were detailed in the invoice description field.

With the move to a new accounting system, Department of State should look toward developing a strategy for “smart” invoice numbering sequences to incorporate the information now input into the description field into the invoice field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.



Agency Audit Summary

Agency W – Treasury Department

Scope: Fiscal year 2008-2010 Accounts Payable transactions.

Objective: Identify and recover overpayments to vendors.

Testing performed: Data analytics identified 1,669 transactions with potential issues. Following further review we eliminated most items as not valid or previously resolved and requested that the Agency pull 7 documents for further analysis.

Results: Our review did not identify any claim issues to pursue with vendors.

Conclusions: Overall, our testing indicates that existing controls and procedures are adequate relative to minimizing inappropriate payments during the scope period.

Treasury fiscal years 2008-2010			
Transactions Input	Count	Amount \$	% of Amount
Total transactions	61,944	1,134,589,093.39	
No invoice number	61,944	1,134,589,093.39	100%
Voided	187	2,144,247.87	0%
Expired (sent to unclaimed property)	597	1,004,314.45	0%
Average Input per FY	20,648	378,196,364	
Average Input per Mo	1,721	31,516,364	
Transactions Reviewed			
Analytic items generated	1,669	4,900,426.72	
Documents reviewed	7	232,669.48	
Results			
Claims Written	-	-	
Claims Voided	-	-	
Currently Open	-	-	
Claims Collected	-	-	



Comments: It is important to note the following relative to our review of this Agency:

Data analysis for this agency was not difficult to review even though Department of Treasury did not input an invoice number for 100% of the audit payments analyzed. This is due to the fact that most of the payments processed were for unclaimed property disbursements that had property identification numbers in the invoice description field to aid our review.

With the move to a new accounting system, Department of Treasury should consider utilizing an invoice number that would incorporate the information now input into the description field in the new accounts payable system. Combined with best practice invoice input conventions, this will provide an opportunity to utilize new system functionality relative to proactive detection and prevention of improper payments, enhanced reporting and free up resources to perform more sophisticated spend analysis.

We wanted to take the opportunity to thank Treasury for their support in providing a very quick turnaround on several requests for cleared warrant copies to provide as claim support to vendors at the conclusion of this audit. This was greatly appreciated and helped speed resolution and recovery on several claims.

There are no open claim issues for this agency at the conclusion of the audit fieldwork.

