



**COLORADO**

Office of Administrative Solutions

Division of Financial Services

July 31, 2015

Councilman Chris Herndon  
Denver County

Dear Councilman Herndon,

When I was first hired as the Controller for the Department of Human Services during State Fiscal Year 2013, I was given the task of resolving 38 outstanding financial audit recommendations, many dating back nearly a decade. I am happy to say that as of the end of State Fiscal Year 2015 we have resolved all of these audit recommendations, and that during the 2014 State Fiscal Year audit, the Division of Financial Services received no new audit recommendations for the first time in many years. Both of these items are an indication of the improvement in the controls and accuracy within the Division.

The last of the 38 audit recommendations that we resolved involved the reconciliation of the County Financial Management System (CFMS) and the then-state financial system COFRS, and was first noted as an audit recommendation in State Fiscal Year 2007. Completing this reconciliation involved gathering a complete understanding of the interface between the systems, documenting the proper procedures and reports that should be utilized, putting in place the appropriate controls, and reviewing month after month of county settlement close data. The amount of transactions involved in the county settlements during this time period numbered in the hundreds of thousands.

After approximately two years of work, we have completed the reconciliations and we have discovered that during the annual county administrative close-out process the full county share was not collected. The county share for any funds spent at or below a county's allocation was correctly settled. However, for expenditures above a county's annual allocation the state did not correctly calculate and collect the complete county share due. Your correctly calculated county share indicates the state needs to be reimbursed \$2,757,585.21 from your county for these expenditures.



While any amount due from prior annual close-outs cannot be settled using current or future allocation dollars, counties may use their county human services fund balance. This is where the funds most likely would have come from had they been properly collected originally.

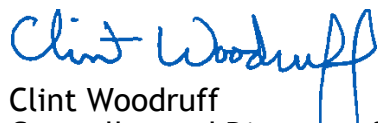
We recognize that for some counties the immediate settlement of this amount may not be practical, while for others it may be the preferred choice. Therefore, we would like to be as accommodating to each county as possible and provide flexibility of choice. Below is a list of potential settlement options. Please notify me of your preferred option and we can proceed as indicated. The options are as follows:

1. Settle the amount in full in year one (State Fiscal Year 2016) from County Funds
2. Settle the amount in three annual installments from County Funds
3. Settle the amount with the full amount of any excess revenues that otherwise would be attributed to your County and then with County Funds at the end of the third year if any amount remained
4. Settle up to one-third of the amount with the excess revenues per year that otherwise would be attributed to your County and then with County Funds at the end of the third year if any amount remained
5. Negotiate another alternative settlement option of the amount

We regret that clearing this audit recommendation resulted in us discovering a situation that could be challenging for some of our county partners. We have immediately put processes and controls in place to ensure that, beginning with the FY 2015 county administration close-out, this will not be an issue.

I hope that the flexibility we are proposing within these options provides an acceptable alternative for settlement of the outstanding county share of expenditures for your county and I look forward to resolving this item with you. I appreciate your continued support and understanding. If you have any questions or would like to discuss this further please contact me via telephone at 303.866.2732 or via e-mail at [clint.woodruff@state.co.us](mailto:clint.woodruff@state.co.us).

Best regards,



Clint Woodruff  
Controller and Director of Financial Services  
Colorado Department of Human Services

cc: Susan Beckman, Director of the Office of Administrative Solutions

