



May 12, 2015

Ms. Diane E. Ray  
State Auditor  
Office of the State Auditor  
1525 Sherman Street  
Denver, Colorado 80202

Re: History Colorado Performance Audit

Dear Ms. Ray:

History Colorado has received the Legislative Audit Committee's request to provide an update on the actions taken to address the June 2014, History Colorado Performance Audit findings. Attached is a status report providing a brief explanation of steps taken and actions underway to be addressed.

If you have any questions related to the status report, please do not hesitate to contact Joseph Bell, Vice President of Finance and Facilities at 303-866-5750 or [joseph.bell@state.co.us](mailto:joseph.bell@state.co.us). History Colorado representatives will attend the June 2, 2015 Legislative Audit Committee hearing to present the enclosed status report.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Nichols".

Edward C. Nichols  
President and CEO

cc: Ann Pritzlaff, Chair  
Agnes Ryan, Chair of the Finance and Audit Committee  
Joseph Bell, Vice President of Finance and Facilities  
Michelle Zale, Controller

# **AUDIT RECOMMENDATION STATUS REPORT**

**AUDIT NAME:** History Colorado Performance Audit, June 2014

**AUDIT NUMBER:** 1405P

**DEPARTMENT/AGENCY/ENTITY:** History Colorado

**DATE:** June 2, 2015

## **SUMMARY INFORMATION**

<b>Recommendation Number</b>	<b>Agency's Response</b>	<b>Original Implementation Date</b>	<b>Implementation Status</b>	<b>Revised Implementation Date</b> <i>(Complete only if agency is revising the original implementation date.)</i>
1	Agree	January 2015	Implemented	
2A	Agree	January 2015	Implemented	
2B	Agree	January 2015	Implemented	
3A	Agree	January 2015	Implemented	
3B	Agree	January 2015	Implemented	
3C	Agree	January 2015	Implemented	
4A	Agree	January 2015	Implemented and Ongoing	
4B	Agree	January 2015	Partially Implemented	July 2015
5A	Agree	July 2015	Partially Implemented	
5B	Agree	January 2015	Implemented	
5C	Agree	January 2015	Implemented	
5D	Agree	July 2015	Implemented and Ongoing	
6A	Agree	July 2015	Implemented	
6B	Agree	July 2015	Implemented	

## DETAIL OF IMPLEMENTATION STATUS

### **RECOMMENDATION NO. 1:**

History Colorado should develop and implement a cost allocation plan that identifies (1) the types of services provided; (2) the cost of each service; (3) a reasonable basis of allocation for each type of service; and (4) the appropriate mathematical computation to equitably allocate costs. This plan should ensure only reasonable and appropriate costs are allocated to the portion of the State Historical Fund reserved for grants.

#### **Current Implementation Status for Rec. No. 1: Implemented**

**Agency's Update:** *Prepared Cost Allocation Plan is attached. The plan was presented to the Finance and Audit Committee of the Board. The Committee has requested further follow-up with SHF staff. The updated plan was reviewed at the February meeting of the Finance and Audit Committee, incorporating all additional SHF staff comments. The final cost allocation plan was revised and approved by the Board's Executive Committee at their February 19, 2015 meeting. Next steps include incorporating the cost allocation into the FY 2014-2015 Closing.*

### **RECOMMENDATION NO. 2:**

History Colorado should strengthen its internal controls over official function expenditures by:

- a. Revising its new Official Functions Policy to ensure it incurs and reimburses expenditures only for events meeting the spirit and intent of State Fiscal Rule 2-7, which requires limiting these expenditures to functions held to achieve program objectives, keeping these expenditures to a minimum, and approving these expenditures by the chief executive officer or his specifically designated representative.
- b. Establishing guidance, with examples of appropriate charges to program and official function budget line items, for those coding or reviewing payments and procurement card transactions to ensure correct coding of expenditures accounts.

#### **Current Implementation Status for Rec. No. 2a and 2b: Implemented**

**Agency's Update:** *The updated Official Function policy is in place. It includes an example of supporting material to assist staff in providing complete documentation. All Official Function forms are routed for approval signatures and filed in the accounting department. All forms are reviewed by accounting staff insuring support material is attached. Next steps include ongoing review, monitoring, and training of staff on this issue.*

### **RECOMMENDATION NO. 3:**

History Colorado should strengthen its internal controls over procurement cards by:

- a. Establishing policies and procedures, as well as a cardholder manual, that conform to the basic requirements and best practices outlined in the State's Commercial Card Manual. Both the policies and procedures and cardholder manual should be reviewed annually to ensure they remain in compliance with State Fiscal Rules, the Commercial Card Manual, and History Colorado's business needs.

#### **Current Implementation Status for Rec. No. 3a: Implemented**

**Agency's Update:** *The History Colorado Commercial Card manual was completed incorporating all internal policies and procedures and noting best practices.*

- b. Providing required training on an annual basis to all new and existing cardholders that meets the minimum standards and best practices outlined in the Commercial Card Manual.

#### **Current Implementation Status for Rec. No. 3b: Implemented**

**Agency's Update:** *A training material was prepared. All staff assigned a card have received updated training. Training will be ongoing for staff and management. Management oversight of employees has been strengthened with required signature approval of transaction statements implemented. The financial transaction statements are reviewed thoroughly by accounting staff. Card issuance and training are being coordinated with HR for all new employees. Cards will not be issued until training is completed, supervisor's approval is received, employee has signed off on card responsibilities, and approval by Vice President of Finance or his delegee has been received.*

- c. Conducting a supervisory review of existing procurement cards and eliminating those cards that are not needed based on job responsibilities and establishing card limits, as deemed appropriate, for each employee. In addition, History Colorado should ensure that supervisors approve new employees to be cardholders based on their job responsibilities and establish appropriate card limits.

#### **Current Implementation Status for Rec. No. 3c: Implemented**

**Agency's Update:** *Commercial card numbers have been reduced by 52%. A purchasing card and travel card review and justification process has already been implemented. Supervisors have reviewed cards issued in each business unit and approved them for continued use based on job responsibilities. Supervisor approval is required for all cardholder reconciliations and for the issuance of cards to new employees with required restrictions placed on the cards. Training for staff was completed by January 2015. There is scheduled training with new staff as hired. This is ongoing. The crafted training reviewed topics of focus detailed in the audit as well as topic areas detailed in the new History Colorado commercial card manual including the review of the business unit's commercial card requirements and options. In preparation for*

*close the majority of P-cards are being suspended to limit and control year end spending. This is to insure that all invoices and goods are received in June to address year end closing needs. Management will be reviewing card use and determining the number of cards and credit limits when reactivating cards in the new fiscal year.*

#### **RECOMMENDATION NO. 4:**

History Colorado should improve its process for reporting to the Board by:

- a. Instituting an internal reconciliation process between budget-to-actual reports and COFRS to ensure that both COFRS and the budget-to-actual reports are accurate.

#### **Current Implementation Status for Rec. No. 4a: Implemented and Ongoing**

**Agency's Update:** *A draft report format has been presented to the Finance and Audit Committee. They requested revisions to the template at their January 2015 meeting. The board requested changes have been incorporated. The available data in CORE has been provided to the board. Period closing is behind schedule and complete data is not available for a period report for the board. Staff is working to further refinement the format template in consultation with the Finance and Audit Committee to meet their needs.*

- b. Documenting the required procedures for generating internal financial reports to increase the accuracy of the reports and the efficiency of the accounting staff.

#### **Current Implementation Status for Rec. No. 4b: Partially Implemented**

**Agency's Update:** *Finance staff continues to work with CORE to trouble shoot and resolve issues with the system in consultation with OSC. At this time, there are data issues that need further attention and are outside the agency's control. Staff members have drafted procedures for CORE invoice processing and are working to document the report process. It is anticipated to have procedures incorporated into the fiscal manual in July 2015. Accounting staff continue to work to refine the data available in CORE.*

#### **RECOMMENDATION NO. 5:**

History Colorado should strengthen internal controls over accounting transactions by:

- a. Establishing written policies and procedures that ensure compliance with guidance outlined in generally accepted accounting principles, State Fiscal Rules, and the Fiscal Procedures Manual.

#### **Current Implementation Status for Rec. No. 5a: Partially Implemented**

**Agency's Update:** *A draft outline for a History Colorado fiscal manual has been prepared.*

- b. Implementing a supervisory review process of expenditure transactions to ensure they are correctly recorded onto COFRS.

**Current Implementation Status for Rec. No. 5b: Implemented**

**Agency's Update:** *Supervisory review and approvals are required on all expenditure transactions. Purchase requests are monitored by accounting staff to insure all requirements are in place.*

- c. Correcting problems identified with existing automatic accounting entries.

**Current Implementation Status for Rec. No. 5c: Implemented**

**Agency's Update:** *There are no automatic accounting entries set up in CORE by the agency.*

- d. Reviewing and evaluating established policies and procedures as well as the programming of all automatic accounting entries on an annual basis.

**Current Implementation Status for Rec. No. 5d: Implemented and Ongoing**

**Agency's Update:** *If automatic accounting entries are activated in the future in CORE, policies and procedure will be crafted.*

**RECOMMENDATION NO. 6:**

History Colorado management and its Board of Directors should:

- a. Work with the Department of Higher Education to assess its current structure and, if necessary, develop an appropriate governance and organizational structure that balances its needs as a non-profit corporation with that of a State agency, and achieves its organizational objectives and obligations.

**Current Implementation Status for Rec. No. 6a: Implemented**

**Agency's Update:** *Board action taken January 22, 2015 with a board resolution. Next steps are Board member selection.*

- b. Work with the General Assembly to develop legislation to incorporate any changes to its governance and organizational structure as a result of implementation of part (a) into State statutes, if necessary.

**Current Implementation Status for Rec. No. 6b: Implemented**

**Agency's Update:** *History Colorado worked with the Colorado Department of Higher Education to craft wording for a proposed bill to address changes to the board's structure. Senate Bill 15-225 was signed into law by the Governor on May 5, 2015. Next step is revision of the by-laws as needed.*