



COLORADO

Office of the State Controller

Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

June 29, 2018

The Honorable John W. Hickenlooper
Governor
State of Colorado

Dianne E. Ray
State Auditor
Colorado Office of the State Auditor

Representative Millie Hamner
Chair
Joint Budget Committee

Representative Tim Neville
Chair
Legislative Audit Committee

RE: Recovery Audit

Dear Governor Hickenlooper, Auditor Ray, Representative Hamner, and Representative Neville:

This letter provides you with a summary of the results of the statewide recovery audit. A recovery audit is a financial management technique used to identify improper payments made by an entity to vendors and other entities in connection with the payment activities. The audit is required by Colorado Revised Statute (C.R.S.) Section 24-30-203.5, and was performed by Auditrax LLC, DBA Finix (Finix) under contract with the Office of the State Controller (OSC).

Summary of the Audit

Overall Spend reviewed – FY15, FY16, FY17	\$51.9 billion
Number of Transactions	3.8 million
Overpayments/Improper payments identified	\$272,331
Potential claims in progress	21,249
Potential unclaimed property	<u>87,603</u>
Grand Total	\$381,183
Percentage of Overall Spend	.0007%

The Overpayments/Improper payments of \$272,331 includes \$229,133 in unclaimed property belonging to various state entities, \$30,446 in overpayments, and \$12,752 in returns for which the state did not collect credits due from vendors. To date, the recovery auditor has collected \$43,025. Under terms of the contract, the State pays a fee of 15% to the recovery auditor from the amounts collected. The fee amount today is \$6,454, with a potential payment of \$57,177 if all overpayments/improper payments and potential claims are valid and collected.

In the opinion of the recovery auditor, CORE (Colorado Operations Resource Engine), the State’s financial system, has “solid controls to prevent overpayments to vendors as covered by this recovery audit. Processes enacted by the Office of the State Controller and individual agencies have shown to be sufficient to prevent overpayments.”



The Statewide recovery audit included all state government entities with the exception of statutory exemptions for the general assembly, higher education, and payments to vendors made by the Colorado Department of Health Care Policy and Financing on behalf of the federal Medicaid program. Those payments to Medicaid providers are reviewed through ongoing recovery audit services contracted by that agency. Also, any interdepartmental payments made by a Colorado state entity to another state entity were excluded from the audit.

Overpayments/Improper Payments

As noted above, the overpayments/improper payments fell into three categories:

1. Unclaimed Property – This arose primarily because vendors returned money to state agencies, the state agencies did not cash the checks, and the vendors then reported this amount to unclaimed property. The Office of the State Controller will work with the Treasury and agencies to ensure that the state has procedures in place and follows those procedures to cash checks timely from vendors and that if the checks expire and are sent to unclaimed property that there is a review process in place to return the money to the appropriate state agency.
2. Overpayments – Most of the overpayments were related to credits that were not taken, credits applied to different invoices, and credit memos issued rather than deducted from the invoice. Where there were instances of duplicate payments, the state agency had already identified the overpayment and had corrected such payments.
3. Returns – This condition occurred because state agencies returned goods and did not always closely track open credits from vendors. As a result, vendors had credits due to state agencies that agencies did not claim.

Office of State Controller's Response to Recovery Audit

We agree with the auditor's assessment regarding the overall effectiveness of controls residing within the CORE system. We believe that the implementation of CORE in Fiscal Year 2015 has served to modernize our process for accountability and financial reporting, and at the same time provided us with substantially improved internal control over the State's assets. However, the results of the audit show that there are certain internal controls that can be improved that would yield more efficient use of state resources. Most of the overpayments related to credits not tracked closely by state agencies. We plan take actions to reduce unused credits and address other audit recommendations to further improve the state's payment processes.

Please contact me if you or anyone on your staff have questions or would like to provide feedback regarding the statewide recovery audit.

Respectfully,



Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachments:

- A. Detail of Overpayments/improper payments
- B. Key Observations by Finix, recovery auditor
- C. Recovery Auditor's recommendations and OSC's responses

Exhibit A

Code	Department	Returns	Overpayments	Unclaimed Property	Total Claims	Collected Claims	Outstanding Claims
A	Personnel and Administration	\$0.00	\$0.00	\$9,047.77	\$9,047.77	\$0.00	\$9,047.77
B	Agriculture	\$0.00	\$0.00	\$4,493.16	\$4,493.16	\$0.00	\$4,493.16
C	Corrections	\$548.52	\$0.00	\$7,332.07	\$7,880.59	\$548.52	\$7,332.07
D	Education	\$0.00	\$600.00	\$2,147.79	\$2,747.79	\$600.00	\$2,147.79
E	Office of the Governor	\$2,628.65	\$12,273.07	\$744.40	\$15,646.12	\$14,901.72	\$744.40
F	Public Health and Environment	\$0.00	\$0.00	\$16,476.44	\$16,476.44	\$0.00	\$16,476.44
G	Higher Education	\$0.00	\$0.00	\$2,460.20	\$2,460.20	\$0.00	\$2,460.20
H	Transportation	\$9,322.37	\$371.16	\$12,211.30	\$21,904.83	\$9,520.80	\$12,384.03
I	Human Services	\$0.00	\$0.00	\$7,332.31	\$7,332.31	\$0.00	\$7,332.31
J	Judicial	\$0.00	\$1,581.49	\$19,973.91	\$21,555.40	\$1,581.49	\$19,973.91
K	Labor and Employment	\$0.00	\$0.00	\$10,601.51	\$10,601.51	\$0.00	\$10,601.51
L	Department of Law	\$0.00	\$0.00	\$118.09	\$118.09	\$0.00	\$118.09
N	Local Affairs	\$0.00	\$0.00	\$332.20	\$332.20	\$0.00	\$332.20
O	Military and Veterans Affairs	\$0.00	\$0.00	\$279.18	\$279.18	\$0.00	\$279.18
P	Natural Resources	\$0.00	\$0.00	\$26,731.24	\$26,731.24	\$0.00	\$26,731.24
R	Public Safety	\$252.00	\$14,491.22	\$1,274.59	\$16,017.81	\$14,743.22	\$1,274.59
S	Regulatory Agencies	\$0.00	\$0.00	\$68,652.09	\$68,652.09	\$0.00	\$68,652.09
T	Revenue	\$0.00	\$0.00	\$2,220.00	\$2,220.00	\$0.00	\$2,220.00
U	Health Care Policy and Financing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
V	Secretary of State	\$0.00	\$1,129.44	\$14,726.06	\$15,855.50	\$1,129.44	\$14,726.06
W	Treasury	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
---	General - State of Colorado	N/A	N/A	\$21,978.63	\$21,978.63	\$0.00	\$21,978.63
Total		\$12,751.54	\$30,446.38	\$229,132.94	\$272,330.86	\$43,025.19	\$229,305.67

SUMMARY OF RECOVERED FUNDS (as of June 29, 2018)					
Improper Payment Type		Total Amount Recovered to Date	Contingency Fee Paid (15%)	Returned to State Agency	Reserved for General Fund
Overpayments	Returns				
\$30,446	\$12,752	\$43,025 *	\$6,454	\$8,093	\$28,478

*Excludes \$173 check in transit at time of reporting. Total amount recovered including this check is \$43,198.

Exhibit B

Key Observations by Finix, Recovery Auditor

"It is the opinion of Finix that the Colorado Operations Resource Engine (CORE) Enterprise Resource Planning System has solid controls to prevent overpayments to vendors as covered by this recovery audit. Processes enacted by the Office of the State Controller and individual agencies have shown to be sufficient to prevent overpayments to vendors." Page 1, Finix Report

"Recoveries for this engagement were significantly below expectations and significantly below comparable audits performed for other states according to our online research. With the exception of unclaimed property owed to state agencies being held by the Treasury, no significant recoveries were made." Page 1 Finix Report

"Agencies with a high number of material purchases were shown to be the most at risk for overpayments, due to the variation and voluminous nature of those transactions. However, even agencies with a high number of material purchases still performed very well as compared to Finix's other private industry clients on a percentage of spend basis. A significant number of agencies had very low risk for overpayments due to their typical transaction being large payments in excess of \$100,000 or even \$1 million. Those transactions inherently face so much scrutiny, they are not likely to result in errors or overpayments." Page 1 Finix Report

"Department of Corrections had above average claims volumes due to the purchasing of material goods to support the operations of the prison. Finix has identified that Colorado State agencies purchasing lots of material goods are at a higher risk of overpayments to vendors than other agencies. However, recoveries were significantly lower than other private industry clients Finix has worked with for similar spend volume." Page 20, Finix Report

"The OIT division of Office of the Governor is at a higher than normal risk for overpayments to vendors due to their procurement of technology. Finix has identified that agencies making material purchases are much more at risk for overpayments to vendors than others." Page 24, Finix Report

"CDPHE made a significant amount of large payments to other governmental entities that fell outside of the scope of the audit, reducing the auditable volume. Since many payments were for large amounts, they already underwent extreme scrutiny from internal staff prior to the audit. As a result, large payments (above \$100,000) typically do not result in claims due to the level of scrutiny." Page 26 Finix Report

"Department of Transportation had above average claims volumes due to the purchasing of material goods to support the operations of the roadways and other means of transportation in Colorado. Finix has identified that Colorado State agencies purchasing lots of material goods are at a higher risk of overpayments to vendors than other agencies. However, recoveries were significantly lower than other private industry clients Finix has worked with for similar spend volume." Page 30, Finix Report

Exhibit C

Recovery Auditor Recommendations and Office of the State Controller's Responses

The recovery auditor made recommendations in five areas for improving controls over the State's disbursement process and minimizing the costs of doing business with vendors. They also discussed in their report options for improving oversight and recovery of unclaimed property belonging to state entities. A summary of the recommendations and OSC's response follows:

1. **Recommendation:** *The state should establish a state-wide system for tracking open credits to vendors.*

OSC Response: OSC agrees with the recommendation and plans to explore options to accomplish effective tracking of open credits with vendors. Most of the improper payments found during the audit related to vendor credits. Potential options for improving the State's methods of keeping track of open credits include software modifications to the State's financial reporting system (Colorado Operations Resource Engine) and issuing State-wide policy that establishes a standard tracking system within each state entity and requires continuous monitoring of open credits.

2. **Recommendation:** *The State should make early payment discounts part of the procurement process.*

OSC Response: As the OSC develops more training, the OSC will include the benefits of including and taking advantage of early payment discounts when offered by vendors. Though vendors usually determine which early payment discounts they offer, the OSC will also explore options for developing standard language in solicitations and award documents to encourage prompt payment from vendors where applicable.

3. **Recommendation:** *The State should ensure that all purchase orders (PO): include freight terms, Free on Board (FOB) Destination be used as a default term of POs, and FOB Destination be defined within the terms indicating vendors are responsible for all freight costs.*

OSC Response:

FOB Destination means the vendor is liable for the materials from the vendor's shipping point to the State's destination point. Use of FOB Origin or FOB Shipping Point means the vendor shifts that responsibility to the State. The State presently has FOB Destination as its standard default term in section 4 of the standard Terms and Conditions that are included with all purchase orders. Freight is a separate issue and FOB Destination does not mean that freight is automatically paid by the vendor. The CORE Step Action Table for Processing an Award defaults the user to FOB Destination, Freight Prepaid. This means the vendor is responsible for the materials until received by the State and the freight is included in the price and is not a separate cost to the State. For purposes of evaluating solicitation responses, the State may require that freight be identified as a separate line item in pricing or be included in the proposed unit pricing so they have a consistent evaluation of the materials being purchased. This can also avoid inflation of the price for the additional cost of freight. The decision to use "FOB Destination, freight prepaid" (freight included in the price) versus "FOB Destination, freight allowed" (freight added on top of the price) is determined on whether it is more cost effective to have higher bid prices to handle unknown

freight costs or if the state should only pay the actual freight costs when they are known. The OSC will provide training to agency procurement and accounting staff to address this issue.

4. **Recommendation:** *The State should create a comprehensive searchable database for vendor pricing, including useful data related to other terms and conditions for goods purchased by the State.*

OSC Response: The OSC agrees that the availability of a pricing database could assist the State procurement community in determining sources for the best prices. The OSC plans to explore the feasibility of developing and maintaining a comprehensive statewide database.

5. **Recommendation:** *The State should ensure that vendors doing business with the State are aware that they should not charge sales tax on goods and services procured by immediately notifying vendors and training State personnel that are involved in the procurement process.*

OSC Response: The OSC agrees that state personnel should ensure vendors charge for sales taxes only when appropriate and allowed. The purchase order terms and conditions and the state contract template include a provision that the state is exempt from all federal excise taxes and all state and local government taxes. The OSC believes there are only a few instances of paying such taxes for which the State has been exempted. Some jurisdictions apply local taxes that require special exemption certificates from those agencies or impose special taxes from which the State is not exempt. In addition, some states do not provide exemptions from their taxes for governmental agencies, and as a result, the State is not tax exempt in those cases. The OSC will include the treatment of sales tax and use of related exemption documentation in training for state agencies.

6. **Recommendation:** *The State should establish formal policy that requires periodic review of unclaimed property in the State's database maintained by the Unclaimed Property Office, Department of Treasury, and file timely claims for any property that is determined to belong to a State entity.*

Note: The recovery auditor discussed five options for implementing this recommendation. They include:

- a. *Each State entity be required to perform its own periodic review of unclaimed property;*
- b. *OSC perform periodic reviews of unclaimed property on behalf of the State;*
- c. *Unclaimed Property Office perform periodic reviews on behalf of the State;*
- d. *Engage a contractor to perform periodic reviews on behalf of the State; and*
- e. *Unclaimed Property Office continuously monitor the unclaimed property database and processes claims on the State's behalf as State-owned property is identified.*

OSC Response: The OSC agrees with the recommendation and will determine the best option for ensuring that the unclaimed property database is sufficiently monitored and timely and appropriate claims are made to recover state-owned funds on the State's behalf. To ensure this is accomplished, the OSC will establish statewide policy that mandates unclaimed property is consistently monitored.

State of Colorado Recovery Audit

June 29, 2018



*Presented by:
Josh Fuhr & Todd Fuhr*

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June 29, 2018

Robert Jaros
State Controller at State of Colorado
1525 Sherman Street, Room 104
Denver, Colorado 80203

Dear Mr. Jaros,

Finix is honored to have been chosen by the State of Colorado to perform a recovery audit for its agencies as required by C.R.S. §24-30-203.5.

Despite the audit being a requirement from the State Government, we found agency leadership to be willing and eager participants in the recovery audit. Finance, audit, and procurement leadership from all agencies were willing to lend their time to lead to a successful audit and displayed a genuine curiosity in process improvement and the identification of overpayments to vendors.

Finix would like to thank the Office of the State Controller for its continued support to a successful audit by quickly resolving issues and facilitating conversations with stakeholders. We would also like to express our gratitude to the CORE data team for taking the time to discuss our data needs and to create a scripted data extraction process that met all of Finix's data needs, as available in the system.

It is the opinion of Finix that the Colorado Operations Resource Engine (CORE) Enterprise Resource Planning System has solid controls to prevent overpayments to vendors as covered by this recovery audit. Processes enacted by the Office of the State Controller and individual agencies have shown to be sufficient to prevent overpayments to vendors.

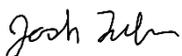
Recoveries for this engagement were significantly below expectations and significantly below comparable audits performed for other states according to our online research. With the exception of unclaimed property owed to state agencies being held by the Treasury, no significant recoveries were made.

Agencies with a high number of material purchases were shown to be the most at risk for overpayments, due to the variation and voluminous nature of those transactions. However, even agencies with a high number of material purchases still performed very well as compared to Finix's other private industry clients on a percentage of spend basis. A significant number of agencies had very low risk for overpayments due to their typical transaction being large payments in excess of \$100,000 or even \$1 million. Those transactions inherently face so much scrutiny, they are not likely to result in errors or overpayments.

The following management report details possible process improvements for state agencies. However, despite the number of recommendations, Finix feels like the State is doing an exceptional job of controlling the risk for overpayments.

We look forward to working with the State of Colorado on a return engagement and wish its agencies the best of luck.

Sincerely,



Josh Fuhr
Managing Partner, Finix

Team Introduction

Name	Title	Email
Josh Fuhr	Managing Partner, Auditor Manager	Josh.Fuhr@usefinix.com
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Nanette Mosby	Recovery Specialist	Nanette.Mosby@usefinix.com
Robert Aardema	Auditor	Robert.Aardema@usefinix.com



Josh Fuhr



Todd Fuhr



Jeremy Fuhr



Michelle Gauthier



Nanette Mosby



Robert Aardema

Finix is a procure-to-pay auditing firm driven to find overpayments and maximum recoveries for clients. Our dynamic approach to identifying recoveries has resulted in a substantial increase in returns as compared to the largest firms in our industry. Our fully engaged and accessible team of professionals pride ourselves in crafting personalized solutions while avoiding disruptions to daily workflows.

Audit Scope and Purpose

Auditrax, llc DBA Finix (Finix), is a small business that specializes in procure-to-pay and revenue auditing. We are passionate about identifying overpayments and finding maximum recoveries for our clients. Finix was commissioned by the Colorado Department of Personnel and Administration to conduct a Recovery Audit for its State Agencies. Our audit scope included reviewing disbursements made during state fiscal years 2015 through 2017. This amounted to \$51.9 billion in payments to vendors used by the State and included nearly 3.8 million transactions. To ensure project success, Finix committed to:

- Thoroughly review and audit all electronic and paper data for each state agency fiscal years 2015-2017
- Identify systematic root causes of improper payment errors
- Assist the State Agencies in assessing risks and implementing solutions for the future
- Offer experience auditing complex departments and contracts

Our in-depth approach to identifying these recoveries has allowed us to find more than four times the recoveries of the largest firms in the industry.

Finix brings a team versed in Procure-to-Pay Recovery Audits, commonly referred to as Accounts Payable Auditing, and a reputation for going above and beyond for clients. We have significant background in performing audits for highly complex industries such and health care and manufacturing. Performing an accurate audit for a healthcare organization is imperative because it affects the level of care their staff can provide to patients. Finix leadership has developed a modified recovery process tailored to the needs of the State of Colorado. This expanded audit scope includes the following areas:

- Discounts Taken
- Tax Charges
- Contract Compliance
- Telecom Billings
- Vendor Returns
- Vendor Programs
- Supply Purchasing
- Pricing Rebates
- Omitted Cash Discounts
- Price Discrepancies
- Duplicate Payments
- Trade Discounts
- Allowances
- Credits Not Taken
- Cash Discounts
- Statement Credits
- Vendor Master Review
- Freight Rate
- Quality Discounts
- Cost Price Differences
- Sales & Use Tax
- Contractual Mis-billings
- IT Cost Optimization
- Traffic Compliance

Recovery Audit Process

Process Requirements	Finix Approach
Comparing invoices and adjustment transactions to State contracts, purchase orders, and other documentation, using both electronic records and paper invoices and purchase orders provided by the State.	Finix has built the industry's only proprietary contract pricing audit technology that identifies overpriced items on 100% of transactions, not just the top 20% of vendors. These are turned into leads and investigated by audit staff using paper documentation, and fully vetted before presenting to the client for collections.
Performing a comprehensive electronic audit on paid history data to detect potential duplicate payments, missed discounts, and other allowances.	Duplicate payments, missed discounts, and other allowances are identified by using both electronic and paper methods, ensuring that 100% of potential claims are identified in those areas.
Soliciting vendor accounts receivable statements for appropriate state agencies and auditing them for open credits.	Finix has a robust, friendly statement recovery team that can obtain statements for open credit analysis from vendors.
Auditing State contract agreements against prices in corresponding price agreements and subsequent purchases to ensure terms match contractual agreements	Finix has built the industry's only proprietary contract pricing audit technology that identifies overpriced items on 100% of transactions, not just the top 20% of vendors. These are turned into leads and investigated by audit staff using paper documentation and fully vetted before presenting to the client for collections.
Audit State contract terms against actual performance by vendor for selected contracts; for example, transportation contracts and information technology contracts.	Finix can audit contract performance and is very comfortable reading vendor contract terminology to identify areas of potential recovery beyond simply open credits or duplicate payments.
Identifying weaknesses in the State's internal control process by determining the root cause of improper payments found and recommend improvements to the associated internal controls.	Finix audit reports are very in-depth reviews at the internal controls, starting with vendor terms and conditions and purchase orders. The ERP system is examined for root cause and the way the staff is processing payments. Finix provides robust reporting for process improvement and internal controls.
Reviewing billed amounts on invoices compared with allowable charges, i.e., public utilities, tariffs and federal telecom fees.	Finix is very knowledgeable in taxation, freight terms, tariffs and additional fees and provides significant recovery in these areas, as well as process improvements.
Contractor shall provide the State with a list of the required fields it needs from the State's accounting systems to enable the Contractor to complete its recovery audit.	A sample data request is attached to the response. Finix will work with the State on clarifying the request and ensuring a seamless download from the ERP system.

Recovery Audit Management Report



Finix Claims Summary

Explanation of Terms

Returns – When product is returned, but credit is not used

Overpayments – When payments are made in excess of the amount due for various reasons

Unclaimed Property – Funds left unclaimed or abandoned past a specific period of time (determined by the state)

Tables

Code	Department	Returns	Overpayments	Unclaimed Property	Total Claims	Collected Claims	Outstanding Claims
A	Personnel and Administration	\$0.00	\$0.00	\$9,047.77	\$9,047.77	\$0.00	\$9,047.77
B	Agriculture	\$0.00	\$0.00	\$4,493.16	\$4,493.16	\$0.00	\$4,493.16
C	Corrections	\$548.52	\$0.00	\$7,332.07	\$7,880.59	\$548.52	\$7,332.07
D	Education	\$0.00	\$600.00	\$2,147.79	\$2,747.79	\$600.00	\$2,147.79
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F	Public Health and Environment	\$0.00	\$0.00	\$16,476.44	\$16,476.44	\$0.00	\$16,476.44
G	Higher Education	\$0.00	\$0.00	\$2,460.20	\$2,460.20	\$0.00	\$2,460.20
H	Transportation	\$9,322.37	\$371.16	\$12,211.30	\$21,904.83	\$9,520.80	\$12,384.03
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J	Judicial	\$0.00	\$1,581.49	\$19,973.91	\$21,555.40	\$1,581.49	\$19,973.91
K	Labor and Employment	\$0.00	\$0.00	\$10,601.51	\$10,601.51	\$0.00	\$10,601.51
L	Department of Law	\$0.00	\$0.00	\$118.09	\$118.09	\$0.00	\$118.09
N	Local Affairs	\$0.00	\$0.00	\$332.20	\$332.20	\$0.00	\$332.20
O	Military and Veterans Affairs	\$0.00	\$0.00	\$279.18	\$279.18	\$0.00	\$279.18
P	Natural Resources	\$0.00	\$0.00	\$26,731.24	\$26,731.24	\$0.00	\$26,731.24
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T	Revenue	\$0.00	\$0.00	\$2,220.00	\$2,220.00	\$0.00	\$2,220.00
U	Health Care Policy and Financing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
V	Secretary of State	\$0.00	\$1,129.44	\$14,726.06	\$15,855.50	\$1,129.44	\$14,726.06
W	Treasury	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
---	General - State of Colorado	N/A	N/A	\$21,978.63	\$21,978.63	\$0.00	\$21,978.63
Total		\$12,751.54	\$30,446.38	\$229,132.94	\$272,330.86	\$43,025.19	\$229,305.67

Potential Claims Still In Progress

Code	Department	Amount
C	Corrections	\$18,984.99
H	Transportation	\$1,469.21
J	Judicial	\$794.40
Total		\$21,248.60

Current as of: 6/29/2018

Unclaimed Property Status

Unclaimed property is *currently under review* pending to confirm which properties are in scope vs. out of scope. This is a fluid process. Therefore, the figures below show the status of this evaluation process as of the date listed below.

Claim Status	Claims	Amount
Original	2120	\$824,434.97
Determined to be in scope	1032	\$229,132.94
Determined to be out of scope	897	\$507,699.38
Still being investigated with departments to determine scoping	191	\$87,602.65

Current as of: 6/29/2018

Statewide Recommendations

Observation: Unclaimed Property

Finix performed a web search on the state’s unclaimed property website for property submitted from vendors to the Unclaimed Property Office of the State Treasury. An unclaimed property item is the result of an overpayment from a state agency to one of its vendors. When the credit balance has sat on account with the vendor for 3 years, the vendor is required to submit that to the Unclaimed Property Office as required by Colorado Law. Unclaimed property is typically a result of the type of overpayments pursued by a recovery audit when the auditor at the time failed to identify the credit on account.

The Unclaimed Property Office is only a caretaker and clearing house for these funds, so any unclaimed property refunds are actually a cost savings to the state government. Having been originally an overpayment to an agency’s vendor, it is not money owed out of the pockets of the Unclaimed Property Office itself.

This process is complex and imprecise as not all unclaimed property is submitted under an agencies official name and creative search terms were required to identify all property owed to state agencies to capture variation of each agency’s name and account for spelling errors.

The investigation into the initially identified in scope and out of scope areas of the Recovery Audit are still an ongoing collaborative effort between the Office of the State Controller, the Department of Treasury, and other State departments and will be resolved in the coming months. Finix identified a potential \$824,422.97 for the 2120 items of Unclaimed Property by casting a wide net to cover many spelling variations of agency names, identifying many false positives (e.g. DHS statements for the federal Department of Homeland Security and not the Colorado Department of Human Services).

It was also observed that some property was at least 27 years old, as evidenced by items listed as “Colorado Department of Highways” – a name that was sunset in 1991 in favor of the Colorado Department of Transportation. This shows that a full review of unclaimed property owed to state agencies has not been performed since at least 1991, if ever.

Recommendation: Improve Unclaimed Property recovery processes

Finix proposes the following options to ensure that unclaimed property owed to the agencies is recovered back to the agency on a regular basis:

1. Each state agency performs its own audit every few years

Under this plan, the Office of the State Controller would oversee a process every 3-4 years, in which each individual agency is required to identify and recover its own unclaimed property.

The advantages of this plan are that each agency is familiar with the names and addresses of all facilities and departments. The plan also spreads the workload between all agencies and does not force one single entity to perform for the state.

The disadvantage of this method is that no statewide expert would be utilized and would rely on the agencies to perform the search to the best of their abilities. The agency staff would still be required to interface with Unclaimed Property Office and a significant amount of teaching and support would be required from the Unclaimed Property Office. Only the Unclaimed Property Office has access to the Unclaimed Property management system and would be required to provide information not provided on the public view of the unclaimed property website.

2. The Office of the State Controller performs the audit on behalf of all state agencies every few years

Under this plan, the Office of the State Controller would designate an employee or team of employees to perform the audit on behalf of all agencies every 3-4 years.

The advantage of this plan is creating a statewide expert or team of experts within the Office of the State Controller that can assist in the recovery efforts and streamline the process. The person or persons would have to rely less on the Unclaimed Property Office for training.

The disadvantage of this plan is that the workload falls solely on the person or small group of persons performing the audit. The Office of the State Controller would still need to interface heavily with the Unclaimed Property Office to get access to non-public information.

3. Office of Unclaimed Property performs on their behalf

Under this plan, the Unclaimed Property Office would have one of its employees perform the recovery audit every 3-4 years on behalf of all the state agencies.

The advantage of this method is that the employee or employees performing the audit would already have expert knowledge of unclaimed property and its intricacies. It would also reduce the extra interface required between agencies or OSC to get non-public data from the Unclaimed Property management system.

The disadvantage of this method is that the Office of Unclaimed Property does not have robust knowledge of each agencies departments and locations.

4. An outside party is engaged to perform the audit on the agencies behalf

Under this plan, a recovery audit firm or unclaimed property identification company could be used to perform the audit, which would still occur every 3-4 years.

The advantage of this plan is that the 3rd party firm is incentivized by its fee structure to identify as many items as possible. They may also be experts in the identification and collections of unclaimed property.

The disadvantage of this plan is that the 3rd party audit firm would require a contingency fee for each item identified, typically in the range of 15-25%. The Office of Unclaimed Property may be leery of working with a 3rd party firm and may not give access or “inside information” to the outside firm. The 3rd party would still need to be managed by a state employee and a procurement process would be required.

5. Office of Unclaimed Property identifies State owned property as it is submitted by vendors.

It may be possible for the unclaimed property staff to create an internal process in which unclaimed property owed to the State is identified as it is submitted by the vendor/property holder and automatically processes a refund to the appropriate state agency.

Unclaimed property recovery should be added to subsequent recovery audit scopes officially to ensure future audit firms are identifying additional unclaimed property not captured by the above processes.

Observation: Agencies not using freight terms on purchase orders

It was observed that many agencies were not using freight terms on their purchase orders being sent to vendors. In many instances, the agency not using the PO field did not purchase a significant amount of materials, and therefore freight terms had very little impact. Some agencies hid the section completely from their PO, while others just left the field blank.

Recommendation:

Finix Recommends that purchase orders are sent out with a freight term in the appropriate section of the PO. Free on Board (FOB) Destination should be used as a default term for all PO's unless a contract or quote indicates otherwise.

It is also recommended that the state defines freight terms officially to indicate that FOB Destination means that the vendor is responsible for the payment of freight costs to deliver the product to the destination.

Observation: Agencies paying sales tax to vendors

It was observed that some agencies are paying sales tax to vendors, which should not be paid due to the state's sales tax-exempt status. However, since the state government is also collecting tax through the Department of Revenue, the state eventually recoups this money via sales tax payments back into the general fund. For this reason, Finix was asked not to request refunds for overpaid sales tax.

It was also observed that the frequency of sales tax payments in error were higher on procurement card transactions, where there is less procure-to-pay process control. Hotel stays and expense reports were a particularly frequent area for sales tax being paid.

The largest impact of these overpayments is on the agencies' budgets, leading to overpayments out of their specific funding.

Recommendation:

Finix recommends that each agency being charged tax should submit exemption certificates to those vendors to immediately stop the vendor from charging the tax.

The state may also consider staffing training to procurement card users that explains the tax-exempt status of the State Government and how to handle when vendors charge tax.

Finix has observed other exempt entities providing their employees with a tax-exempt supplement to their procurement cards that indicates that they are making an exempt transaction on behalf of the state government.

Observation: The state does not default to early payment discounts from vendors

Currently the state does not require early payment discounts from vendors, so even if an invoice is paid in 10 or 30 days, it is paid at full price.

Recommendation:

Finix recommends that the state makes early payment discounts part of the procurement process. With the large purchasing volume of the state government, many vendors will be happy to offer an early pay discount to win contracts with the state government.

Observation: Access to a statewide pricing database is limited and de-centralized

The state has achieved state-wide pricing through Sourcing Colorado for some of the most commonly used items across all agencies. Many of these contracts have pricing terms in them, but all are in different formats. Many price lists do not include the exact item number or item description that is used on the vendor invoice, and as a result, pricing compliance cannot always be achieved. Some vendors simply state that state price is a percentage less than the list price, which cannot be verified anywhere.

Recommendation:

Finix recommends that the state create a searchable database, accessible to all state government employees, with a standard format. These types of sites are common in healthcare, where hospitals can look up the price of an item by its item number and then verify that the correct price was charged and paid via the vendor invoice. The contract management tool also allows for the ability to review contract documents for terms and conditions like freight and discount terms. This will standardize terms and conditions across state agencies.

It may also benefit the state to run data analysis on the most commonly purchased items by all agencies to identify what vendors would make the most sense for contract re-negotiation.

Observation: System for tracking open credits

When Finix requested a copy of invoices and credits currently in process with vendors, no statewide report could be created. Most agencies did not keep a listing of open invoices and open credits. Much of this is because once an invoice has been approved outside of CORE, it is loaded into CORE and paid within 1-2 days. This is a danger because if credits are not tracked, they will eventually become unclaimed property. If the vendor forgets to remit them to unclaimed property they will be lost forever.

Recommendation:

The state should establish a state-wide system for tracking open credits to vendors. Ideally this system would be within CORE and be standardized across all state agencies so that open credits can be tracked.

Alternatively, each agency should be required to maintain a standardized open credit tracking system, which can be as simple as an excel spreadsheet.

Summary by Department



A: Department of Personnel and Administration

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE: EMAIL
2/13/18	DPA Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DPA	
Spend:	\$1,649,144,904.03
# of Vendors:	2,643
# of Transactions:	49,745
Statements	
Spend:	\$1,616,576,853.90
# of Vendors:	227
Sales Tax	
# of Vendors Charging:	1
# of Vendors Not Charging:	226
% of Vendors Charging:	0.44%
Freight	
# of Vendors Charging:	3
# of Vendors Not Charging:	224
% of Vendors Charging:	1.32%
Discounts	
# of Vendors Offering:	2

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ OF UNCLAIMED PROPERTY	# OF UNCLAIMED PROPERTIES	AVERAGE VALUE	HIGHEST VALUED PROPERTY
Personnel and Administration: Unclaimed Property	\$9,047.77	8	\$1,130.97	\$5,725.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

B: Department of Agriculture

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE: EMAIL
2/13/18	DOA Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DOA	
Spend:	\$84,927,374.60
# of Vendors:	2,366
# of Transactions:	24,331
Statements	
Spend:	\$70,124,691.77
# of Vendors:	179
Sales Tax	
# of Vendors Charging:	1
# of Vendors Not Charging:	178
% of Vendors Charging:	0.56%
Freight	
# of Vendors Charging:	3
# of Vendors Not Charging:	176
% of Vendors Charging:	1.68%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Agriculture (Cont'd)

Results

	\$ OF UNCLAIMED PROPERTY	# OF UNCLAIMED PROPERTIES	AVERAGE VALUE	HIGHEST VALUED PROPERTY
Department of Agriculture: Unclaimed Property	\$4,493.16	24	\$187.22	\$975.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

C: Department of Corrections

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/22/18	DOC Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DOC	
Spend:	\$3,686,985,660.04
# of Vendors:	4,604
# of Transactions:	108,649
Statements	
Spend:	\$829,776,837.22
# of Vendors:	429
Sales Tax	
# of Vendors Charging:	1
# of Vendors Not Charging:	428
% of Vendors Charging:	0.23%
Freight	
# of Vendors Charging:	40
# of Vendors Not Charging:	389
% of Vendors Charging:	9.32%
Discounts	
# of Vendors Offering:	6

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Corrections: Unclaimed Property	\$7,332.07	17	\$431.30	\$4,703.63

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
WAXIE ENTERPRISES	Returns & Overpayment	\$548.52	\$548.52	\$0
UNITED FOOD SERVICE	Credits Under Review	\$17,422.78	\$0	\$17,422.78
AGFINITY INC	Credits Under Review	\$964.07	\$0	\$964.07
DARANT DISTRIBUTING CORP	Credits Under Review	\$598.14	\$0	\$598.14
	Totals	\$19,533.51	\$548.52	\$18,984.99

Audit Manager Comments

Department of Corrections had above average claims volumes due to the purchasing of material goods to support the operations of the prison. Finix has identified that Colorado State agencies purchasing lots of material goods are at a higher risk of overpayments to vendors than other agencies. However, recoveries were significantly lower than other private industry clients Finix has worked with for similar spend volume.

D: Department of Education

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/9/18	DOE Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DOE	
Spend:	\$15,172,494,370.99
# of Vendors:	4,857
# of Transactions:	80,749
Statements	
Spend:	\$8,620,290,212.44
# of Vendors:	160
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	160
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	160
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Education (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Education: Unclaimed Property	\$2,147.79	14	\$153.41	\$1,225.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
GLOBAL TECHNOLOGY RESOURCES	Overpayment	\$300.00	\$300.00	\$0
CDW GOVERNMENT	Overpayment	\$300.00	\$0	\$300.00
	Totals	\$600.00	\$300.00	\$300.00

E: Office of the Governor

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
11/16/17	Office of the Governor Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - GOV	
Spend:	\$1,888,567,054.14
# of Vendors:	3,734
# of Transactions:	31,524
Statements	
Spend:	\$551,775,036.10
# of Vendors:	234
Sales Tax	
# of Vendors Charging:	7
# of Vendors Not Charging:	227
% of Vendors Charging:	2.99%
Freight	
# of Vendors Charging:	2
# of Vendors Not Charging:	232
% of Vendors Charging:	0.85%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Office of the Governor: Unclaimed Property	\$744.40	5	\$148.88	\$337.76

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
GLOBAL TECHNOLOGY RESOURCES	Overpayment	\$11,488.77	\$11,488.77	\$0
NETSMART TECHNOLOGIES	Overpayment	\$629.30	\$629.30	\$0
K&H LLC	Returns & Overpayment	\$2,783.65	\$2,783.65	\$0
	Totals	\$14,901.72	\$14,901.72	\$0

Audit Manager Comments

The OIT division of Office of the Governor is at a higher than normal risk for overpayments to vendors due to their procurement of technology. Finix has identified that agencies making material purchases are much more at risk for overpayments to vendors than others.

F: Department of Public Health and Environment

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
11/14/17	Internal Audit Specialist, DPHE	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - CDPHE	
Spend:	\$1,124,626,554.28
# of Vendors:	5,296
# of Transactions:	95,794
Statements	
Spend:	\$138,218,822.82
# of Vendors:	97
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	97
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	6
# of Vendors Not Charging:	91
% of Vendors Charging:	6.19%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Public Health and Environment: Unclaimed Property	\$16,476.44	103	\$159.97	\$1,135.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

Audit Manager Comments

CDPHE made a significant amount of large payments to other governmental entities that fell outside of the scope of the audit, reducing the auditable volume. Since many payments were for large amounts, they already underwent extreme scrutiny from internal staff prior to the audit. As a result, large payments (above \$100,000) typically do not result in claims due to the level of scrutiny.

G: Department of Higher Education

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/18/18	Director, Accounting & Financial Services, DHE	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DHE	
Spend:	\$5,120,644.15
# of Vendors:	583
# of Transactions:	37,576
Statements	
Spend:	\$2,091,669,813.99
# of Vendors:	78
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	78
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	78
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Higher Education (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Higher Education: Unclaimed Property	\$2,460.20	8	\$307.53	\$900.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

H: Department of Transportation

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/8/18	DOT Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DOT	
Spend:	\$4,265,086,023.31
# of Vendors:	1,300
# of Transactions:	272,320
Statements	
Spend:	\$4,131,231,469.70
# of Vendors:	961
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	961
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	1
# of Vendors Not Charging:	960
% of Vendors Charging:	0.10%
Discounts	
# of Vendors Offering:	1

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Transportation: Unclaimed Property	\$12,211.30	48	\$254.40	\$4,794.33

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
M-B COMPANIES	Return	\$1,040.00	\$1,040.00	\$0
ENVIROTECH SERVICE	Return	\$4,138.03	\$4,138.03	\$0
WW GRAINGER	Returns & Overpayments	\$968.36	\$968.36	\$0
INTERLINE BRANDS	Overpayment	\$137.16	\$0	\$137.16
DRIVE TRAIN INDUSTRIES	Return	\$256.24	\$0	\$256.24
HONNEN EQUIPMENT CO	Return	\$3,000.00	\$3,000.00	\$0
KP & R INC / ROYAL SUPPLY	Return	\$237.25	\$237.25	\$0
POWER EQUIPMENT CO	Credits Under Review	\$765.50	\$0	\$765.50
WAXIES ENTERPRISES	Credits Under Review	\$703.71	\$0	\$703.71
	Totals	\$11,246.25	\$9,383.64	\$1,862.61

Audit Manager Comments

Department of Transportation had above average claims volumes due to the purchasing of material goods to support the operations of the roadways and other means of transportation in Colorado. Finix has identified that Colorado State agencies purchasing lots of material goods are at a higher risk of overpayments to vendors than other agencies. However, recoveries were significantly lower than other private industry clients Finix has worked with for similar spend volume.

I: Department of Human Services

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
2/13/18	DHS Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DHS	
Spend:	\$10,284,189,829.82
# of Vendors:	12,111
# of Transactions:	313,297
Statements	
Spend:	\$5,142,094,914.91
# of Vendors:	946
Sales Tax	
# of Vendors Charging:	4
# of Vendors Not Charging:	940
% of Vendors Charging:	0.42%
Freight	
# of Vendors Charging:	14
# of Vendors Not Charging:	932
% of Vendors Charging:	1.48%
Discounts	
# of Vendors Offering:	1

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Human Services (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Human Services: Unclaimed Property	\$7,332.31	48	\$152.76	\$1,025.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

J: Judicial

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
2/13/18	Judicial Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - Judicial	
Spend:	\$530,498,727.61
# of Vendors:	29,814
# of Transactions:	494,144
Statements	
Spend:	\$417,882,280.59
# of Vendors:	705
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	705
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	705
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Judicial (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Judicial: Unclaimed Property	\$19,973.91	85	\$234.99	\$4,116.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
CDW GOVERNMENT	Overpayment	\$1,581.49	\$1,581.49	\$0
GLOBAL TECHNOLOGY RESOURCES	Credits Under Review	\$794.40	\$0	\$794.40
	Totals	\$2,375.89	\$1,581.49	\$794.40

K: Department of Labor and Employment

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
2/12/18	DLE Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DLE	
Spend:	\$4,463,583,232.98
# of Vendors:	5,265
# of Transactions:	102,860
Statements	
Spend:	\$4,409,576,740.20
# of Vendors:	305
Sales Tax	
# of Vendors Charging:	3
# of Vendors Not Charging:	302
% of Vendors Charging:	0.98%
Freight	
# of Vendors Charging:	2
# of Vendors Not Charging:	303
% of Vendors Charging:	0.66%
Discounts	
# of Vendors Offering:	1

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Labor and Employment (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Labor and Employment: Unclaimed Property	\$10,601.51	52	\$203.88	\$1,912.82

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

L: Department of Law

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/11/18	Department of Law Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - Law	
Spend:	\$76,292,427.94
# of Vendors:	1,803
# of Transactions:	11,266
Statements	
Spend:	\$69,270,533.96
# of Vendors:	112
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	112
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	1
# of Vendors Not Charging:	111
% of Vendors Charging:	0.89%
Discounts	
# of Vendors Offering:	1

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Law (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Law: Unclaimed Property	\$118.09	3	\$39.36	\$50.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

M: General Assembly

GENERAL ASSEMBLY EXEMPT FROM AUDIT

N: Department of Local Affairs

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/24/18	Department of Local Affairs Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall – Local Affairs	
Spend:	\$1,454,247,259.69
# of Vendors:	7,999
# of Transactions:	169,701
Statements	
Spend:	\$1,363,465,092.97
# of Vendors:	1077
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	1077
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	1077
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Local Affairs (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Local Affairs: Unclaimed Property	\$332.20	4	\$83.05	\$181.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

O: Department of Military and Veterans Affairs

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/31/18	DMVA Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DMVA	
Spend:	\$66,198,209.63
# of Vendors:	892
# of Transactions:	15,739
Statements	
Spend:	\$55,155,005.35
# of Vendors:	108
Sales Tax	
# of Vendors Charging:	1
# of Vendors Not Charging:	107
% of Vendors Charging:	0.93%
Freight	
# of Vendors Charging:	1
# of Vendors Not Charging:	107
% of Vendors Charging:	0.93%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Military and Veterans Affairs (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Military and Veterans Affairs: Unclaimed Property	\$279.18	4	\$69.80	\$111.25

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

P: Department of Natural Resources

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/16/18	DNR Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DNR	
Spend:	\$1,224,420,226.15
# of Vendors:	8,265
# of Transactions:	1,088,108
Statements	
Spend:	\$721,832,980.94
# of Vendors:	557
Sales Tax	
# of Vendors Charging:	5
# of Vendors Not Charging:	552
% of Vendors Charging:	0.90%
Freight	
# of Vendors Charging:	31
# of Vendors Not Charging:	526
% of Vendors Charging:	5.57%
Discounts	
# of Vendors Offering:	2

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Natural Resources (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Natural Resources: Unclaimed Property	\$26,731.24	84	\$318.23	\$9,880.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

R: Department of Public Safety

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
11/15/17	DPS Deputy Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - CDPS	
Spend:	\$1,761,856,521.46
# of Vendors:	4,407
# of Transactions:	64,617
Statements	
Spend:	\$510,738,879.64
# of Vendors:	147
Sales Tax	
# of Vendors Charging:	2
# of Vendors Not Charging:	145
% of Vendors Charging:	1.36%
Freight	
# of Vendors Charging:	8
# of Vendors Not Charging:	139
% of Vendors Charging:	5.44%
Discounts	
# of Vendors Offering:	1

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Public Safety: Unclaimed Property	\$1,247.59	29	\$43.95	\$226.28

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
PORTABLE COMPUTER SYSTEMS	Credits Under Review	\$7,952.63	\$7,952.63	\$0
AV-TECH ELECTRONICS	Return	\$252.00	\$252.00	\$0
INTERVENTION INC	Overpayments	\$1,030.11	\$1,030.11	\$0
VWR INT'L	Overpayments	\$5,508.48	\$5,508.48	\$0
	Totals	\$14,743.22	\$14,743.22	\$0

Audit Manager Comments

Department of Public Safety had above average claims volumes due to the purchasing of material goods to support the operations of public safety in Colorado. Finix has identified that Colorado State agencies purchasing lots of material goods are at a higher risk of overpayments to vendors than other agencies. However, recoveries were significantly lower than other private industry clients Finix has worked with for similar spend volume.

S: Department of Regulatory Agencies

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
2/1/18	DRA Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - DORA	
Spend:	\$75,231,252.24
# of Vendors:	1,622
# of Transactions:	23,271
Statements	
Spend:	\$66,888,363.64
# of Vendors:	77
Sales Tax	
# of Vendors Charging:	1
# of Vendors Not Charging:	76
% of Vendors Charging:	1.30%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	77
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	2

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Regulatory Agencies (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Regulatory Agencies: Unclaimed Property	\$68,652.09	296	\$231.93	\$8,137.92

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

T: Department of Revenue

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/17/18	Department of Revenue Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - Revenue	
Spend:	290,887,919.23
# of Vendors:	1,395
# of Transactions:	49,901
Statements	
Spend:	279,631,173.61
# of Vendors:	90
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	90
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	2
# of Vendors Not Charging:	88
% of Vendors Charging:	2.22%
Discounts	
# of Vendors Offering:	2

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of Revenue (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Revenue: Unclaimed Property	\$2,220.00	15	\$148.00	\$1,000.00

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

U: Department of Health Care Policy and Financing

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
2/15/18	HCPF Controller	

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of Health Care Policy and Financing: Unclaimed Property	\$0	0	\$0	\$0

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				

Audit Manager Comments

Finix was unable to separate in-scope transactions from out of scope transactions for HCPF and in conjunction with the State Controller's Office, decided not to perform the recovery audit for HCPF.

V: Secretary of State

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/24/18	Secretary of State Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - SOS	
Spend:	\$41,124,887.91
# of Vendors:	501
# of Transactions:	762,328
Statements	
Spend:	\$37,012,334.44
# of Vendors:	89
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	89
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	3
# of Vendors Not Charging:	86
% of Vendors Charging:	3.37%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Secretary of State: Unclaimed Property	\$14,726.06	87	\$169.27	\$4,231.45

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
LEWAN & ASSOCIATES	Overpayment	\$1,129.44	\$1,129.44	\$0

W: Department of the Treasury

KICKOFF DATE	AGENCY POINT OF CONTACT	PHONE : EMAIL
1/23/18	Department of Treasury Controller	

Scope:

Accounts Payable transactions made to vendors

Exclusions:

Intercompany transfers

Objective:

Identify overpayments made to vendors while simultaneously determining process control improvements to prevent future overpayments to vendors.

Overall - Treasury	
Spend:	\$3,771,062,907.38
# of Vendors:	439
# of Transactions:	49,292
Statements	
Spend:	\$3,768,394,803.07
# of Vendors:	303
Sales Tax	
# of Vendors Charging:	0
# of Vendors Not Charging:	303
% of Vendors Charging:	0.00%
Freight	
# of Vendors Charging:	0
# of Vendors Not Charging:	303
% of Vendors Charging:	0.00%
Discounts	
# of Vendors Offering:	0

Testing performed:

Finix performed recovery audit analytics to identify overpayments made in the following areas:

Statement Audit	Field Audit	Data Audit
Duplicate Payments	Sales Tax	Duplicate Payments
Returns to Vendor	Freight	Erroneous Payments
Erroneous Payment	Contract Pricing	Over Shipments
Overpayments	Discounts Not Taken	Discounts Not Taken
		PO to Invoice Price Variance

Department of the Treasury (Cont'd)

Results

	\$ of Unclaimed Property	# of Unclaimed Properties	Average Value	Highest Valued Property
Department of the Treasury: Unclaimed Property	TBD	TBD	TBD	TBD

VENDOR NAME	ISSUE TYPE	ORIGINAL CLAIM AMOUNT	COLLECTED CLAIM AMOUNT	OUTSTANDING CLAIM AMOUNT
NO CLAIMS IDENTIFIED FOR THIS AGENCY				