



Federal Awards Reports In Accordance With the  
Single Audit Act and OMB Circular A-133  
December 31, 2012

## Douglas County, Colorado

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The Board of Douglas County Commissioners  
Douglas County, Colorado

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County, Colorado as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Douglas County's basic financial statements, and have issued our report thereon dated April 30, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Douglas County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Douglas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglas County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, questioned costs and responses, that we consider to be significant deficiencies, as findings 2012-A and 2012-B.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Douglas County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Douglas County's Response to Findings**

Douglas County's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs and responses. Douglas County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Greenwood Village, Colorado  
April 30, 2013



The Board of Douglas County Commissioners  
Douglas County, Colorado

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Douglas County, Colorado's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Douglas County's major federal programs for the year ended December 31, 2012. Douglas County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs and responses.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of Douglas County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Douglas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Douglas County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Douglas County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2012.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as 2012-01. Our opinion on each major federal program is not modified with respect to this matter.

Douglas County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Douglas County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of Douglas County, Colorado is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Douglas County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Douglas County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, 2012-03 and 2012-04 that we consider to be significant deficiencies.

Douglas County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs and responses. Douglas County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Douglas County, Colorado as of and for the year ended December 31, 2012, and have issued our report thereon dated April 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Greenwood Village, CO  
April 30, 2013

**DOUGLAS COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Numbers</u>	<u>ARRA</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Passed through Colorado Department of Human Services				
State Administrative Matching Grants for Food Stamp Program	10.561		*	\$ 412,653
Emergency Food Assistance Program (TEFAP) Administrative Costs	10.568		*	10,655
Emergency Food Assistance Program (TEFAP) Food Commodities	10.569		*	<u>55,281</u>
Emergency Food Assistance Program (TEFAP) Cluster				<u>65,936</u>
<b>Total U.S. Department of Agriculture</b>				478,589
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant Program	14.218			644,605
<b>U.S. Department of Justice</b>				
Passed through Colorado Department of Public Safety, Division of Criminal Justice				
Juvenile Accountability Incentive Block Grant	16.523		29-JB-L-18-29	38,811
Crime Victim Assistance	16.575		11-VA-18-86	40,000
Support for Adam Walsh Act Implementation Grant Program	16.750		11-AWA-02	217,532
Passed through Colorado Department of Public Safety, Division of Criminal Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738		2011-DJ-BX-2260	30,051
Edward Byrne Memorial Justice Assistance Grant	16.738		11-DJ-04-24-3	52,302
Edward Byrne Memorial Justice Assistance Grant	16.738		2012-DJ-12-000078-04-4	14,051
Passed through State of Colorado Department of Human Services				
Recovery Act Edward Byrne Memorial Justice Assistance Grant	16.803	X	29-JR-04-37-1	<u>24,167</u>
Edward Byrne Memorial Justice Assistance Grant Cluster				120,571
Equitable Sharing Program	16.922		*	<u>284,599</u>
<b>Total U.S. Department of Justice</b>				701,513
<b>U.S. Department of Transportation</b>				
Passed through Colorado Department of Transportation				
5310 Mobility Management Grant	20.513		CMS#12-HTR-41272/SAP	78,573
5316 Job Access Reverse Commute (JARC) Grant	20.516		CMS#12-HTR-42861/SAP	10,232
5317 New Freedom Program	20.521		CMS#12-HTR-41400/SAP	<u>11,195</u>
Department of Transportation Grant Cluster				100,000
<b>U.S. Department of Energy</b>				
Energy Efficiency and Conservation Block Grant (EECBG) - Recovery Act	81.128	X		<u>248,548</u>

**DOUGLAS COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	ARRA	Pass-Through Entity Identifying Number	Expenditures
<b>U.S. Department of Health and Human Services</b>				
Pass-through Colorado Department of Human Services				
Promoting Safe and Stable Families	93.556		*	17,630
Temporary Assistance for Needy Families (TANF)	93.558		*	1,037,413
Temporary Assistance for Needy Families (TANF)	93.714	X	*	6,087
Temporary Assistance for Needy Families Cluster				1,043,500
Child Support Enforcement	93.563		*	562,918
Low-Income Home Energy Assistance Program	93.568		*	411,634
Child Care and Development Block Grant	93.575		*	160,165
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		*	987,654
Child Care and Development Block Grant Cluster				1,147,819
Child Welfare Services	93.645		*	85,456
Foster Care Title IV-E	93.658		*	555,387
Adoption Assistance	93.659		*	73,492
Social Services Block Grant	93.667		*	445,001
Independent Living	93.674		*	563
Medical Assistance Program	93.778		*	309,783
Pass-through Denver Regional Council of Governments				
Special Programs for the Aging - Supportive Services and Senior Centers	93.044		*	319
Special Programs for the Aging - Supportive Services and Senior Centers	93.044		*	3,823
CFDA Subtotal				4,142
Pass-through Colorado Department of Local Affairs				
Community Services Block Grant	93.569		L12CSBG14	42,963
Pass-through Centers for Disease Control and Prevention				
2010 Communities Putting Prevention to Work (CPPW) Grant	93.724	X	CPPW2010-023	10,683
<b>Total Department of Health and Human Services</b>				<b>4,710,971</b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001			1,685,996
<b>U. S. Department of Homeland Security</b>				
Pass-through Arapahoe County				
2010 State Homeland Security Program (SHSP)	97.067		10SHS11NCR	59,207
2010 State Homeland Security Program (SHSP)	97.067		10SHS11NCR	4,717
Pass-through City and County of Denver				
2010 State Homeland Security Program	97.067		2010-SS-T0-0024	281,813
CFDA Subtotal				345,737
<b>Total Expenditures of Federal Awards</b>				<b>\$ 8,915,959</b>

\* Number not readily available

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Douglas County, Colorado, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Douglas County, Colorado, received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a sub-recipient is treated as an expenditure when it is paid to the sub-recipient.

Governmental fund types account for the County’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The County’s summary of significant accounting policies is presented in Note 1 in the County’s basic financial statements.

**Note B – Sub-recipients of Grant Awards**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the County provided federal awards to sub-recipients as follows:

CFDA #14.218	Community Development Block Grant	\$ 486,337
<u>Sub-Recipient</u>		<u>Amount</u>
Audio Information Network of Colorado		\$ 1,600
Castle Rock Senior Center		20,328
Douglas County Housing Partnership		60,000
Douglas/Elbert Task Force		66,210
Rebuilding Together		14,024
Sedalia Water & Sanitation		4,160
Saint Vincent de Paul		15,920
The ARC		125,000
Town of Castle Rock		140,320
Women’s Crisis & Family		38,775
Total		\$ 486,337

Douglas County, Colorado  
 Schedule of Findings, Questioned Costs and Responses  
 Year Ended December 31, 2012

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
High Intensity Drug Trafficking Areas Program	95.001
Temporary Assistance for Needy Families (ARRA)	93.558 & 93.714
Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575 & 93.596
Energy Efficiency and Conservation Block Grant (ARRA)	81.128
Community Development Block Grant	14.218
JAG Cluster (ARRA)	16.738 & 16.803
Medical Assistance Program	93.778
Homeland Security Grant Program	97.067

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

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**Section II – Financial Statement Findings**

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**2012-A            PREPARATION OF SEFA**  
**Significant Deficiency**

Criteria – The County is required to have effective internal controls that are designed and in place to prevent, or detect and correct errors in a timely manner. The County is also required to follow compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, U.S. Office of Management and Budget (OMB) OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart C.310(b) identifies the required elements of the Schedule of Expenditures of Federal Awards (SEFA).

Condition – Based on discussions with the client and procedures performed we noted the following items surrounding the preparation of the SEFA:

- The County improperly identified \$300,000 of federal expenditures as Asset Forfeiture Funds (CFDA #16.000). However, approximately \$284,000 of this amount related to the Equitable Sharing Program (CFDA #16.922), approximately \$16,000 were not federal grant funds.
- There was also lack of communication between the Sheriff's Office and the finance department regarding federally donated assets received by the Sheriff's Office. As a result, federal donated equipment of \$59,207 (CFDA #97.067) was excluded from the SEFA. The finance department detected this error once they received the year end confirmation from the awarding agency near the end of the audit.

Cause – There appears to have been lack of / inadequate communication between the Sheriff's Office and the finance department on federal awards received.

Effect – Management has corrected all errors noted on the final SEFA. However, inaccurate identification of program expenditures may result in inaccurate risk assessments, identification of major programs, materiality determinations, identification of compliance requirements and reporting errors.

Recommendation – The County should review the requirements of OMB Circular A-133 Subpart C.310(b) and establish procedures to ensure compliance with the requirements. The County should also train departments receiving federal awards of the compliance requirements, including properly identifying each federal award by CFDA number.

Management's Response and Corrective Plan – The County does, in fact, review OMB Circular A-133 Subpart C.310(b) on an annual basis. The grant in question had an assigned CFDA number attached to it previously which had changed during the year. Upon clustering all awards during the final stage of SEFA preparation, this CFDA number would have been verified again and corrected. An additional review of the

CFDA numbers for each grant listed on the SEFA will be completed by the accounting manager in the future to further ensure accurate CFDA number reporting.

As for the lack of communication between the Sheriff's office and the Finance department, Sheriff's office personnel in charge of reporting grant applications/awards were not made aware of the receipt of the federal asset by the accepting individual. Thus the lack of communication actually occurred within the Sheriff's office. The Finance department notified the appropriate Sheriff personnel within hours of receiving notification of receipt from the federal agency. As explained in federal award finding 2012-03 below, the Sheriff's office is taking additional corrective actions to ensure their existing grant policies and procedures are adhered to by their entire agency.

**2012-B**

**AUDIT ADJUSTMENTS / INVESTMENTS/INTEREST ALLOCATION  
Significant Deficiency**

Criteria – The County is required to provide accurate GAAP basis financial data for preparation of the annual CAFR. The financial close process related to year-end interest allocations and interest allocation accruals did not include a timely and accurate review or reconciliation to identify the accounting period in which the transactions should be recognized under GAAP.

Condition – During testing of Investment Interest Allocations, we noted the County's year-end balances according to the interest allocation schedule did not agree to the year-end report totals for interest allocation by fund. Upon examination of the interest allocation schedule, it was noted that the County improperly reversed the December 2011 interest allocation during 2012.

Cause – The cause of the improper posting of this entry was that the County did not have adequate controls over the review of journal entries. The entry was performed by the Treasurer's office but was not reviewed by the Finance department. The cause of the County not identifying the improper journal entry was that the County did not have adequate controls over the review and reconciliation of the interest allocation schedule. The schedule was not reconciled or agreed to the year-end report or trial balances at year-end 2012.

Effect – Approximately \$400,500 of interest revenue allocations were reversed during 2012. Failure to properly allocate interest expense for pooled cash funds could result in a misstatement of the County's individual fund financial statements.

Recommendation – We recommend the finance department obtain a listing of journal entries posted by the Treasurer's Office and ensure that the entries have an appropriate business purpose and are adequately supported.

Management's Response and Corrective Plan – All Treasurer's journal entries currently are, and will continue, to be initiated and approved by two separate individuals in the Treasurer's department. In addition the Finance department will run a monthly listing of

all journal entries (JT type transactions) processed by the Treasurer's department which will be reviewed for accuracy and appropriateness. In addition, the Finance department will review the year end interest allocation schedule and verify that it ties to the year-end trial balance reports.

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**Section III – Federal Award Findings and Questioned Costs**

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**2012-01      Passed-through Colorado Department of Human Services  
CFDA #93.575/93.596  
Child Care and Development Cluster  
Eligibility & Allowable Costs**

**Significant Deficiency in Internal Control over Compliance**

Criteria – The parent fee calculation takes place within the CHATS system, which is the responsibility of the State. The calculation is dependent on the income input into New CHATS by the technician. EB tested the income input into the system to validate that the parent fee is calculated correctly. Per CDHS Volume 2, Section 905 *Arrangement for Child Care Services*, parental fees are based on gross countable income for the child care household compared to the household size and in consideration of the number of children in care. Parental fee revisions for child care may occur upon reported changes, verified current changes from other sources, and/or re-determination. Additionally, immunization records are required to be given to the case technician no more than 30 days from the child's enrollment in the program (CDHS Volume 3.913.U) for Low Income CCAP cases.

Condition – We selected 60 files to test for existence/proof of child immunization record in client file for Low Income and CCAP cases and we also tested the same 60 files to test the input of gross income to properly determine eligibility and calculate parental fees. During our testing we noted the following:

- One instance where the Aspen Family Services (AFS) technician made error in entering gross pay from client paystubs.
- One instance in which the Aspen Family Services (AFS) technician did not obtain the child immunization records.

Questioned Costs – \$36 out of \$1,810 tested.

Effect – Overstating client gross income causes the parent fee to be over-calculated ultimately causing the grant to be undercharged and the client to be overcharged. Understating client gross income causes the parent fee to be under-calculated ultimately causing the grant to be overcharged and the client to be undercharged. Miscalculating gross income by a material amount could result in the client being wrongfully eligible or

ineligible. If immunization records are not obtained within 30 days from the child's enrollment in the program, the client's eligibility will be deemed ineligible.

Cause – AFS technician made in error in transferring paystub information into CHATS. Both Clients' gross income (the driving input for parent fee calculations) was input incorrectly. Additionally, the AFS technician did not obtain immunization records or support for lack of immunizations from the client. This issue was not followed up on after 30 days and the client continued to receive care.

Recommendation – EB recommends the client reevaluate their agreement with AFS in regards to the file review process. AFS should have another technician or supervisor review files with missing or incomplete documentation. AFS should have another technician or supervisor review the inputs of gross income into CHATS. Gross income is one of the driving factors for eligibility and parent fees.

Management's Response and Corrective Action Plan –The Department concurs with the findings, and will review performance expectations with Aspen Family Services. In early 2013, the Department assumed responsibility for the provider portion of the case reviews. This practice affords the Department more immediate feedback on Aspen Family Service's case review process and practices. The Department will additionally institute periodic random spot checks in 2013.

**2012-02**

**Direct Funding  
CFDA #14.218  
Department of Housing and Urban Development  
Community Development Block Grants/Entitlement Grants  
Reporting**

**Significant Deficiency in Internal Control over Compliance**

Criteria – One of the fourteen federal requirements applicable to the CDBG programs is to file various types of reports at specific times during the grant period. The reports are to be prepared by a knowledgeable staff member that is supported with sufficient documentation and approved by a supervisor and submitted timely. Additionally, 2 CFR part 170 implement several distinct Federal Financial Accountability and Transparency Act (FFATA) reporting requirements, including reporting of subaward obligations and stipulates that direct recipients of federal awards must report each obligating action of \$25,000 or more in Federal funds. Reports must be filed in FSRS no later than the last day of the month following the month in which the subaward obligation was made or a subcontract or subaward modification was made.

Condition – We noted that FFATA reports for 4 subaward obligations were submitted outside of required timeframes.

Questioned Costs – None.

Effect – Failure to submit required FFATA reports on a timely basis may result in requirements of the grant not being met.

Cause – The County did not have a system of internal controls in place to track or document that the FFATA report was completed timely and reviewed for accuracy prior to submission.

Recommendation – We recommend the County implement procedures to ensure that all reports are filed timely. These procedures should also include policies to document the date of obligation for subawards and date FFATA report is required.

Management’s Response and Corrective Action Plan – CDBG and Finance staff have worked together to update CDBG’s policies and procedures to ensure that all sub-awards and/or amendments are entered into the FSRS system no later than the last day of the month following the date of contract execution. This will enable staff to meet all FFATA reporting requirements in a timely manner. CDBG staff has created a log for each program year, listing the sub-grantees who were awarded funding, the purpose and the amount of funding, the date of contract execution, the date the FFATA report is required and the date FFATA reporting is actually entered and submitted in the system.

CDBG staff will update the CDBG project file checklist with the date the project information was entered into the FSRS system. A printed copy of the FFATA report will be included in each project file to document that all steps have been completed.

Finance staff will review the FFATA reporting before reports are submitted in the FSRS system to ensure reports are accurately completed within the required reporting deadlines.

**2012-03      Passed-through Arapahoe County and Passed-through City and County of Denver  
CFDA #97.067  
Department of Homeland Security  
Homeland Security Grant Program  
Equipment and Real Property Management**

**Significant Deficiency in Internal Control over Compliance**

Criteria – The requirements for equipment are contained in the A-102 Common Rule (§ \_\_\_\_.32). The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition – The Sheriff’s Office did not notify the finance department of federally donated equipment received.

Questioned Costs – None.

Effect – Lack of communication from the department with the finance department may result in inadequate safeguards over federally donated assets. Additionally, the Schedule of Expenditures of Federal Awards may be understated if finance is not aware of the federally donated assets.

Cause – The County did not have an effective system of internal controls in place to receive information on donated assets from outside departments.

Recommendation – We recommend the County implement procedures to ensure that all departments are aware of the importance of identify federally donated assets.

Management's Response and Corrective Action Plan – The awarded asset was requested by Arapahoe County on behalf of the North Central Region (which includes Douglas County) in 2009 for possible award in 2010. As is often the case with funding from the Department of Homeland Security the actual award was delayed until funding became available in 2012. Douglas County Sheriff's Office was not copied on the initial request. The Sheriff's Office itself does have specific policies and procedures in place relative to grant management (including applications and awards). In this particular case those procedures were not specifically followed and Sheriff's office management was not aware that the equipment had been awarded and accepted. Additional training regarding grant policies and procedures will be provided and communicated to all levels within the agency.

**2012-04**      **Passed-through Colorado Department of Human Services**  
**CFDA #93.778**  
**Department of Health and Human Services**  
**Medical Assistance Program**  
**Eligibility**

**Significant Deficiency in Internal Control over Compliance**

Criteria – According to the Colorado Department of Health Care Policy and Financing Section 8, the County is required to send a Notice of Action notifying the applicant of approval or denial of Medicaid benefits within 45 days of the completed application. In cases when a disability determination is required, the County has 90 days to process the completed application.

Condition – We reviewed forty case files related to eligibility. We noted two instances of non-compliance in which the County did not send notice of action within 45 days of the completed application.

Questioned Costs – None.

Effect – Failure to process applications timely results in participants that are delayed approval for Medicaid services.

Cause – The case was not timely processed due to the County’s ineffective monitoring of the 45 day deadline.

Recommendation – We recommend that the County utilize available COGNOS reports to determine which cases are nearing the exceeding processing guidelines.

Management’s Response and Corrective Action Plan – The Department concurs with the findings, and will continue to use Cognos reports to identify pending applications and redeterminations.

**2011-01**      **Passed-through Colorado Department of Human Services**  
**CFDA #93.575/93.596**  
**Child Care and Development Cluster**  
**Allowable Costs**

**Significant Deficiency in Internal Control over Compliance**

Finding – The Colorado Department of Human Services Staff Manual Section 3.911 outlines requirements for provider rates and payments to providers. Additionally, the Douglas County CCCAP Plan details the County’s policy of compensating licensed providers for a specified number of child absences per month. We selected 60 files to test allowable costs and noted one instance where the provider was paid for four absences instead of the maximum of three allowed absences per child per month.

Status – The overpaid absence was the result of system error. The Department pays for child care services via the State of Colorado’s Child Care Automated Tracking System (CHATS). In December 2010, Counties were notified by State Child Care Assistance Program staff that CHATS was overpaying absences. At that time, Douglas County elected to “shut off” the automatic payment of absences until the State was able to resolve the system issue. Providers subsequently had to submit manual bills in order to be paid for absences. The CHATS payment issue was resolved in May 2011. Additionally, The County has rolled absences into the standard daily provider rate. Effective July 1, 2012 absences will no longer be tracked.

Auditor Response – Fully implemented.

**2011-02**      **Passed-through Colorado Department of Transportation**  
**CFDA #20.205**  
**Highway Planning and Construction**  
**Cash Management**

**Significant Deficiency in Internal Control over Compliance**

Finding – The requirements for cash management are contained in the A-102 Common Rule (§ \_\_.21), OMB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. U.S. Office of Management and Budget (OMB) OMB Circular A-110, Subpart C \_\_.21(b) states Recipients’ financial management systems shall provide the following: (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award and (7) Accounting records including cost accounting records that are supported by source documentation.

During our testing of the grant we noted the following items involving cash management.

- Federal expenditures of \$76,956 were properly included on the 2010 SEFA. However, the reimbursement for these expenditures was not received until January 27, 2012. The initial reimbursement request was submitted by the County on October 26, 2010 along with supported documentation that CDOT had accepted from previous grants. As a result of CDOT continuing to make requests for additional backup to be submitted with the report during 2011, the final revised reimbursement request was not submitted until January 9, 2012.
- Federal expenditures of approximately \$82,000 were incurred in 2010 and improperly included on the 2011 SEFA. Upon receipt of additional documentation and discussions with management, the reimbursement request for these expenditures was not submitted until March 9, 2012. Based on discussions with the County they indicated that since there were issues with the prior reimbursement request noted above, they held off on submitting reimbursement requests for these expenditures. The County received reimbursement for these expenditures on March 29, 2012.

Status –During 2011, CDOT was unable to provide to the County a revised checklist of specific documents required to be included with the reimbursement requests that resulted in the delays of reporting and payment. The County now has received a revised checklist from CDOT to assist in the preparation of the complete billing packet that will help expedite their review and payment process. The County will continue to work with the accounting personnel of the awarding agency to determine if there are any changes to the billing packet upon receipt of the award in order to prevent any future delays in reporting. A copy of the checklist will be provided to the County department that has received grant awards from CDOT.

Auditor Response – The County completed this phase of the Highway Planning and Construction grant in 2011. There were no expenditures or additional cash management reimbursement requests related to this project filed in 2012. Finding will not be repeated.