



Federal Awards Reports In Accordance With the  
Single Audit Act and OMB Circular A-133  
December 31, 2013

## Douglas County, Colorado

	<b><u>PAGE(S)</u></b>
<b>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 <i>Government Auditing Standards</i></b>	<b>1-2</b>
<b>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</b>	<b>3-4</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>5-6</b>
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	<b>7</b>
<b>Schedule of Findings, Questioned Costs and Responses</b>	<b>8-14</b>
<b>Summary Schedule of Prior Year Findings</b>	<b>15-18</b>



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, 2013, 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 10, 2014.

**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.

**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*.

**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 cursive script that reads "Eide Bailly LLP".

Greenwood Village, Colorado  
April 10, 2014



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’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, 2013. 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 on each of its major Federal programs for the year ended December 31, 2013.

**Report on Internal Control over Compliance**

Management of Douglas County 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 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, questioned costs and responses as items 2013-001, 2013-002, 2013-003 and 2013-004, and 2013-005 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 responses were 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, 2013, and have issued our report thereon dated April 10, 2014, 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Greenwood Village, CO  
April 10, 2014

**DOUGLAS COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2013

<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 the Supplemental Nutrition Assistance Program	10.561		*	\$ 437,064
Emergency Food Assistance Program (Administrative Costs)	10.568		*	1,913
Emergency Food Assistance Program (Food Commodities)	10.569		*	93,842
Emergency Food Assistance Program Cluster				<u>95,755</u>
<b>Total U.S. Department of Agriculture</b>				<u>532,819</u>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grants/Entitlement Grants	14.218			<u>811,013</u>
<b>U.S. Department of Justice</b>				
Passed-through Colorado Bureau of Investigations				
Cold Case Investigation Grants	16.560		2010-DN-BX-K234	15,278
State Criminal Alien Assistance Program	16.606			56,609
Passed-through Colorado Department of Public Safety, Division of Criminal Justice				
Juvenile Accountability Incentive Block Grant	16.523		11-JB-L-18-29	30,000
Support for Adam Walsh Act Implementation Grant Program	16.750		11-AWA-02	1,643
Passed-through Colorado Department of Public Safety, Division of Criminal Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738		2012-DJ-12-000078-04-4	38,033
Equitable Sharing Program	16.922			<u>271,088</u>
<b>Total U.S. Department of Justice</b>				<u>412,651</u>
<b>U.S. Department of Transportation</b>				
Passed-through Colorado Department of Transportation				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		CMS#12-HTR-41272/SAP	25,316
Job Access and Reverse Commute Program	20.516		CMS#12-HTR-42861/SAP	49,017
New Freedom Program	20.521		CMS#12-HTR-41400/SAP	72,294
Passed-through Regional Transportation District				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		*	35,229
Job Access and Reverse Commute Program	20.516		*	<u>20,742</u>
Department of Transportation Grant Cluster				202,598
Passed-through Colorado Department of Transportation				
Highway Planning and Construction	20.205		C470-032	79,141
Passed-through Regional Transportation District				
Highway Planning and Construction	20.205		*	<u>36,544</u>
Highway Planning and Construction Cluster				<u>115,685</u>
<b>Total U.S. Department of Transportation</b>				<u>318,283</u>

**DOUGLAS COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2013**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Numbers</b>	<b>ARRA</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>				
Pass-through Colorado Department of Human Services				
Promoting Safe and Stable Families	93.556		*	20,000
Temporary Assistance for Needy Families (TANF)	93.558		*	1,083,312
Child Support Enforcement	93.563		*	605,419
Low-Income Home Energy Assistance Program	93.568		*	238,902
Child Care and Development Block Grant	93.575		*	(29,093)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		*	<u>891,181</u>
Child Care and Development Block Grant Cluster				862,088
Child Welfare Services	93.645		*	108,767
Foster Care Title IV-E	93.658		*	703,982
Adoption Assistance	93.659		*	76,396
Social Services Block Grant	93.667		*	432,833
Medical Assistance Program	93.778		*	319,261
Pass-through Colorado Department of Local Affairs				
Community Services Block Grant	93.569		*	48,429
Special Programs for the Aging - Supportive Services and Senior Centers	93.044		*	<u>420</u>
<b>Total Department of Health and Human Services</b>				<u><b>4,499,809</b></u>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001			<u>1,627,452</u>
<b>U. S. Department of Homeland Security</b>				
Pass-through City and County of Denver				
2008 Homeland Security Grant Program	97.067		*	26,664
2010 Homeland Security Grant Program	97.067		*	16,315
2011 Homeland Security Grant Program	97.067		*	<u>110,397</u>
CFDA Subtotal				153,376
<b>Total Expenditures of Federal Awards</b>				<u><b>\$ 8,355,403</b></u>

\* Number not readily available

Douglas County, Colorado  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2013

---

**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 Grants/Entitlement Grants     \$     655,633

<u>Sub-Recipient</u>	<u>Amount</u>
Audio Information Network of Colorado	\$     1,400
Castle Rock Senior Center	16,160
Douglas County Housing Partnership	351,896
Douglas/Elbert Task Force	27,790
Firehouse Quilts	3,000
Parker Senior Center	147,400
Sedalia Water & Sanitation	88,682
Saint Vincent de Paul	10,080
Women’s Crisis & Family	9,225
Total	\$     655,633

Douglas County, Colorado  
Schedule of Findings, Questioned Costs and Responses  
Year Ended December 31, 2013

---

**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	No
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>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Community Development Block Grants/Entitlement Grants	14.218
Child Support Enforcement	93.563
Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575 & 93.596
Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Medical Assistance Program	93.778
Equitable Sharing Program	16.922
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

---

**Section II – Financial Statement Findings**

---

None noted in current year audit.

---

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

---

**2013-001      Passed-through Colorado Department of Human Services  
CFDA #93.658  
Foster Care Title IV-E  
Eligibility**

**Significant Deficiency in Internal Control over Compliance**

Criteria – Colorado Department of Human Services Staff Manual Volume VII describes the requirements and timeline for determining IV-E eligibility for children placed in out-of-home care. Such determinations must be made within 45 calendar days of placement.

Condition – We noted the following instances of non-compliance related to eligibility determination in 2 of the 8 files tested:

- IV-E eligibility was not determined within the 45 day period required by State regulations

Questioned Costs – None

Effect – Eligible children may not be classified in IV-E foster care in a timely manner.

Cause – The County's processing timelines are such that they are not able to request additional documents from the applicant and still complete the application in 45 days.

Recommendation – We recommend that management develop procedures to monitor deadlines so the County is in compliance with prescribed eligibility policies.

Management's Response and Corrective Action Plan – The Department concurs. By June 1, 2014, we will develop procedures to acquire information in a timely manner. This includes oversight and monitoring responsibilities of Child Welfare management, as well as the Human Services Business Office staff, and the County Attorney's Office.

**2013-002**      **Passed-through Colorado Department of Human Services**  
**CFDA #93.658**  
**Foster Care Title IV-E**  
**Allowable Costs / Eligibility (Certification of County Providers)**

**Significant Deficiency in Internal Control over Compliance**

Criteria – The provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority according to (42 USC 671(a)(10) and 672(c) and 45 CFR sections 1356.30(a), (b) and (d) and (f).

The County will certify its own foster care home providers and is also required to follow the state guidelines as indicated in Volume 7.708 – Certification of Foster Care Homes and 7.500.2 – Assessment of Foster Home and Adoptive Home.

Condition – 5 files tested were county certified providers. These County licensed providers were tested for proper initial certification and renewal, and support according to state regulations and noted the following findings related to certification or renewal of Foster Care providers:

- One instance of not performing a FBI background check on a resident of the home over the age of 18.

Questioned Costs – None

Effect – The County has procedures in place surrounding the certification, licensing and monitoring of foster care homes; however, missing documentation may result in providers that are not claimable and disallowed costs.

Cause – Due to ineffective monitoring for compliance with the state requirements, errors were not detected or corrected in a timely manner.

Recommendation – We recommend the County continue to monitor and perform reviews of provider files to ensure all foster care providers are properly licensed, certified and recertified, and all required information is documented in the files.

Management's Response and Corrective Action Plan – The Department concurs. Each casework supervisor will continue to monitor and review foster care providers to ensure providers are properly licensed or certified, and that appropriate documentation is in the file. Additionally, the Collaborative Foster Care Program will continue to supervise caseworkers to ensure they maintain accurate records of certification information, timeframes for recertification, and licensing. A tracking process has been implemented to track fingerprint-based background checks from the moment a fingerprint card is provided to the Department for the certification of a foster care or kinship foster home.

**2013-003      Passed-through Colorado Department of Human Services  
CFDA #93.658 – Foster Care Title IV-E  
CFDA #93.667 – Social Services Block Grant  
Allowable Costs / Cost Principles**

**Significant Deficiency in Internal Control over Compliance**

Criteria – OMB Circular A-87, “Cost Principles for State and Local Governments” establishes principles and standards for determining allowable costs of federal awards. OMB Circular A-87, section (C)(1) identifies ten basic guidelines that must be followed in order for a cost to be considered allowable. One of the basic guidelines, A-87, section (C)(1)(a) requires the costs be necessary and reasonable for proper and efficient performance and administration of Federal awards. Additionally, OMB Circular A-87, attachment B, provides principles in establishing the allowability of certain items or cost.

Condition – We noted the following exceptions related to allowable cost testing in 2 of 10 non-payroll transactions selected for testing:

- Expenditure originally coded to the child welfare program (and allocated to the SSBG program) was not an allowed expenditure under the grant.
- Sales tax was inadvertently paid and charged toward the grant.

Questioned Costs – None

Effect – Payment of costs which are not allowed by grant standards or unsupported by appropriate documentation may lead to disallowed costs and a potential return of funds to the federal agency.

Cause – Management is responsible for establishing controls ensuring only allowable and necessary costs are charged toward the grant. This is accomplished by documentation of approval through review of supporting documentation and comparison to allowable cost standards prior to processing request for payment. Such approvals were not adequately performed in relation to the identified expenditure.

Additionally, the sales tax payment was paid as part of a collaborative agreement with two other counties. However, documentation of review of invoice support related to this payment should have disallowed the sales tax costs or documented reasoning for allowing the cost.

Recommendation – We recommend management ensure invoices are adequately reviewed and approved after comparison to allowable cost standards. If the County elects to pay sales tax on certain items due to the insignificant dollar amount, this consideration should be documented as the County is exempt from paying these taxes.

Management's Response and Corrective Action Plan – The Department concurs. The Business Office will expand its current process and will implement a two-part review for all vouchers prepared, effective immediately.

To ensure that sales tax is not included in future invoices, Human Services already contacted the Foster Care Collaborative and future invoices will reflect any sales tax in a separate line item. No later than June 1, 2014, all other contractors and vendors will be asked to separately identify any sales taxes paid.

**2013-004**      **Passed-through Colorado Department of Human Services**  
**CFDA #93.778**  
**Medical Assistance Program**  
**Eligibility**

**Significant Deficiency in Internal Control over Compliance**

Criteria – According to the Colorado Department of Health Care Policy and Financing (HCPF) 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. Additionally, resource limits for individual long-term care cases was \$2,000 throughout 2013.

Condition – We reviewed forty case files related to eligibility. We noted the following in our testing:

- Two instances of non-compliance in which the County did not send notice of action within 45 days of the completed application.
- One instance in which a burial plan asset valued at \$9,000 should have been counted toward resources but was not.

Questioned Costs – None

Effect – Failure to process applications timely results in participants that are delayed approval for Medicaid services. Additionally, failure to properly identify resources can lead to an individual becoming ineligible to receive benefits.

Cause – Two cases were not timely processed due to the County's ineffective monitoring of the 45 day deadline. In the other instance, the County improperly treated the burial plan as an irrevocable plan (in which case the asset would not be counted as resources for the individual), when in fact, it was a revocable plan.

Recommendation – We recommend that the County utilize available COGNOS reports to determine which cases are nearing or exceeding processing guidelines. We also recommend the County review policies and procedures designed to ensure benefits are only authorized to individuals that are eligible.

Managements Response and Corrective Action Plan – The Department concurs. At the eligibility staff meeting on February 19, 2014, supervisors reviewed timely processing and Long Term Care resource rules. Eligibility Supervisors and Division Manager will continue training staff on changes related to Medicaid and the Affordable Care Act in monthly staff meetings. We will continue to utilize the available COGNOS reports to track and monitor progress of determinations to prevent untimely determinations. In October 2012, the Department instituted same day processing. Although this generally benefits Food Assistance cases, in some instances the Medicaid portion of the application can also be processed on the same day as the application.

Throughout 2013 the State of Colorado was under a court settlement related to Medicaid timely processing. The State’s timely processing guidelines were as follows: 1) January through June 2013 – 90% timely, 2) July – December 2013 – 95% timely for a rolling 12 months, and 3) January 2014 and forward – 95% timely for a rolling 12 months. Douglas County was able to meet or exceed these court required timeframes in almost every month included under the settlement.

**2013-005**

**Passed-through Colorado Department of Human Services  
CFDA #93.778 – Medical Assistance Program  
CFDA #10.561 – State Administrative Matching Grants for the Supplemental  
Nutrition Assistance Program  
Allowable Costs / Cost Principles**

**Significant Deficiency in Internal Control over Compliance**

Criteria – OMB Circular A-133, Subpart C paragraph 300(b) requires that entities receiving Federal awards establish and maintain internal controls that are designed to reasonably ensure compliance with Federal laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Subpart A provides that internal control should achieve the following objectives for Federal Programs: transactions are properly recorded, transactions are in compliance with the grant, and there are appropriate safeguards in place.

Condition – We reviewed forty timesheets related to time and effort testing for SNAP and Medicaid. We noted the following in our testing:

- Two instances in which the employee’s direct supervisor/manager did not approve the employee’s timesheet.

Questioned Costs – None

Effect – Failure to review and approve timesheets could result in an employee’s salary being incorrectly coded to a federal grant and potentially being considered a disallowed cost.

Douglas County, Colorado  
Schedule of Findings, Questioned Costs and Responses  
Year Ended December 31, 2013

---

Cause – Two timesheets were not approved due to the County’s inadequate monitoring of timesheets.

Recommendation – We recommend that the County establish a tracking system for timesheets that are unable to be signed before payroll is processed. Communication should be made with the direct supervisor/manager to ensure proper coding is made on the timesheet and adequate documentation should be available to identify employee’s time is reviewed and approved in these instances.

Managements Response and Corrective Action Plan – The Department uses the County’s electronic timesheet system to ensure staff are paid, and subsequently completes a fully independent process to seek reimbursement from the state/federal grant program. The County’s electronic timesheet system is based on a “pull” concept when a timesheet is not electronically “pushed” to Payroll. Given this two-step process, the County’s electronic timesheet system does not equate to an assumed incorrect claiming of expenses. The Department concurs that there could be additional review in place to ensure the County’s timesheets are reviewed and not “pulled” without review by the supervisor or the Director’s designee. Additional steps will be implemented by June 1, 2014.

**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**

Finding – 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. 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.

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

Status – AFS periodically conducts staff trainings that include various items such as income calculation and accurate income data entry. Additionally, they conduct monthly case reviews for quality control on accuracy of eligibility determination. The Department completes the provider portion of the monthly review, and follows-up with AFS if there are any concerns. Concerns are also discussed during contract meetings between the Division Manager and AFS. Ad hoc meetings or conference calls are also used to address issues that involve the Business Office or Investigations as well.

Child immunization records are no longer required per State rule with the exception of non-school age children using care in an out-of-home, non-relative Qualified Provider care setting.

Auditor Response – Fully implemented.

**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**

Finding – 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.

In our testing performed, we noted FFATA reports for 4 subaward obligations were submitted outside of required timeframes.

Status –The CDBG and Finance staff have worked to implement procedures to ensure that all reports are filed in a timely manner. The policies now ensure all sub-awards are entered into the FSRS system no later than the last day of the month following the date of contract execution. Internal tracking is accomplished by recording the information on a spreadsheet for each Subgrantee by program year, which lists the amount of funding, the date of contract execution, the date the FFATA report is required and the date FFATA reporting is entered and submitted into the system. Staff also uses a project file checklist for each hard copy file, and records the information in each Subgrantee’s file, along with a printed copy of the FFATA report for each Subgrantee.

Auditor Response – Fully implemented.

**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**

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

Status – Sheriff’s office management and finance staff have been in contact with the City of Denver and the North Central region of Homeland Security Grant program to establish a procedure that will provide written notification to both the Sheriff’s office as well as finance staff when equipment is awarded to Douglas County. Additionally, Sheriff’s office personnel have been directed to supply a copy of the receipt documentation to management so the asset may be recorded on the Sheriff’s inventory of equipment and all the applicable (Sheriff/Federal) asset tags can be assigned and applied to the equipment. The Sheriff’s office will forward a copy of all documentation to finance where the equipment and all associated asset tags will be entered into the JD Edwards fixed asset system and recorded as a donated asset.

Auditor Response – Fully implemented.

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

**Significant Deficiency in Internal Control over Compliance**

Finding – 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. 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.

Douglas County, Colorado  
Summary Schedule of Prior Year Findings  
Year Ended December 31, 2013

---

Status – The Department continues to hold monthly eligibility staff meetings that cover topics such as processing compliance timelines; rule changes and review of existing rules; preparation and implementation of the Affordable Care Act; new and ongoing system interface and performance issues. Additionally, monthly supervisory reviews continue and findings are discussed with staff at one-on-one supervisions.

Auditor Response – Not implemented. See Finding 2013-004.