



Federal Awards Reports in Accordance with the
Single Audit Act and OMB Circular A-133
December 31, 2014

Douglas County, Colorado

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**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***

The Board of Douglas County Commissioners
Douglas County, Colorado

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, 2014, 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 9, 2015.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-A to be a material weaknesses.

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.

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 the Finding

Douglas County's response to the 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 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 cursive script that reads "Eide Bailly LLP".

Greenwood Village, Colorado
April 9, 2015



**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**

The Board of Douglas County Commissioners
Douglas County, Colorado

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, 2014. Douglas County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2014.

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.

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 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, 2014, and have issued our report thereon dated April 9, 2015, 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 9, 2015

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Expenditures as of 12/31/2014
U.S. Department of Agriculture			
Passed-through Colorado Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*	\$ 506,437
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		429,014
U.S. Department of Justice			
Passed-through Colorado Bureau of Investigations			
National Institute of Justice Research, Evaluation, and Development (Cold Case Investigation Grant)	16.560	2010-DN-BX-K234	4,600
State Criminal Alien Assistance Program	16.606	2014-AP-BX-0536	44,687
Passed-through Colorado Department of Public Safety, Division of Criminal Justice			
Support for Adam Walsh Act Implementation Grant Program	16.750	11-AWA-02	5,346
Equitable Sharing Program	16.922		93,125
Total U.S. Department of Justice			<u>147,758</u>
U.S. Department of Transportation			
Passed-through Colorado Department of Transportation			
New Freedom Program	20.521	CMS#12-HTR-41400/SAP	5,075
Passed-through Regional Transportation District			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	*	100,157
Job Access and Reverse Commute Program	20.516	*	<u>2,734</u>
Department of Transportation Grant Cluster			107,966
Passed-through Colorado Department of Transportation			
Highway Planning and Construction	20.205	AQC C470-040	500,000
Passed-through Regional Transportation District			
Highway Planning and Construction	20.205	MI2010-066	<u>12,469</u>
Total Highway Planning and Construction			<u>512,469</u>
Total U.S. Department of Transportation			620,435

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Numbers</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures as of 12/31/2014</u>
U.S. Department of Health and Human Services			
Pass-through Colorado Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	*	1,107,906
Child Support Enforcement	93.563	*	660,853
Low-Income Home Energy Assistance Program	93.568	*	302,288
Child Care and Development Block Grant	93.575	*	110,637
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	<u>710,989</u>
Child Care and Development Block Grant Cluster			821,626
Child Welfare Services	93.645	*	88,151
Foster Care Title IV-E	93.658	*	752,837
Adoption Assistance	93.659	*	103,231
Social Services Block Grant	93.667	*	359,107
Medical Assistance Program	93.778	*	499,647
Community Services Block Grant	93.569	*	31,367
Pass-through Denver Regional Council of Governments			
Special Programs for the Aging - Supportive Services and Senior Centers	93.044	*	<u>409</u>
Total Department of Health and Human Services			<u>4,727,422</u>
Executive Office of the President			
High Intensity Drug Trafficking Areas Program	95.001		2,005,841
U. S. Department of Homeland Security			
Pass-through Colorado Department of Local Affairs			
Emergency Management Performance Grants	97.042	*	40,000
Pass-through City and County of Denver			
2014 Homeland Security Grant Program	97.067	*	77,473
Pass-through Arapahoe County			
2014 Homeland Security Grant Program	97.067	*	<u>8,974</u>
Homeland Security Grant Cluster			86,447
Total Department of Homeland Security			<u>126,447</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,563,354</u></u>

* 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 2 of 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:

<u>Subrecipient</u>	<u>Amount</u>
Audio Information Network of Colorado	\$ 4,600
Castle Rock Senior Center	2,232
Douglas County Housing Partnership	86,629
Douglas/Elbert Task Force	59,660
Douglas County Cares	17,412
Parker Senior Center	4,900
Sedalia Water & Sanitation	111,378
Saint Vincent de Paul	12,050
Town of Parker	1,125
Women’s Crisis & Family	5,590
Total	<u>\$ 305,576</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
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	None Reported

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 No

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
Highway Planning and Construction	20.205
Low-Income Home Energy Assistance Program	93.568
Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Medical Assistance Program	93.778

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee Yes

Section II – Financial Statement Findings

**2014-A Adjusting Journal Entry / Cost Allocation Plan
Material Weakness**

<i>Criteria</i>	OMB Circular A-87 (Appendix C to 2 CFR Part 225), <i>State/Local-Wide Central Service Cost Allocation Plans</i> , governs all central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards. Costs included in the cost allocation plan are to be properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated.
<i>Condition</i>	The County did not allocate costs in the approved cost allocation plan to the human services fund. However, the human services fund was allowed to retain the approved 33% federal reimbursement (federal revenue) for these charges. An adjustment was posted to charge the human services fund expenditures in accordance with the approved cost allocation plan.
<i>Cause</i>	The human services fund is used to account for all federal and state public aid and assistance programs administered by the County. The County only receives a 33% federal reimbursement for approved allocable charges under the OMB Circular A-87 cost allocation plan. Therefore, the remaining 67% of the costs charged must be funded either through the property tax mill levy assigned to the human services fund, or an operating transfer from the general fund. The County did not charge the human services fund for the allocable cost allocation expenditures because management made the decision that the general fund would subsidize these costs.
<i>Effect</i>	Not charging the human services fund the allocable costs under the approved cost allocation plan results in the human services fund receiving federal awards for which the related expenditures are recorded in the general fund.
<i>Recommendation</i>	We recommend the County charge the human services fund the allocable costs under the approved cost allocation plan in order for the federal revenues reported by the human services fund to match the approved cost allocation expenditures. Management should also make a formalized policy on how it will fund the unreimbursed portion of the charges, whether that will be completed through an increased property tax mill levy allocated to the human services fund or a transfer.
<i>Management Response And Corrective Plan</i>	The OMB A-87 is used to determine the indirect costs applicable to the Human Services Fund from the expenditures of the County as a whole. This finding has no impact on the total Governmental Funds. A journal entry to move the appropriate indirect costs from the General Fund to the Human Services Fund has been made for 2014. There are several options open to management to remedy the recording of the revenues, or the expenditures, to fulfill the matching requirements and the most appropriate and efficient option will be implemented in 2015 and in all future years.

Section III – Federal Award Findings and Questioned Costs

None

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

Significant Deficiency in Internal Control over Compliance

Finding – 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.

In our testing performed, 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

Status – The Department implemented an enhanced policy addressing communication, timeframes, reports, and documentation. As a result, some of our practices have been streamlined. The ability to streamline enhances ways to decrease days to determine eligibility. In addition, the employees have the ability to effectively communicate when a file requires additional documentation for eligibility determination so nothing gets missed in a timely manner.

Auditor Response – Fully implemented

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

Significant Deficiency in Internal Control over Compliance

Finding –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.

In our testing performed, we noted 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. We noted one instance of not running an FBI background check on a resident of the home over the age of 18 as part of the certification or renewal process.

Status – The Collaborative Foster Care Program (CFCP) has assumed an increased roll with Douglas County for maintaining all fingerprint-based background checks. CFCP caseworkers visit foster families monthly to ensure all required compliance measures have been met including background checks. The CFCP caseworkers also manually track all children, whether biological, foster or adopted, and the age of each child. Certifications workers rely on this manual tracking as there is no systematic tracking mechanism available through Trails.

Auditor Response – Fully implemented

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

Significant Deficiency in Internal Control over Compliance

Finding – 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.

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.

Status – All expenses are reviewed by the Business Office. The Sr. Accounting Clerk first prepares the voucher and the Business Office Supervisor reviews and approves. If it is a paper voucher, the Supervisor initials the voucher, and the Business Office Manager or Director then signs the voucher. In the fall of 2014, the County implemented an e-Vouching feature in JDE. The Supervisor still reviews the vouchers electronically and then lets the Manager or Director know that the vouchers are ready to be reviewed and electronically signed.

All expenses are reviewed by the Business Office for sales tax. Sales tax is separated on the voucher and is tracked on a spreadsheet. All vouchers are reviewed by the Supervisor, and then reviewed and approved by the Manager or Director. For expenses that are not paid by voucher (purchase card charges) the Supervisor reviews the monthly reports for sales tax and notes it on the report as well as in the spreadsheet. All voucher related sales tax now shows on the general ledger as a separate expense. Sales tax expenses are coded to the county only expense code when claiming to the state.

Auditor Response – Fully implemented

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

Significant Deficiency in Internal Control over Compliance

Finding – 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. 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.

Additionally, resource limits for individual long-term care cases was \$2,000 throughout 2013. In our testing, we noted one instance in which a burial plan asset valued at \$9,000 should have been counted toward resources but was not.

Status – In February 2014, staff training was conducted to address the timely processing issues and specifically the resource limit for long-term care (LTC). Newly hired staff are also being trained on how to properly address resources in LTC cases.

Auditor Response – Fully implemented

2013-005 **Passed-through Colorado Department of Human Services
Medical Assistance Program - CFDA 93.778 and State Administrative Matching Grants for
the Supplemental Nutrition Assistance Program – CFDA 10.561
Allowable Costs/Cost Principles**

Significant Deficiency in Internal Control over Compliance

Finding – 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. We reviewed forty timesheets related to time and effort testing for SNAP and Medicaid. We noted two instances in which the employee’s direct supervisor/manager did not approve the employee’s timesheet.

Status – In June 2014, the Department implemented a policy pertaining to County electronic timesheet submission. Additionally if any issues are noticed by the Business Office with paper timesheets (for those few staff who have one as well) and the electronic timesheet, the employee’s supervisor is contacted.

Auditor Response – Fully implemented