



Federal Awards Reports In Accordance With the
Single Audit Act and the Uniform Guidance
December 31, 2016

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 Douglas County, Colorado as of and for the year ended December 31, 2016, 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 25, 2017.

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 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.

Eide Bailly LLP

Denver, Colorado
April 25, 2017



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 the Uniform Guidance

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on #93.575 & 93.596, Child Care and Development Fund Cluster

As described in the accompanying schedule of findings and questioned costs, Douglas County did not comply with requirements regarding CFDA#93.575 & 93.596 Child Care and Development Fund Cluster as described in finding number 2016-001 for Eligibility and Allowable Costs. Compliance with such requirements is necessary, in our opinion, for Douglas County to comply with the requirements applicable to that program.

Qualified Opinion on #93.575 & 93.596, Child Care and Development Fund Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Douglas County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Care and Development Fund Cluster for the year ended December 31, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2016.

Other Matters

Douglas County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's corrective action plan is also included in a separately issued letter. 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 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 the Uniform Guidance, 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 consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

Douglas County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's corrective action plan is also included in a separately issued letter. 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Douglas County as of and for the year ended December 31, 2016, and have issued our report thereon dated April 25, 2017, 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 the Uniform Guidance 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.

Eide Sallee LLP

Denver, Colorado
April 25, 2017

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Expenditures as of 12/31/16	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture				
Passed-through Colorado Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*	\$ 652,161	\$ -
State Administrative Matching Grants for the Watershed Rehabilitation Program	10.916	60-8B05-A14-02	112,557	-
Total U.S. Department of Agriculture			764,718	-
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-08-0004	873,188	801,938
Total U.S. Department of Housing and Urban Development			873,188	801,938
U.S. Department of Justice				
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0159	41,025	-
Passed-through Colorado Department of Public Safety, Division of Criminal Justice				
Support for Adam Walsh Act Implementation Grant Program	16.750	15-AW-BX-0026	146,993	-
Equitable Sharing Program	16.922	*	178,638	-
Total U.S. Department of Justice			366,656	-
U.S. Department of Transportation				
Passed-through Colorado Department of Transportation				
National Highway Traffic Safety Administration (NHTSA)				
Discretionary Safety Grants (Click it or Ticket, Seatbelt Grant)	20.602	411008616	2,500	-
Highway Planning and Construction	20.205	EX15037	20,846	-
Passed-through Regional Transportation District				
Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	16-HTR-ZL-00159 16-HTR-ZL-00160	255,579	-
Total U.S. Department of Transportation			278,925	-

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Expenditures as of 12/31/16	Amounts Passed- Through to Subrecipients
U.S. Department of Health and Human Services				
Pass-through Colorado Department of Human Services				
Temporary Assistance for Needy Families (TANF)	93.558	*	954,806	-
Child Support Enforcement	93.563	*	802,624	-
Low-Income Home Energy Assistance Program	93.568	*	157,198	-
Child Care and Development Block Grant	93.575	*	414,094	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	528,233	-
Child Care and Development Fund Cluster			942,327	-
Child Welfare Services	93.645	*	96,555	-
Foster Care Title IV-E	93.658	*	1,393,041	-
Adoption Assistance	93.659	*	162,055	-
Social Services Block Grant	93.667	*	668,603	-
Medical Assistance Program	93.778	*	904,896	-
Community Services Block Grant	93.569	*	61,041	-
Guardianship Assistance	93.090	*	10,265	-
Pass-through Denver Regional Council of Governments				
Special Programs for the Aging - Supportive Services and Senior Centers	93.044	*	3,000	-
Pass-through Colorado Office of Behavioral Health				
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	*	37,500	-
Total Department of Health and Human Services			6,193,911	-
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001	*	2,017,559	-
Total Executive Office of the President			2,017,559	-
U. S. Department of Homeland Security				
Pass-through City and County of Denver				
2016 Homeland Security Grant Program	97.067	*	162,973	-
Total Department of Homeland Security			162,973	-
Total Expenditures of Federal Awards			\$ 10,657,931	\$ 801,938

* Number not readily available

Note A – Basis of Presentation and Significant Account Policies

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 Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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.

Douglas County did not elect to use the 10% De Minimis indirect cost rate.

Section I – Summary of Audit 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	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Support Enforcement	93.563
Child Care and Development Fund Cluster	93.575 & 93.596
High Intensity Drug Trafficking Areas Program	95.001
Community Development Block Grant	14.218

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

**2016-001 Passed-through the Colorado Department of Human Services
CFDA # 93.575 & 93.596, Child Care and Development Fund Cluster**

**Material Noncompliance - Allowable Costs, Eligibility
Material Weakness in Internal Control over Compliance**

Criteria: The Child Care and Development Fund Cluster includes programs in which States design their own programs, within very broad Federal guidelines. The objective of the Child Care and Development Fund Cluster is to provide funds to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families where the parents are working or attending training or educational programs, as well as for activities to promote overall child care quality for all children, regardless of subsidy receipt. There are various eligibility requirements for the Colorado Child Care Assistance Program (CCCAP) detailed in the Code of Colorado Regulations Department of Human Services Income Maintenance (Volume 3) 9 CCR 2503-9, section 3.905.1- CCCAP Low Income Child Care Eligibility.

Condition: The County did not have internal controls over compliance requirements during 2016 as they relied on a third party for the majority of the year to determine client eligibility and did not have monitoring controls in place. The County had improper monitoring of case file information needed in order to determine timely and accurate eligibility information and calculation of allowable costs. We noted the following errors in three of sixty files tested:

- One file in which the County could not locate the complete file to perform all eligibility testing requirements
- One file in which the file did not contain a signed application or redetermination
- Two instances in which incorrect income was used to determine eligibility

Cause: The County did not have the appropriate controls in place due to insufficient monitoring and lack of oversight during the filing process. As a result, documentation required to determine eligibility was misplaced and incorrect information was used when determining client eligibility.

Effect: The County may not timely detect an error in eligibility and allowable costs that may result in benefits that the County would have to remit back to the State.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 60 transactions out of approximately 40,000 total transactions were selected for testing, which accounted for \$2,169 of \$942,327 of federal program expenditures.

Report Finding from Prior Year(s): No

Recommendation: We recommend the County evaluate policies and procedures to ensure that appropriate documentation is provided and retained prior to issuing benefits.

Views of Responsible Officials: Agree