

City and County of Denver

Single Audit Reports

Year Ended December 31, 2011

City and County of Denver
Year Ended December 31, 2011

Contents

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards.....	4
Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards.....	15
Schedule of Findings and Questioned Costs.....	19
Summary Schedule of Prior Audit Findings.....	43

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

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Denver (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 31, 2012, which contained an explanatory paragraph regarding a change in accounting principle and contained references to the reports of other accountants. We conducted our audit 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. Other accountants audited the financial statements of the Denver Art Museum, Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Denver Metro Convention and Visitors Bureau, Inc. d/b/a Visit Denver, Denver Union Station Project Authority, Board of Water Commissioners, City and County of Denver, Colorado, and Denver Preschool Program, Inc., presented as discretely presented component units, and Gateway Village General Improvement District and Denver 14th Street General Improvement District, included as blended component units, as described in our report on the City and County of Denver's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of Denver Art Museum, Denver Museum of Nature and Science, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Denver Metro Convention and Visitors Bureau, Inc. d/b/a Visit Denver and Denver Preschool Program, Inc. component units included in the financial statements of the aggregate discretely presented component units and Gateway Village General Improvement District and Denver 14th Street General Improvement District, blended component units included in the financial statements as aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02 that we consider to be significant deficiencies in internal control over financial reporting. 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 the City's financial statements are free of 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*.

We also noted certain matters that we reported to the City's management in a separate letter dated May 31, 2012, except for 2011 OM-15 as to which the date is June 25, 2012.

Audit Committee
City and County of Denver

The City's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

May 31, 2012

**Independent Accountants' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance in Accordance with
OMB Circular A-133 and Schedule of Expenditures of Federal Awards**

Audit Committee
City and County of Denver
Denver, Colorado

Compliance

We have audited the City and County of Denver (the City) 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 the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of Denver Union Station Project Authority (DUSPA), a discretely presented component unit, which received \$89,468,813 in federal awards which are not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2011. Our audit, described below, did not include the operations of DUSPA because it engaged other accountants to perform an audit in accordance with OMB Circular A-133.

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 types of 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 the City'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

Audit Committee
City and County of Denver

As listed in the chart below and described in the accompanying schedule of findings and questions costs, the City and County of Denver did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City and County of Denver to comply with the requirements applicable to these programs.

CFDA #	Program	Compliance Requirement	Type of Opinion	Finding Number
14.239	HOME Investment Partnerships Program	Reporting	Qualified	11-04
93.778	Medicaid Cluster	Eligibility	Qualified	11-12

In our opinion, except for the noncompliance described above, the City and County of Denver 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 December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as items 11-03, 11-05, 11-06, 11-07, 11-08, 11-09, 11-10, 11-11, 11-13 and 11-14.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 City’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Audit Committee
City and County of Denver

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-04 and 11-12 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-03, 11-05, 11-06, 11-07, 11-08, 11-09, 11-10, 11-11, 11-13 and 11-14 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-types activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Denver, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 31, 2012, which contained an unqualified opinion on those financial statements and which contained an explanatory paragraph regarding a change in accounting principle and contained references to the reports of other accountants. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. Other accountants audited the financial statements of the Denver Art Museum, Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Denver Metro Convention and Visitors Bureau, Inc. d/b/a Visit Denver, Denver Union Station Project Authority, Board of Water Commissioners, City and County of Denver, Colorado, and Denver Preschool Program, Inc., presented as discretely presented component units, and Gateway Village General Improvement District and Denver 14th Street General Improvement District, included as blended component units, as described in our report on the City and County of Denver's financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Audit Committee
City and County of Denver

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing body, management, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

BKD, LLP

July 26, 2012

City and County of Denver

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Agriculture				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	Colorado Department of Human Services	None Provided	10.561	\$ 8,403,106
Subtotal SNAP Cluster				<u>8,403,106</u>
Supplemental Nutrition Assistance Program, Outreach/Participation Program			10.580	273,535
ARRA - Wildland Fire Management	Colorado State University	09DG110282B1028	10.688	<u>247,692</u>
Total Department of Agriculture				<u>8,924,333</u>
Department of Commerce				
Economic Adjustment Assistance				
ARRA - Broadband Technology Opportunities Program (BTOP)	Colorado Department of Education	BTOP-010	11.557	<u>256,657</u>
Total Department of Commerce				<u>361,286</u>
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant (CDBG)/Entitlement Grants			14.218	16,405,196
ARRA - Community Development Block Grant Entitlement Grants (CDBG-R) (Recovery Act Funded)			14.253	<u>325,409</u>
Subtotal CDBG - Entitlement Grants Cluster				<u>16,730,605</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CDGB - State Administered Small Cities Program)	Colorado Department of Local Affairs	HONSP09310	14.228	61,470
Subtotal CDBG - State-Administered CDBG Cluster				<u>61,470</u>
Emergency Shelter Grants Program			14.231	369,027
Shelter Plus Care			14.238	2,645,250
HOME Investment Partnerships Program			14.239	5,346,446
Housing Opportunities for Persons with AIDS			14.241	1,857,543
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)			14.256	10,542,794
ARRA - Homelessness Prevention and Rapid Re-Housing Program			14.257	897,755
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants			14.704	129,737
Lead-Based Paint Hazard Control in Privately-Owned Housing			14.900	<u>279,448</u>
Total Department of Housing and Urban Development				<u>38,860,075</u>
Department of Interior				
Outdoor Recreation_Acquisition, Development and Planning	Colorado Department of Natural Resources	C170471	15.916	<u>98,404</u>
Total Department of Interior				<u>98,404</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Justice				
Property Confiscation			16.UNKNOWN	364,282
Community-Based Violence Prevention Program			16.123	136,986
Prisoner Reentry Initiative Demonstration (Offender Reentry)	Colorado Division of Criminal Justice	28-RE-01-10-1	16.202	29,347
Juvenile Accountability Block Grants	Colorado Division of Criminal Justice	28-JB-1-2-332 & 29-JB-S-2-332	16.523	15,200
Enhanced Training and Services to End Violence and Abuse of Women Later in Life			16.528	81,311
Juvenile Justice and Delinquency Prevention_Allocation to States	Colorado Division of Criminal Justice & Colorado Department of Public Safety	29-JD-07-117 & 29-JD-07-115	16.540	50,236
Missing Children's Assistance	City of Colorado Springs	2009-MC-CX-K011	16.543	18,176
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	494,464
Crime Victim Assistance	Colorado Division of Criminal Justice	10-VA--2-12	16.575	57,088
Crime Victim Compensation	Colorado Division of Criminal Justice	10-VC-2	16.576	1,275,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs			16.580	113,178
Crime Victim Assistance/Discretionary Grants	Colorado Division of Criminal Justice	HT-10-01	16.582	19,424
Drug Court Discretionary Grant Program			16.585	77,659
ARRA - Violence Against Women Formula Grant	Colorado Division of Criminal Justice	29-RW-2-6 & 29-RW-2-9 & 29-RW-2-10	16.588	59,142
Violence Against Women Formula Grant	Colorado Division of Criminal Justice	10-VW-2-6 & 29-VW-2-41 & 29-VW-2-12 & 29-RW-2-10 & 10-VW-2-9	16.588	321,995
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	334,592
State Criminal Alien Assistance Program			16.606	690,000
Bulletproof Vest Partnership Program			16.607	22,761
Public Safety Partnership and Community Policing Grants			16.710	45,290
Public Safety Partnership and Community Policing Grants	Colorado Association of Chief's of Police	None Provided	16.710	4,600
Juvenile Mentoring Program	Colorado Department of Justice	2010-DC-BX-0002	16.726	9,999
Enforcing Underage Drinking Laws Program	Colorado Department of Revenue	TAA 10-000000021 TAA 11/27520	16.727	32,631
Reduction and Prevention of Children's Exposure to Violence	Colorado Department of Justice	2010-JW-FX-K012	16.730	10,000
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program			16.738	648,388
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	29-DJ-06-30-1 & 29-DJ-03-20-2 28-DJ-06-21-1 & 29-DJ-07-55-1 11-DJ-07-42-2 & 29-DJ-03-52-2 11-DJ-03-2-2 & 10-DJ-03-52-3 29-DJ-04-50-1 & 11-DJ-03-52-4	16.738	521,636
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	Colorado Division of Criminal Justice	29-JR-06-70-1 & 29-JR-03-19-1 & 29-JR-03-10-1 & 29-JR-01-45-1 & 29-JR-01-44-1 & 29-RJ-03-10-3	16.803	453,315
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government			16.804	498,026
Subtotal JAG Program Cluster				2,121,365

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Forensic DNA Backlog Reduction Program			16.741	228,204
Forensic DNA Backlog Reduction Program	Colorado Department of Law, Colorado Attorney General's Office	2009-DN-BX-K242	16.741	144,046
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	37,771
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	29-DN-01-6-1 & 10-DN-01-2-1 & 11-DN-01-6-1	16.742	54,910
Criminal and Juvenile Justice and Mental Health Collaboration Program			16.745	198,902
Congressionally Recommended Awards			16.753	279,393
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	Colorado Division of Criminal Justice	29-RA-2-3	16.801	14,899
Total Department of Justice				<u>7,342,851</u>
Department of Labor				
Employment Service Cluster				
ARRA - Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	09 KAA 00004	17.207	257,757
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	CMS 12065	17.207	1,871,448
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	CMS 12065	17.801	22,045
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	CMS 12065	17.804	13,861
Subtotal Employment Services Cluster				<u>2,165,111</u>
Homeless Veterans Reintegration Project			17.805	289,745
Homeless Veterans Reintegration Project	Colorado Department of Labor and Employment	CMS 12065	17.805	31,489
WIA Cluster				
ARRA - WIA Adult Program	Colorado Department of Labor and Employment	CMS 12065	17.258	65,637
WIA Adult Program	Colorado Department of Labor and Employment	10 KAA 00004 & CMS 12065	17.258	2,236,682
WIA Youth Activities	Colorado Department of Labor and Employment	10 KAA 00004 & CMS 12065	17.259	1,232,908
ARRA - WIA Dislocated Workers	Colorado Department of Labor and Employment and Board of County Commissioners of the County of Arapahoe	CMS 12065 & None Provided.	17.260	205,090
WIA Dislocated Workers	Colorado Department of Labor and Employment	10 KAA 00004	17.260	37,082
WIA Dislocated Workers Formula Grants	Colorado Department of Labor and Employment	CMS 12065	17.278	708,863
Subtotal WIA Cluster				<u>4,486,262</u>
Trade Adjustment Assistance	Colorado Department of Labor and Employment	10 KAA 00004 & CMS 12065	17.245	51,356
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	Board of County Commissioners of the County of Arapahoe and Labor's Community Agency	None Provided	17.275	162,723
Total Department of Labor				<u>7,186,686</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Transportation				
Airport Improvement Program			20.106	34,701,591
Highway Planning and Construction Cluster				
ARRA - Highway Planning and Construction	Colorado Department of Transportation	17334	20.205	860,322
Highway Planning and Construction	Colorado Department of Transportation	16220, 16178, 15759, 16265, 16294, 16395, 16070, 16342, 17334, 17098, 16536, 16653, 16652, 16787, 16952, 16587, 16946, 16947, 17363, 17659, 20024, 18078	20.205	<u>21,121,877</u>
Subtotal Highway Planning and Construction Cluster				<u>21,982,199</u>
National Motor Carrier Safety	Colorado Department of Public Safety	OE RAA SPSS1200051	20.218	50,798
Highway Safety Cluster				
State And Community Highway Safety	Colorado Department of Transportation	PO 211011212 & PO 211012284 PO 211013363 & PO 211014206 PO 271001305 & PO 271001565	20.600	285,093
Alcohol Impaired Driving Countermeasures Incentive Grants	Colorado Department of Transportation	PO211011460 & PO211012768	20.601	<u>54,761</u>
Subtotal Highway Safety Cluster				<u>390,652</u>
Total Department of Transportation				<u>57,074,442</u>
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Grants to Organizations and Individuals			45.024	15,000
Grants to States	Colorado Department of Education	FY-10-037	45.310	16,066
National Leadership Grants			45.312	226,287
Laura Bush 21st Century Librarian Program			45.313	<u>416,647</u>
Total National Foundation on the Arts and the Humanities				<u>674,000</u>
Veterans Health Administration, Department Of Veterans Affairs				
VA Homeless Providers Grant and Per Diem Program			64.024	<u>207,424</u>
Environmental Protection Agency				
National Clean Diesel Emissions Reduction Program			66.039	19,674
Climate Showcase Communities Grant Program			66.041	277,513
Source Reduction Assistance			66.717	6,134
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements			66.814	24,372
Environmental Education Grants			66.951	<u>19,379</u>
Total Environmental Protection Agency				<u>347,072</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Office of Energy Efficiency And Renewable Energy, Department of Energy				
ARRA - State Energy Program	Governor's Energy Office & Colorado Department of Labor and Employment	C900772 & CMS#12065	81.041	136,211
Conservation Research and Development			81.086	407,753
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			81.117	26,082
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis			81.122	85,761
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)			81.128	2,350,059
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office	None Provided & CMS31485	81.128	<u>710,365</u>
Total Office Of Energy Efficiency and Renewable Energy, Department of Energy				<u>3,716,231</u>
Department of Education				
Rehabilitation Services_Service Projects			84.128	84,043
Projects with Industry			84.234	<u>32,066</u>
Total Department of Education				<u>116,109</u>
Department of Health and Human Services				
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO FJA EPR101056 & POFJAEPR1231099	93.069	91,291
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse			93.087	93,282
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	CMS12IHA31431	93.092	21,044
Protection and Advocacy for Individuals with Mental Illness	Colorado Department of Public Health and Environment	PO OE-FAA-HSV11000017	93.138	1,350
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			93.243	351,979
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Colorado Department of Justice	PO FAA AIR1230836	93.243	127,744
Centers For Disease Control and Prevention_Investigations and Technical Assistance	Colorado Department of Public Health and Environment	PO OE-FHA-EPI11000115	93.283	6,250
National Center for Research Resources	Colorado Foundations for Public Health and the Environment	None Provided	93.389	1,267
Abandoned Infants			93.551	123,444
Promoting Safe and Stable Families	Colorado Department of Human Services	POCWSX1000029 CWSX1200002	93.556	396,250
TANF Cluster				
Temporary Assistance For Needy Families (TANF) State Programs	Colorado Department of Human Services	None Provided	93.558	<u>36,209,908</u>
Subtotal TANF Cluster				<u>36,209,908</u>
ARRA - Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	7,700
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	8,116,822
Refugee and Entrant Assistance-State Administered Programs	Lutheran Family Services	None Provided	93.566	172,009

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	5,651,526
CSBG Cluster				
Community Services Block Grant	Colorado Department of Local Affairs	L10CSBG13 & L11CSBG13	93.569	<u>661,351</u>
Subtotal CSBG Cluster				<u>661,351</u>
CCDF Cluster				
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	(314,706)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	<u>10,959,615</u>
Subtotal Child Care and Development Cluster				<u>10,644,909</u>
Head Start Cluster				
Head Start			93.600	8,399,764
ARRA - Head Start			93.708	<u>608,447</u>
Subtotal Head Start Cluster				<u>9,008,211</u>
Child Support Enforcement Demonstrations and Special Projects			93.601	61,858
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	602,367
Adoption Opportunities			93.652	384,974
ARRA - Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	165,174
Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	9,457,793
ARRA - Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	120,653
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	4,192,687
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	4,660,342
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	193,449
ARRA - Strengthening Communities Fund	Colorado Nonprofit Association	None Provided	93.711	27,823
Medicaid Cluster				
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	<u>5,159,241</u>
Subtotal Medicaid Cluster				<u>5,159,241</u>
HIV Emergency Relief Project Grants			93.914	7,967,378
Preventive Health and Health Services Block Grant	Colorado Department of Public Health and Environment	PO OE FAA ADM12000020	93.991	<u>6,250</u>
Total Department of Health and Human Services				<u>104,686,326</u>
Corporation for National & Community Services				
Americorps	Colorado Governor's Commission on Community Service	29-JR-03-10-1 & 29-JR-03-10-2	94.006	<u>212,752</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Executive Office of the President				
High Intensity Drug Trafficking Areas Program			95.001	<u>936,982</u>
Department of Homeland Security				
Homeland Security Preparedness Technical Assistance Program			97.007	435,130
Emergency Management Performance Grants	Colorado Department of Local Affairs, Division of Emergency Management	10EM0L17 & 12EM1L17	97.042	148,000
Homeland Security Grant Program (Homeland Security Cluster)	State of Colorado, Governor's Office of Homeland Security	98HS78717 & 9UASI10DEN & 10UASI11DEN	97.067	5,120,898
Buffer Zone Protection Program (BZPP)	State of Colorado, Governor's Office of Homeland Security	98HS78417	97.078	70,306
Transportation Security Administration			97.UNKNOWN	<u>400,500</u>
Total Department of Homeland Security				<u>6,174,834</u>
Total Federal Expenditures				<u>\$ 236,919,807</u>

(n) noncash federal award

See accompanying notes to Schedule of Expenditures of Federal Awards.

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of the City and County of Denver (the City). The City's reporting entity is defined in note 1 in the City's basic financial statements for the year ended December 31, 2011.

The information in the accompanying schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies. The schedule of expenditures of federal awards includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

The City's basic financial statements include the operations of Denver Union Station Project Authority (DUSPA), a discretely presented component unit, which received \$89,468,813 in federal awards which are not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2011. DUSPA's federal awards are reported on its schedule of expenditures of federal awards for the year ended December 31, 2011.

(2) Basis of Accounting

Governmental funds and proprietary funds account for the City's federal grant activity. Amounts reported in the schedule of expenditures of federal awards are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund except for the following programs, which are reported in the schedule of expenditures of federal awards on the cash basis:

SNAP Cluster	10.561
Temporary Assistance for Needy Families Cluster	93.558
Child Support Enforcement	93.563
Refugee and Entrant Assistance_State Administered Programs	93.566
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
Child Welfare Services_State Grants	93.645
Foster Care_Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778

The City's summary of significant accounting policies is presented in Note I in the City's basic financial statements.

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

(3) Human Services Programs

The City's Department of Human Services operates several federally funded human services programs where benefits are provided to qualified citizens. The benefit distribution method consists of participants receiving benefits, including food stamps, using a state-maintained electronic banking card (EBT) instead of the City's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the City, in the amount of approximately \$236,048,685, of which \$177,534,804 is the federal share. The revenue and expenditures associated with these federal programs are not recognized in the City's basic financial statements.

(4) State Information Technology System

In 2004, the State implemented the new Colorado Benefits Management System (CBMS), which consolidated legacy systems into one system and also incorporated a rules engine for determining eligibility and calculating and issuing benefits payments. As a result, the counties and the State split eligibility determination functions for certain federal Human Services' programs under CBMS. Counties are responsible for data collection from applicants and data entry of applicable information into CBMS. Concurrently, the State maintains the computer system supporting the eligibility determination process and pays benefits to the participants. The actual eligibility and payment determinations become the State's responsibility utilizing CBMS.

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

(5) Revolving Loan Funds – Not Subject to Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the programs listed below. However, these programs either are not part of a federal loan or loan guarantee program or have no continuing compliance requirements other than continued loan payments, therefore, the outstanding loan balances have not been included in the accompanying schedule of expenditures of federal awards and major program determination:

	Amount
Neighborhood Development Loans:	
14.218 - Community Development Block Grants/Entitlement Grants	\$ 7,185,206
Economic Development Loans:	
14.Unknown	3,693,920
14.218 - Community Development Block Grants/Entitlement Grants	565,939
14.253 - ARRA - Community Development Block Grants/Entitlement Grants	32,090,174
Entitlement Grants (CDBG-R)	2,133,017
Total Economic Development Loans	38,483,050
Section 108 Loans:	
14.246 - Community Development Block Grants/Brownfields Economic Development Initiative	10,079,101
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	157,526
Total Section 108 Loans	10,236,627
Housing Development Loans:	
14.Unknown	24,529,877
14.218 - Community Development Block Grants (CDBG)/Entitlement Grants	6,636,543
14.239 - HOME Investment Partnerships Program	42,701,153
14.241 - Housing Opportunities for Persons with AIDS	3,252,870
14.256 - ARRA - Neighborhood Stabilization Program	7,674,091
Total Housing Development Loans	84,794,534
Total Office of Economic Development Loans:	140,699,418
Less Allowances	
Delinquent Loans	(10,962,157)
Forgivable Loans	(59,174,323)
Note Receivable, Net	\$ 70,562,938

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

(6) Revolving Loan Funds – Subject to Further Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the 14.248 Community Development Block Grant_Section 108 Loan Guarantees program which are subject to continuing compliance requirements until project completion and acceptance. The outstanding balances at December 31, 2011 were \$451,921. There were no new loans during 2011; therefore, nothing has been included in the accompanying Schedule of Expenditures of Federal Awards.

(7) Payments to Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG)/Entitlement Grants	14.218	\$ 6,091,233
Emergency Shelter Grants Program	14.231	359,570
Shelter Plus Care	14.238	2,622,024
HOME Investment Partnerships Program	14.239	1,127,621
Housing Opportunities for Persons with AIDS	14.241	1,809,565
ARRA - Community Development Block Grant Entitlement Grants (CDBG-R)	14.253	93,337
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	690,629
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	279,448
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	145,419
WIA Youth Activities	17.259	467,551
ARRA - WIA Dislocated Workers	17.260	44,737
ARRA - State Energy Program	81.041	72,012
Community Services Block Grant	93.569	205,324
Head Start	93.600	5,315,077
ARRA - Head Start	93.708	515,000
HIV Emergency Relief Project Grants	93.914	7,346,364
		<u>\$ 27,184,911</u>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued:
 Unqualified Qualified Adverse Disclaimer
2. Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None Reported
3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None Reported
5. Types of auditor’s report issued on compliance for major programs:
 Unqualified Qualified Adverse Disclaimer

Unqualified for all major programs except for Medicaid and HOME Investment Partnerships Program, which are qualified.

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218, 14.253	CDBG - Entitlement Grants Cluster, including ARRA
14.239	HOME Investment Partnerships Program
14.256	ARRA-Neighborhood Stabilization Program
17.258, 17.259, 17.260, 17.278	WIA Cluster, including ARRA
20.106	Airport Improvement Program, including ARRA
20.205	Highway Planning and Construction Cluster, including ARRA
81.128	ARRA - Energy Efficiency and Conservation Block Grant (EECBG)
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement, including ARRA
93.568	Low-Income Home Energy Assistance
93.658	Foster Care Title IV-E, including ARRA
93.659	Adoption Assistance, including ARRA
93.667	Social Services Block Grant
93.778	Medicaid Cluster
97.067	Homeland Security Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

9. Auditee qualified as a low-risk auditee? Yes No

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section II – Financial Statement Findings

**Reference
Number**

Finding

11-01 **Finding: Accounting for Capital Assets**

Criteria or Specific Requirement: Under accounting principles generally accepted in the United States of America (US GAAP), capital assets should be accounted for at their historical cost and in the period in which the asset is acquired. Accounting guidance that addresses the proper recognition and accounting of capital assets includes Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and various implementation guidance issued by the GASB.

Condition: The following conditions were noted:

- As part of our capital asset testing, we performed tests of controls over construction-in-progress. We noted exceptions in two (2) of the 30 projects tested. In both of these cases the amount added to construction-in-progress did not agree with the supporting documentation and invoices. While the dollar amounts of the exceptions were not material, the number of exceptions indicated a potential deficiency in controls over construction-in-progress and additional substantive testing was performed. This additional testing did not indicate any further errors.
- The City purchased land for \$11.4 million, which is held for sale and properly recorded in the general fund. As such, in order to move the land from the original recognition in an expenditure account, a contra-expenditure must be credited. However, when this occurred, the entry was made to a revenue account, instead of the contra-expenditure. This was discovered as part of our analytical procedures.

Effect: An audit adjustment was proposed for \$11.4 million to reduce revenue and properly record the contra-expenditure.

Cause: The primary causes of these issues were clerical errors in the recognition of the assets.

Recommendation: As in the prior year, the City has made significant improvements in the accounting for capital assets. While some opportunities for improvements still exist, we believe the City has continued to make a concerted effort to reduce the deficiencies in this area. We recommend that the City continue this improvement process, and continue to work with the agencies through increased training and communication.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Controller’s Office will continue to improve its review of construction in progress. In addition, the Controller’s Office will perform an analytical review at year end to better detect clerical errors.

Person responsible for implementing: Heather Darlington, Manager of Financial Reporting, Controller’s Office.

Anticipated completion date: September 30, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-02	<p>Finding: Wastewater Management Enterprise Fund – Donated Capital Assets</p> <p>Criteria or Specific Requirement: Donated capital assets permitted as public improvements should be recorded as of the date the capital assets are conveyed to Wastewater Management, which is documented by the issuance of a letter of acceptance by the Department of Public Works.</p> <p>Condition: Several capital assets were conveyed in prior years as evidenced by signed letters of acceptance, but were not recorded until the current year.</p> <p>Donated capital assets in the current year totaled \$10.8 million, of which \$7.1 million related to capital assets donated in prior years.</p> <p>Effect: Donated capital assets have been recognized in the incorrect accounting period.</p> <p>Cause: The letters of acceptance do not document the cost of donated assets, which is accumulated outside of the accounting function and results in the delayed reporting. In addition, a concerted effort was made by Wastewater Management to ensure all donated capital assets were captured and recorded in the current year resulting in the identification of assets donated in prior years.</p> <p>Recommendation: We recommend that data relevant to the cost of permitted public improvements be submitted to accounting at the time a permit is issued, including a copy of the permit application and engineer’s estimate. In addition, we recommend that, on a semi-annual basis, the accounting division obtain a certified listing of all permitted public improvements, including those accepted and in process, from the engineering division.</p> <p>Views of Responsible Officials and Planned Corrective Actions:</p> <p><i>Response:</i> We agree with the finding. Contributions from developers should be recorded in the year in which a letter of acceptance is issued for permitted public sewer improvements. Wastewater Accounting Services has worked diligently to evaluate special projects that were accepted in prior periods. During 2010 and 2011, Wastewater Accounting Services identified approximately \$13.5 million in “old” special projects. While these projects are donated assets to the City and have no impact on Wastewater cash or bond covenant calculations, the impact on Net Assets can be significant. Therefore, going forward, donated assets will be confirmed with the engineers to verify accuracy and completeness.</p> <p><i>Person responsible for implementing:</i> Don Andriese, Department Controller, Public Works.</p> <p><i>Implementation date:</i> First confirmation with the engineers will be July 15, 2012, and then quarterly thereafter.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
-----------------------------	----------------

11-03 **Finding:** Reporting

CFDA No. 14.218, 14.253 CDBG - Entitlement Grants Cluster

Criteria: Per 24 CFR sections 135.3(a), 135.90, and 570.607, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043). The U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, requires that all reports for Federal awards include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements.

Condition: The HUD 60002 report was completed incorrectly. The CDBG Entitlement report contained an amount of \$452,500 which was double counted.

Questioned Costs: None

Context: We tested the annual HUD 60002 report as indicated above.

Effect: Inaccurate information was reported to the awarding agency.

Cause: Lack of detailed review by someone other than the preparer resulted in inaccurate information being submitted to the awarding agency.

Recommendation: We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Office of Economic Development (OED) received clarification regarding report instructions from HUD, and will comply in all future reporting. OED will also establish a clear review process which will include a first level review by the Contract Administrator Supervisor and a secondary review by the Accounting Supervisor and/or Finance Manager.

Person responsible for implementing: Chiquita McGowin, Finance Manager, Office of Economic Development.

Implementation date: June 30, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-04	<p>Finding: Reporting</p> <p>CFDA No. 14.239 HOME Investment Partnerships Program</p> <p>Criteria or specific requirement: Per 2 CFR Part 170.320, each grant, cooperative agreement, loan, or loan guarantee made by a non-Federal entity is subject to the Federal Financial Assistance Transparency Act (FFATA or Transparency Act). The Transparency Act requires any newly awarded subcontract of \$25,000 or more to be reported if the value of the Federal prime contract awarded was \$25,000 or more. Recipients are required to register in the Federal Subaward Reporting System (FSRS) and report subaward data through FSRS. Required reports are to be submitted by the end of the month following the award date.</p> <p>Condition: The City failed to report to the Federal Government contracts awarded during 2011 subject to FFATA requirements.</p> <p>Questioned Costs: None.</p> <p>Context: Four contracts were awarded under this program during 2011 to which the FFATA requirements applied.</p> <p>Effect: The City did not fulfill the reporting requirements of the grant agreement.</p> <p>Cause: Program staff were unaware of this new reporting requirement.</p> <p>Recommendation: We recommend that staff follow updates to Office of Management and Budget (OMB) Circulars as well as ensure grant agreements are reviewed each year for any changes in requirements. Additionally, we recommend submitting required reports immediately in order to be in compliance with reporting guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions:</p> <p><i>Response:</i> We agree with the finding. The Office of Economic Development (OED) will ensure that grant agreements are reviewed each year for any changes in requirements and follow pertinent updates to Office of Management and Budget (OMB) Circulars. OED will submit the required reports to be in compliance with reporting guidelines.</p> <p><i>Person(s) responsible for implementing:</i> Ami Webb, Accounting Supervisor, Office of Economic Development.</p> <p><i>Implementation date:</i> June 30, 2012.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-05	<p>Finding: Reporting</p> <p>CFDA No. 81.128 ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)</p> <p>Criteria: The U.S. Office of Management and Budget (OMB) Circular A- 133, <i>Compliance Supplement</i>, requires that all reports for Federal awards include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements.</p> <p>Condition: Information relating to the Mayor's Office program M1076 reported in the SF-425 Federal Financial Reports to the Department of Energy and the Quarterly Update Reports relating to Environmental Health's program M2217 submitted to Boulder County (Grantor) did not match supporting documents. In addition, the Quarterly Update Reports submitted to Boulder County (Grantor) as required by the grant agreement were not submitted within the required time frame.</p> <p>Questioned Costs: None.</p> <p>Context: Under program M1076, we tested two SF-425 reports submitted to the Department of Energy for the third and fourth quarters of the fiscal year. The SF-425 reports incorrectly over reported \$297,565 in expenditures for the two quarters tested. Additionally, under program M2217, we tested two Quarterly Update Reports submitted to Boulder County (grantor) for the third and fourth quarters of the fiscal year. The Quarterly Update Reports incorrectly reported over 247 hours for the two quarters tested.</p> <p>Effect: Inaccurate information was reported to the awarding agencies. Additionally, the reports provided to Boulder County were not submitted within the required time frame.</p> <p>Cause: Lack of detailed review by someone other than the preparer resulted in inaccurate information being submitted to the awarding agency. In addition, one person was responsible for accumulating information and submitting reports with no internal oversight accountability for deadlines.</p> <p>Recommendation: We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report. Additionally, we recommend a coordinated effort be implemented involving all individuals contributing information to the reporting process, including a detailed time line schedule to help ensure reporting is timely.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Department of Environmental Health (DEH) currently utilizes a three tiered level of review for financial transactions including review and approval by the program administrator, grant manager, and financial specialist. In order to correct the cause listed above, DEH will apply this same level of review for all future quarterly programmatic reports and work with the Mayor's Office to incorporate a similar level of review with their existing personnel. In specific response to the tested instances, DEH grant managers will remind all grant funded staff of how to utilize the Kronos Activity Tracker function to ensure that time worked on grants is accurately recorded. In addition, DEH management will send out a reminder to all staff working on grants of the importance of timely reports and to establish an electronic reminder system for submission of reports. The Mayor's Office is working with the Department of Energy to revise Q3 and Q4 2011 reports.

Person(s) responsible for implementing: Celia Vanderloop, Division Director, Environmental Quality Division, Environmental Health and Michele Weingarden, Director of Greenprint (Interim), Mayor's Office.

Implementation date: June 30, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

11-06 **Finding:** Allowable Costs and Activities

CFDA No. 93.558 Temporary Assistance for Needy Families (TANF) Cluster
CFDA No. 93.563 Child Support Enforcement and ARRA - Child Support Enforcement
CFDA No. 93.568 Low-Income Home Energy Assistance
CFDA No. 93.658 Foster Care - Title IV-E
CFDA No. 93.659 Adoption Assistance - Title IV-E
CFDA No. 93.667 Social Services Block Grant (SSBG)
CFDA No. 93.778 Medical Assistance Program (Medicaid; Title XIX)

Passed-through Colorado Department of Human Services

Criteria or specific requirement: In order for costs to be charged to a federal program, the expenditures must represent charges for actual costs.

Condition: We identified that the City Attorney internal billing transfer (IBT) for the month of May was inadvertently recorded twice in the State's CFMS accounting system.

Questioned Costs:

Program Area	Program - Function	Amount
Common Supportive	0500-7000	\$ 71,134
Child Welfare	3200-1210	\$ 201,046
Child Support Enforcement	9100-8000	\$ 64,988
Social Services Block Grant (SSBG)	X260-1100	\$ 15,262
Total		\$ 352,430

Context: We performed analytical procedures on all City Attorney IBTs charged to the above programs to look for fluctuations in charges and tested items deemed unusual. The total dollar value of City Attorney IBTs charged to these programs was \$4,935,048 for the year ended December 31, 2011.

Effect: Duplicative costs were charged to the above programs.

Cause: Internal billing transfers are uploaded into the State's CFMS reporting system when they are "posted" in the City's Peoplesoft system. The May IBT was erroneously posted twice by the Controller's Office which subsequently caused the entry to be uploaded into the State's CFMS system twice. The initial error was caught and the entry was reversed in the City's Peoplesoft system by the Controller's Office; however, the reversing entry was not recognized by Denver Department of Human Services (DDHS) as an entry requiring state reporting so it didn't get corrected in CFMS. While DDHS does perform a monthly reconciliation between PeopleSoft and CFMS, at the time, it only included a reconciliation of payroll transactions and City warrants and did not cover IBTs.

Recommendation: We recommend that DDHS improve the process of capturing all entries required for State reporting. Additionally, the monthly reconciliation performed by DDHS should be expanded to include a reconciliation of IBTs as well as all other potentially reportable items in order to identify discrepancies that could result in either the over or under reporting of expenditures in CFMS.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. DDHS will expand current reconciliations of all expenditures between PeopleSoft and CFMS to include all transactions posting to PeopleSoft as an Internal Billing Transfer (IBT) or Journal Voucher (JV). Monthly reviews of all IBTs and JVs posted to PeopleSoft are currently completed for posting accuracy; an enhanced monthly reconciliation will be completed to capture all IBT and JV transactions reportable in CFMS, similar to those completed for payroll and City warrants.

Person(s) responsible for implementing : Paul Cavender, Financial Services Administrator, Denver Department of Human Services.

Implementation date: April 30, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
------------------	---------

11-07 **Finding:** Eligibility and Special Tests and Provisions - Income Eligibility and Verification System

**CFDA No. 93.558 Temporary Assistance for Needy Families (TANF) Cluster
Passed-through Colorado Department of Human Services**

Criteria: DDHS is required to investigate and verify information on applications, redeterminations, and monthly status reports (MSR) as part of determining eligibility. DDHS is required to support benefits with an application. DDHS is also required to process applications, redeterminations and MSR's for benefits timely and ensure that benefits are only issued for periods of eligibility. In addition, DDHS is required to use the Income Eligibility and Verification System (IEVS) to determine eligibility in accordance with the State Plan. IEVS is a system which coordinates data exchanges with other federally assisted benefit programs and is used to identify discrepancies in information presented in an application. Information obtained in the data matching must be considered in determining eligibility and the amount of TANF benefits provided and DDHS must document the disposition of the IEVS data within 45 days of receipt of information.

Condition: We noted the following issues:

1. One instance in which an individual's 60-month benefit counter was not started. (\$1,624).
2. Six instances in which monthly status reports were not received and benefits were not subsequently terminated (\$7,215).
3. Two instances in which documentation of the initial case interview could not be provided. (\$5,460).
4. Three instances in which the RRR packet was not processed timely. (\$0).
5. Three instances in which IEVS hits were not cleared and would have affected the eligibility determination. Of the three aforementioned cases two resulted in questioned costs of \$4,042 and one was not paid enough benefits.

Questioned Costs: \$18,341.

Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2011 and noted the issues described above. The tested population covered benefits issued of \$162,375. The total population included benefits issued of approximately \$20.4 million.

Effect: The State's CBMS system may be determining eligibility and allocating benefits based on incorrect, incomplete, or outdated data. Ultimately, by not having the appropriate controls in place regarding the above requirements, benefits could be provided to ineligible applicants, denied to eligible applicants, or benefits paid for an ineligible period or incorrect amount.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Cause: Controls over eligibility and IEVS discrepancy resolution were not sufficient during the year. Additionally, during 2011, DDHS continued to develop its processes and procedures relating to the new workflow management system and is currently in the process of converting all files to an electronic format. The transition to the workflow management system was not well organized as documentation could not be located or, in several instances, multiple case files were included in one file or information was missing. Furthermore, there is a significant amount of information to process relating to these cases and DDHS has experienced an increase in caseloads and decrease in staffing.

Recommendation: We recommend that DDHS continue to refine the workflow management system and oversight to help improve the timely processing of applications and redeterminations as well as to ensure disposition of IEVS discrepancies are occurring timely. In addition, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS. Furthermore, we recommend that current policies and procedures be reviewed in a formal setting with all technicians to improve communication regarding the importance of resolving IEVS discrepancies and documenting the disposition in CBMS.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Family and Adult Assistance Division (FAAD) has a requirement that all case actions be documented on the Case Comment Template. We will continue to monitor this action through Supervisory Case reviews and staff will be retrained if a consistent pattern of failure to document occurs. DDHS continues to expand its Work Management System dashboard reporting, which has allowed DDHS to focus on identifying the workload and projecting production needs to meet the workload requirements. This process has enabled DDHS to reduce and eliminate the backlog of overdue RRR, and improve in delivery of services. FAAD staff is expected to address and resolve IEVS at intake and at RRR. FAAD supervisors will continue to monitor through case reviews.

Person(s) responsible for implementing: Pamela Flowers, FAAD Deputy Director , Denver Department of Human Services, and Elizabeth Foster, TANF Operations Manager, Denver Department of Human Services.

Implementation date: June 1, 2012 and ongoing.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-08	<p>Finding: Reporting</p> <p>CFDA No. 93.558 Temporary Assistance for Needy Families (TANF) Cluster Passed-through Colorado Department of Human Services</p> <p>Criteria: Information obtained from clients should be accurately input into CBMS and agree to supporting documentation included in the case file for accurate reporting of information to the State for the processing of benefits.</p> <p>Condition: Inaccurate information was detected in our review of CBMS data and supporting documentation was missing from files as follows:</p> <ol style="list-style-type: none"> 1. One instance in which there was no application in the case file. 2. Five instances in which monthly status reports were received and entered into CBMS but the document could not be located. <p>Questioned Costs: None.</p> <p>Context: We tested 60 case files for eligibility for the year ended December 31, 2011 and noted the issues above.</p> <p>Effect: The State's CBMS system may be determining eligibility based on incorrect or incomplete data or data could be entered that is not supported with information contained in the case file. Ultimately, by not having appropriate controls in place regarding input of information into CBMS, benefits could be provided to ineligible applicants, denied to eligible participants, or benefits paid for an incorrect amount.</p> <p>Cause: There is a significant amount of information to process relating to these cases. Policies and procedures have changed over the years resulting in inconsistent application across technicians. Additionally, during 2011 DDHS continued to develop its processes and procedures relating to the new workflow management system and is currently in the process of converting all files to an electronic format. The transition to the workflow management system was not well organized as documentation could not be located or, in several instances, multiple case files were included in one file or information was missing. Furthermore, controls over reporting were not sufficient during the year.</p> <p>Recommendation: We recommend that DDHS continue to develop the workflow management system implemented to help improve processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination, in addition to any changes made throughout the year, to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensuring that information is being input into CBMS accurately.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. DDHS continues to move toward scanning and document imaging. Current projection is to scan application, redeterminations and MSR's into the Work Management System, including all verifications. Over the next twelve months, as this project expands, we anticipate an improvement in control of documentation received.

Person(s) responsible for implementing: Pam Flowers, FAAD Deputy Director, Denver Department of Human Services, Matt Krieger, FAAD Operations Administrator, Denver Department of Human Services, and Chong Lee, PIAD Operations, Denver Department of Human Services.

Implementation date: June 1, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-09	<p>Finding: Special Tests and Provisions - Failure to Comply with Work Verification Plan</p> <p>CFDA No. 93.558 Temporary Assistance for Needy Families (TANF) Cluster Passed-through Colorado Department of Human Services</p> <p>Criteria: DDHS is responsible for ensuring that all TANF cases selected by the Colorado Department of Human Services (CDHS) for Work Verification Rate review are properly reviewed in accordance with CDHS Agency Letter TCW-07-05-P and TWC-10-05-P. This policy requires that all cases selected be reviewed by the end of the month following the receipt of the sample from CDHS.</p> <p>Condition: Evidence of some reviews was not available and other reviews were not adequately documented to establish compliance with City and state policies as follows:</p> <ol style="list-style-type: none"> 1. Twenty-eight instances in which there was no evidence of the DDHS review having been completed. 2. Two instances in which the DDHS review was not completed timely. 3. Sixteen instances in which not all review questions were completed for the selected review and, as a result, eight of the required review questions, as defined in the CDHS Agency Letter, were not addressed. <p>Questioned Costs: None.</p> <p>Context: We tested 60 case files identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2011 and noted the issues described above.</p> <p>Effect: The City may be out of compliance with state and federal compliance requirements.</p> <p>Cause: Insufficient number of DDHS employees available to complete the reviews and controls surrounding the timeliness of reviews are not sufficient. Furthermore, the review tool utilized by DDHS does not encompass all required attributes placing overreliance on OED's review.</p> <p>Recommendation: We recommend that DDHS continue implementing procedures to ensure that the review of all cases selected for Work Participation Rate review occurs by the end of the month following receipt of the selection. Furthermore, DDHS should utilize, in addition to its Quality Assurance Audit Log database, its workflow management system to assign due dates for reviews in order to increase accountability of supervisors to perform reviews timely.</p> <p>Views of Responsible Officials and Planned Corrective Actions:</p> <p><i>Response:</i> We agree with the finding. DDHS has created a case review plan and will complete ongoing case reviews in order to continue to assess quality service delivery to clients. Supervisors will continue to conduct monthly case reviews and will work with CDHS CW staff to strive for continuous quality improvement in DDHS practice.</p> <p><i>Person(s) responsible for implementing:</i> Pam Flowers, FAAD Deputy Director, Denver Department of Human Services and Linda Pollock, PIAD QI Administrator, Denver Department of Human Services.</p> <p><i>Implementation date:</i> June 1, 2012.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

11-10 **Finding:** Allowable Costs and Activities

**CFDA No. 93.563 Child Support Enforcement and ARRA -Child Support Enforcement
Passed-through Colorado Department of Human Services**

Criteria or specific requirement: Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, specifies that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. A-87 further specifies that fringe benefit payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the government.

Condition: In performing our allowable costs and activities testing, we identified two instances in which a separation payment, consisting of unused sick and vacation leave, was charged directly to the child support enforcement program rather than allocated as a general administrative expense.

Questioned Costs related to the following:

Direct Charge to the CSE program for DDHS Employee:	\$ 18,571
Direct Charge to the CSE program through City Attorney IBT:	32,385
	\$ 50,956

Context: We tested 40 expenditures totaling \$635,111 and performed additional procedures on Inter al Billing Transfers (IBT) from other city departments which were charged to the Child Support Enforcement program noting the questioned costs above. The total population of expenditures was \$6,576,932 and City Attorney IBT's charged to the program totaled \$984,870.

Effect: Costs were charged directly to the child support enforcement program that should have been allocated through a cost pool as a general administrative expense resulting in questioned costs to the program.

Cause: DDHS Employee - For each payroll period, DDHS must convert payroll data from the City's PeopleSoft program into a format to upload into the State's Colorado Employee Data System (CEDS). Payroll information provided by the City is provided by position numbers. DDHS, utilizing the position numbers, assigns a CFMS account code to each position. All payments to employees are based on that position code, however, certain types of expenditures, such as those discussed above, must be coded differently. This requires DDHS to make manual adjustments to the data prior to the upload into CEDS. Because this is a manual process, there is an increased risk of error occurring or the proper adjustments not being made. Additionally, City payroll processes all separation payments for DDHS. While City payroll does provide notification for separation payments to DDHS, the notifications do not contain the time period for which it will be paid. Thus, DDHS is required to perform a manual search each payroll period for these types of payments in order to change the CFMS account code to the common supportive cost pool, prior to uploading the payroll information into the state system.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Cause (continued): City Attorney IBT -The City Attorney's office has a Human Service Division. All members of this division are located at the Castro Building and their work is dedicated to specific DDHS programs such as CSE, adult protective services, child welfare, etc. and their time is charged to a specific organization code within the City's PeopleSoft system. Time charged to this organization code is billed monthly to DDHS and uploaded into the State's CFMS system. While support for all personnel is adequately provided to DDHS with the internal billing documents, notification for separation payments is not done by the City Attorney's office or City payroll for this type of payment. In addition, the review performed by DDHS was not detailed enough to identify the fact that the IBT included separation payments, causing these types of payments to be missed and improperly coded in CFMS.

Recommendation: Because these separation payments usually result in an unusually large payment, we recommend that DDHS enhance the review process to ensure there are no anomalies within the CEDS uploads for each pay period and that all coding appears reasonable. Additionally, City payroll should provide notification as to the time period for which any separation payments are made to assist DDHS in identifying and correcting the account coding. Furthermore, we recommend that DDHS incorporate the Budget Review report or other analytical tools into their monthly review of IBT's to help identify separation payments included within the IBT total.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. DDHS will add a step to the payroll review process to look for anomalies in payroll amounts and ensure separations are coded to the Common Supportive Cost Pool 0500-7000. DDHS will also utilize Budget Review reports generated by the Controller's Office to identify separation payments within IBT's including payroll. As with all items reported to the State, a second level of review will be performed to ensure these additional action steps are taken.

Person(s) responsible for implementing: Paul Cavender, Financial Services Administrator, Denver Department of Human Services.

Implementation date: March 31, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-11	<p>Finding: Procurement, Suspension and Debarment</p> <p>CFDA No. 93.658 Foster Care - Title IV-E Passed-through Colorado Department of Human Services</p> <p>Criteria or specific requirement: Per 2 CFR 180, all non-federal entities are prohibited from contracting with or making sub-awards under covered transactions with parties that are suspended or debarred or whose principals are suspended or debarred. In addition, policies for the City are described in the Controller's Office Fiscal Accountability Rules and include procedures to ensure compliance with this requirement, including documentation that such procedures have been performed and that required clauses are included within the contract.</p> <p>Condition: Documentation to support compliance with the above requirement was not available in all instances as described below:</p> <ol style="list-style-type: none">1. One instance in which DDHS failed to check suspension and debarment via the excluded parties listing (EPLS).2. Two instances in which DDHS failed to check the suspension and debarment via the excluded parties listing (EPLS) prior to entering into the contract.3. One instance in which the required clause "No Discrimination in Employment" was excluded from the contract. <p>Questioned Costs: None.</p> <p>Context: We tested 100% of the provider procurement case files (five) to evaluate compliance with the applicable procurement and contract requirements, including the review of the excluded party list, and noted the issues described above.</p> <p>Cause: Turnover occurred in the position responsible for checking EPLS within the DDHS Contracting Services Unit and thus not all checks were performed on a timely basis. Additionally, the policies and procedures in place for EPLS verifications only required a check be performed on an annual basis, rather than at the time the contract is awarded. The missing contract clause appears to have been an oversight.</p> <p>Effect: By not verifying vendors against the excluded party list, the City risks contracting with and making payments to a contractor/vendor that has been suspended or debarred in a violation of Federal regulations. The documentation of such review is the control necessary to make sure such risks are properly mitigated. In addition, by failing to include a required clause in a provider contract, the City cannot be assured that desired contractual provisions will be followed.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Recommendation: We recommend that the Contracting Services Unit of DDHS update its current policies and procedures to ensure that the "Excluded Parties List" be reviewed prior to awarding a provider contract, purchase order or contract extension, and on an annual basis thereafter. Performance of such reviews should be documented by including supporting documentation in the contract file as well as electronically in the provider system. In addition, contracts should be reviewed to ensure that all required clauses are contained within the contract.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. Contract Services will review EPLS on an annual basis and prior to awarding a provider a contract. The Contracting Services Unit will update its current policies and procedures to ensure that the "Excluded Parties List" be reviewed prior to awarding a contract, purchase order, or contract extension and on an annual basis. Periodic reviews will be conducted to ensure all documents are contained within the contract and a checklist will be developed to verify processes.

Person(s) responsible for implementing: Beverly Lucero, Contract Administration Supervisor, Denver Department of Human Services.

Implementation date: June 1, 2012.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-12	<p>Finding: Eligibility</p> <p>CFDA No. 93.778 Medical Assistance Program - Medicaid Cluster (Medicaid; Title XIX) Passed-through Colorado Department of Human Services</p> <p>Criteria or specific requirement: DDHS is required to investigate and verify information on applications and redeterminations as part of determining eligibility. DDHS is also required to process applications and redeterminations for benefits timely, and ensure that benefits are only issued for periods of eligibility. DDHS is allowed to follow its internal policies for processing redeterminations as long as it meets federal guidelines, which requires the county to review the case for medical program eligibility prior to the case closing. DDHS's internal policies require that redeterminations be completed within 30 days.</p> <p>Condition: We noted the following issues:</p> <ol style="list-style-type: none">1. One instance in which the client did not reside in Denver County (\$ 430).2. Thirteen instances in which the redetermination was not processed timely. Processing time for these instances ranged from 31 days to 76 days.3. Seven instances in which the supporting documentation and case file to support the eligibility determination in CBMS could not be located and therefore, no conclusion could be made to support proper determination of individual eligibility (\$ 36,567). <p>Questioned Costs: \$ 36,997.</p> <p>Context: We tested 60 individuals who received Medicaid assistance for the year ended December 31, 2011 and noted the issues above. Benefits issued on behalf of the County for the year were approximately \$3.0 million.</p> <p>Effect: The State's CBMS system may be determining eligibility and allocating benefits based on incorrect, incomplete, or outdated data. Ultimately, by not having the appropriate controls in place regarding the above requirements, benefits could be provided to ineligible applicants, denied to eligible applicants, or benefits paid for an ineligible period. Additionally, without timely processing of redeterminations, individuals may lose Medicaid program eligibility due to their case closing unnecessarily.</p> <p>Cause: Controls over eligibility were not sufficient during the period subjected to testing. For the one instance above in which the client does not reside in the county, the individual transferred counties during the year and the receiving county (Arapahoe County) had yet to request a case transfer as of December 31, 2011. Additionally, during 2011, DDHS continued to develop its processes and procedures relating to the new workflow management system and is currently in the process of converting all files to an electronic format. The transition to the workflow management system was not well organized as documentation could not be located or, in several instances, multiple case files were included in one file or information was missing. Furthermore, there is a significant amount of information to process relating to these cases and DDHS has experienced an increase in caseloads and decrease in staffing.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Recommendation: We recommend that DDHS continue to refine the workflow management system and oversight to help improve the timely processing of applications and redeterminations. In addition, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case CBMS.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. Family and Adult Assistance Division (FAAD) continues to expand its Work Management System dashboard monitoring tool which has allowed the division to focus on identifying the workload, project case processing needs, and improve timely service delivery to clients. Along with the improvements initiated by DDHS, the state Department of Health Care Policy and Financing has initiated state system changes, within the Colorado Benefits Management System (CBMS), to automate the redetermination process, auto re-enrollment or ex-parte enrollment, based on information received for other state Colorado Department of Human Services programs. These new automations will ultimately decrease instances of benefit service interruptions, as well as the workload for the county, and Medical Assistance sites. The DDHS electronic document management system scanning effort will also continue to aid in a substantial improvement of control and timely processing of documentation received. FAAD staff training will continue to reiterate inter-county transfer processes and procedures for transferring cases out of county. In June 2012, the division's call center will begin a pilot to convert two call center staff into a case management coordinator (CMC) eligibility role, in an effort to assess the impact of utilizing CMC staff to address client questions and concerns at first call contact. These CMC staff will also target CBMS demographic changes and transfer cases to the new county of residence when reported. As an extended effort, DDHS will work with the state departments to explore development of a CBMS report which would aid in tracking inter-county transfer cases at a state-wide level.

Person(s) responsible for implementing: Pam Flowers, FAAD Deputy Director, Denver Department of Human Services and Matt Krieger, FAAD Operations Administrator, Denver Department of Human Services.

Implementation date: May 1, 2012 and ongoing.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Reference Number	Finding
11-13	<p>Finding: Reporting</p> <p>CFDA No. 93.778 Medical Assistance Program - Medicaid Cluster (Medicaid; Title XIX) Passed-through Colorado Department of Human Services</p> <p>Criteria or specific requirement: Information obtained from clients should be accurately input into CBMS and agree to supporting documentation included in the case file, for accurate reporting of information to the State for the processing of benefits.</p> <p>Condition: Inaccurate information was detected in our review of CBMS data and supporting documentation was missing from files as follows:</p> <ol style="list-style-type: none"> 1. Three instances in which the original application from previous years could not be located in the file. 2. One instance in which income information listed on the redetermination was not entered into CBMS. 3. One instance in which information listed in CBMS did not match the information listed on the redetermination. <p>Questioned Costs: None.</p> <p>Context: We tested 60 case files for eligibility for the year ended December 31, 2011, and noted the issues above.</p> <p>Effect: The State's CBMS system may be determining eligibility based on incorrect or incomplete data or data could be entered that is not supported with information contained in the case file. Ultimately, by not having appropriate controls in place regarding input of information into CBMS, benefits could be provided to ineligible applicants, denied to eligible participants, or benefits paid for an incorrect amount.</p> <p>Cause: There is a significant amount of information to process relating to these cases. Policies and procedures have changed over the years resulting in inconsistent application across technicians. Additionally, during 2011, DDHS continued to develop its processes and procedures relating to the new workflow management system and is currently in the process of converting all files to an electronic format. The transition to the workflow management system was not well organized as documentation could not be located or, in several instances, multiple case files were included in one file or information was missing. Furthermore, controls over reporting are not sufficient.</p> <p>Recommendation: We recommend that DDHS continue to develop the workflow management system implemented to help improve processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination, in addition to any changes made throughout the year, to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensuring that information is being input into CBMS accurately. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case CBMS.</p>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. DDHS continues to increase the number and types of documents scanned into the electronic document management system (EDMS) for the cash, food and medical assistance programs. Over the course of 2012, applications, redeterminations and monthly status reports are all scheduled to be scanned into the EDMS. The practice of scanning incoming verification documents has already begun and these documents are easily accessible within the Work Management System for staff to view. A file conversion plan is also underway to convert paper file documentation as well to complete the client's case file record. Additionally, the Family and Adult Assistance Division (FAAD) will continue to review and improve case comment templates used by staff. Other efforts to improve case documentation include an increased focus on supervisor case file reviews error and trend analysis. The audit trend analysis will include audit errors as well as help desk issues reported by staff. This strategy will assist in identifying opportunities for improvement as well as develop and implement targeted training directed to address trend areas.

Person(s) responsible for implementing: Pam Flowers, FAAD Deputy Director, Denver Department of Human Services and Matt Krieger, FAAD Operations Administrator, Denver Department of Human Services.

Implementation date: May 1, 2012 and ongoing.

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

**Reference
Number**

Finding

11-14 **Finding:** Allowable Costs

CFDA No. 97.067 Homeland Security Cluster
Passed-through State of Colorado Governor's Office of Homeland Security

Criteria or specific requirement: Office of Management and Budget Circular A-87, requires that to be allowable a cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Condition: A City of Denver Police Captain is assigned to perform grant administration duties that arguably could be performed by a Program Coordinator at a lower salary.

Questioned Costs: \$44,800.

Context: In a City Auditor's Office performance audit, which identified this as a potential problem, it was noted that the salary of a program coordinator could range from approximately \$43,000 to \$68,000, while the Captain's salary charged to the program during the year was approximately \$112,800.

Cause: Initially the position required the extensive experience and rank of a Captain, but over the years the position has changed and no longer requires that experience and rank.

Effect: The Federal program may have been charged more than what could be considered necessary and reasonable for the services provided.

Recommendation: We recommend that the position in question be reassigned to a more appropriate lower-ranking officer or civilian to ensure that personnel costs are reasonable.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. We are seeking to have a lower ranking personnel assigned to our program or have the Denver Police Department position removed completely. The Director of Office of Emergency Management and Homeland Security (OEMHS) has had several discussions with the Chief of Police regarding this situation. The Chief is new to the position and is currently reorganizing the Department, as a part of this reorganization, the Chief will assign personnel at a lower rank and reduced pay grade to fill this role in the near future.

Person(s) responsible for implementing: Scott Field, Director, Office of Emergency Management and Homeland Security and Chief Robert White, Chief of Police, Denver Police Department.

Implementation date: May 31, 2012.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-01	<i>Office of Economic Development Accounting for Grants Receivable</i> - We recommend that OED follow the methodology prescribed by the Controller's Office for reporting its grant revenue and receivables. Furthermore, we recommend OED provide the Controller's Office grant schedules throughout the year for review in order to minimize the adjustments necessary at year-end. Finally, the Controller's Office must monitor the grant reporting process at OED on an ongoing basis to ensure the receivables recorded at year-end are valid and properly recorded.	Implemented.
10-02	<i>Accounting for Capital Assets</i> - The City has made significant improvements in the accounting of capital assets during the current year through a concerted effort to improve this process. However, some opportunities for improvements still exist. We recommend that the City continue this improvement process, and continue to work with the agencies through increased training and communication. Furthermore, the methodology surrounding the resurfacing or replacing of streets should be modified to be consistent with US GAAP and critical spreadsheets should be reviewed for clerical errors.	Implemented.
10-03	<i>Department of Human Services Accounting for Receivables</i> - DDHS should implement more strict review processes with additional levels of review, for year-end accruals. As these entries are only posted once a year, potential errors are more likely, due to unfamiliarity with the proper accounting of these accruals. Therefore, the review process is vital to proper recognition of accounts receivable. The additional reviews should be performed by more than one person in order to provide cross-training since DDHS has experienced turnover within recent years. Reliance should not be placed on one person to review all accrual entries.	Implemented.
10-04	<i>Waste Water Management Enterprise Fund - Donated Capital Assets</i> - We recommend that data relevant to the cost of permitted public improvements be submitted to accounting at the time a permit is issued, including a copy of the permit application and engineer's estimate. In addition, we recommend that on a semi-annual basis the accounting division obtain a certified listing of all permitted public improvements, including those accepted and in process, from the engineering division.	Partially implemented. See current year finding 11-02.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-05	<p><i>Deferred Compensation Plan - Effective Plan Oversight and the Continued Monitoring of the Third Party Administrators</i> - In addition to current financial reporting and monitoring procedures in place, the Committee should consider implementing the following:</p> <ol style="list-style-type: none"> 1. Appoint an individual(s) at the City to manage the financial reporting activities of the Plan, including, at a minimum, the following: maintain a GL, prepare plan-level financial information, review reconciliations prepared by others, and on a quarterly basis, present the plan-level financial information, including information on all investment advisory and administrative fees to the Committee and provide explanations for significant fluctuations. 2. Regarding distributions from the Plan, including participant loans, the City employees responsible for reviewing and approving distributions should maintain a control listing of approved distributions, which should be reconciled by someone other than the employee responsible for approving these distributions, to reports received from the Administrators. 3. Annual review of each of the Administrators' SAS No. 70 (SSAE 16) Reports. 4. Continued periodic review of the financial and control measures included in the Administrators' service agreements. 5. Annual reassessment of the effectiveness of the Committee's relationship with the Administrators. 	<p>No. 1 partially implemented - no longer a significant deficiency. No. 2-5 are also no longer significant deficiencies.</p>
10-06	<p>Various Agencies</p> <p><i>Allowable Costs and Activities</i> - We recommend that DDHS add a step to their payroll review checklist to ensure severance payments are not coded as direct charges to programs and are recorded to the proper indirect cost pool. Additionally, City payroll should eliminate the use of duplicative position codes for active and inactive employees for positions within DDHS due to the large number of grants associated with the department.</p>	<p>Partially implemented. See current year finding 11-10.</p>
10-07	<p>Various Agencies</p> <p><i>Procurement</i> - We recommend that the City clarify and formally remind departments of its procurement policies and procedures and to emphasize that the "Excluded Parties List" should be reviewed on an annual basis and prior to awarding a contract, purchase order or contract extension and that such review should be documented by including supporting documentation in the contract file.</p>	<p>Implemented for all but one program. See current year finding 11-11.</p>

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-08	<p>Various Agencies</p> <p><i>Reporting</i> - We recommend that a detailed review of the report, including agreeing numbers reported to supporting records, should be performed by someone other than the preparer of the report prior to the report being submitted.</p>	Not implemented. See current year finding 11-03.
10-09	<p>WIA Cluster and ARRA - WIA Cluster</p> <p><i>Eligibility</i> - We recommend that OED continue to utilize case file checklists as well as the case file organization structure to ensure all necessary eligibility documentation is obtained at the time of determination and maintained in the file. OED should also ensure that monthly supervisor case file reviews are performed timely.</p>	Implemented.
10-10	<p>ARRA - Airport Improvement Program</p> <p><i>Reporting</i> - We recommend the Municipal Airport System establish multiple points of contact for ARRA reporting. An employee other than the preparer should be copied on submission notifications from the federal reporting website.</p>	Implemented.
10-11	<p>TANF Cluster</p> <p><i>Eligibility</i> - We recommend that DDHS continue to refine the workflow management system implemented in 2010 to help improve processing of applications, redeterminations and MSR's. In conjunction with this system, management has implemented a team based approach to processing cases and thus should focus on cross-training staff on all programs in order to help reduce the number of individuals that are required to work an individual case. Management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination in addition to any changes made throughout the year to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensuring that information is being input into CBMS accurately. Additionally, current policies and procedures should be reviewed in a formal setting with all technicians to improve communication regarding the importance of these issues and improving the processing of data. In order for the review process to be an effective control, the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS.</p>	Not implemented. See current year finding 11-07.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-12	<p><i>TANF Cluster</i> <i>Special Tests and Provisions - Income Eligibility and Verification System -</i> We recommend that DDHS utilize the WMS implemented in 2010 to ensure disposition of IEVS discrepancies is occurring timely. In addition, we recommend that current policies and procedures be reviewed in a formal setting with all technicians to improve communication regarding the importance of resolving IEVS discrepancies and documenting the disposition in CBMS.</p>	Not implemented. See current year finding 11-07.
10-13	<p>TANF Cluster <i>Special Tests and Provisions - Failure to Comply with Work Verification Plan -</i> We recommend that DDHS continue implementing procedures to ensure that the review of all cases selected for Work Participation Rate review occurs by the end of the month following receipt of the selection. Furthermore, DDHS should utilize, in addition to its Quality Assurance Audit Log database, its workflow management system to assign due dates for reviews in order to increase accountability of supervisors to perform reviews timely.</p>	Not implemented. See current year finding 11-09.
10-14	<p>Medicaid Cluster <i>Eligibility -</i> We recommend that DDHS continue to refine the WMS implemented in 2010 to help improve the timely processing of applications and redeterminations. In addition, we recommend that current policies and procedures be reviewed in a formal setting with all technicians to improve communication regarding the importance of these issues and improve the processing of data. In order for the review process to be an effective control, the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS.</p>	Not implemented. See current year finding 11-12.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-15	<p>Medicaid Cluster</p> <p><i>Reporting</i> - We recommend that DDHS continue to refine the WMS implemented in 2010 to help improve processing of applications and redeterminations. In conjunction with this system, management has implemented a team-based approach to processing cases and thus should focus on cross-training staff on all programs in order to help reduce the number of individuals who are required to work an individual case. Management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination in addition to any changes made throughout the year to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensure that information is being input into CBMS accurately. In order for the review process to be an effective control, the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS.</p>	<p>Not implemented. See current year finding 11-13.</p>
10-16	<p>Homeland Security</p> <p><i>Allowable Costs</i> - We recommend that in the future, OEMHS ensures that all expenditures invoiced and paid are based on actual costs and not budgeted or projected costs.</p>	<p>Implemented.</p>