Single Audit Reports

Year Ended December 31, 2010

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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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2011, which contained an explanatory paragraph regarding a change in accounting principles 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 Visitor's Bureau, Inc. d/b/a Visit Denver, Colfax Business Improvement District, Denver Union Station Project Authority, Board of Water Commissioners, City and County of Denver, Colorado, Denver Preschool Program, Inc., Denver 14th Street General Improvement District and Gateway Village General Improvement District 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 the 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 Visitor's Bureau, Inc., d/b/a Visit Denver, Colfax Business Improvement District, and Denver Preschool Program, Inc., component units included in the financial statements of the aggregate discretely presented component units and the financial statements of Denver 14th Street General Improvement District and Gateway Village General Improvement District, component units included in the financial statements of the aggregate remaining fund information, were not audited in accordance with Government Auditing Standards.

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.





Audit Committee City and County of Denver

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-02, 10-03, 10-04 and 10-05 to be significant deficiencies.

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 June 7, 2011.

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 them.

This report is intended solely for the information and use of the governing body, management and others within the City and 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.

June 7, 2011

BKD,LLP



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's (the City's) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. 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 and County of Denver's compliance based on our audit.

The City's basic financial statements include the operations of Denver Urban Renewal Authority (DURA) and Denver Union Station Project Authority (DUSPA), discretely presented component units, which received \$508,797 and \$91,930,915, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2010. Our audit, described below, did not include the operations of DURA or DUSPA because the discretely presented components 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 described in items 10-14 and 10-15 in the accompanying schedule of findings and questions costs, the City and County of Denver did not comply with requirements regarding eligibility and reporting that are applicable to its Medicaid Cluster. Compliance with such requirements is necessary, in our opinion, for the City and County of Denver to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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 ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which 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 10-06, 10-07, 10-08, 10-09, 10-10, 10-11, 10-12, 10-13 and 10-16.

Internal Control Over Compliance

Management of the City and County of Denver 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 in order to determine our 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 10-14 and 10-15 to be material weaknesses.

Audit Committee
City and County of Denver

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 10-07, 10-08, 10-09, 10-10, 10-11, 10-12, 10-13 and 10-16 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended December 31, 2010, and have issued our report thereon dated June 7, 2011, which contained an explanatory paragraph regarding a change in accounting principles and contained references to the reports of other accountants. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City and County of Denver's basic 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 27, 2011, except for the Schedule of Expenditures of Federal Awards as to which the date is June 7, 2011

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Agriculture				
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services		10.561	237,937
State Administrative Matching Grants for the Supplemental Nutrition				
Assistance Program	Colorado Department of Human Services		10.561	7,152,996
Subtota SNAP Cuister - CFDA 10,301 Sumfamantal Mutrition Assistance Decarda Ontresoch Douticination Decardum			10 580	550,065,7
Suppositional variation Assistance 1 of any active management ARRA - Recovery Act of 2009; Wildland Fire Management	Colorado State University	09DG110282B1028	10.688	27,308
Total Department of Agriculture				7,747,324
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants (CDBG)/Entitlement Grants			14,218	15,313,943
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)			14.253	1,930,751
Subtotal CDBG - Entitlement Grants Cluster				17,244,694
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CDRG - State Administered Small Cities Program Cluster)	Colorado Denartment of Local Affairs	HONSP09310	14.228	3.386.434
Emergency Shelter Grants Program			14.231	503,576
Shelter Plus Care			14.238	2,291,188
HOME Investment Partnerships Program			14.239	4,488,472
Housing Opportunities for Persons with AIDS			14.241	1,547,320
Community Development Block Grants/Brownfields Economic Development Initiative			14.246	16,552
Community Development Block Grants Section 108 Loan Guarantees			14.248	35,610
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)			14.256	1,290,968
ARRA - Homelessness Prevention and Rapid Re-Housing Program Technical Assistance			14.262	2,531,302
Total Department of Housing and Urban Development			!	33,336,116
Department of Justice				
Property Confiscation			16.UNKNOWN	375,838
Prisoner Re-entry Initiative Demonstration (Offender Re-entry)	Colorado Division of Cruminal Justice	27-RE-01-2-1 & 28-RE-01-10-1	16.202	409,501
Juvenile Accountability Block Grants	Colorado Division of Criminal Justice	28-JB-I-2-332 & 26-JB-L-02-430	16,523	17,900
Enhanced Training and Services to End Violence and Abuse of Women Later in Life			16.528	82,513
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	91,639
Missing Children's Assistance	City of Colorado Springs	2009-MC-CX-K011	16.543	28,822
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	547,568
Crime Victim Assistance	Colorado Division of Criminal Justice	28-VA-2-77	16.575	50,790
Crime Victim Compensation	Colorado Division of Criminal Justice	29-VÇ-2	16.576	1,150,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			16.580	121,902

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Crime Victim Assistance/Discretionary Grants	Colorado Division of Criminal Justice	HT-09-03	16.582	36,516
Drug Court Discretionary Grant Program			16.585	84,853
ARRA - Violence Against Women Formula Grants	Colorado Department of Public Safety Colorado Division of Criminal Justice	29-RW-2-6 & 29-RW-2-9 & 29-RW-2-10	16.588	458,271
Violence Against Women Formula Grants	Colorado Division of Criminal Justice	28-VW-2-47 & 29-VW-2-12 & 28-VW-2-1	16.588	132.185
Subtotal 16.588			ľ	590,456
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	132,296
State Criminal Alien Assistance Program			16.606	000,069
Bulletproof Vest Partnership Program			16.607	18,742
Public Safety Partnership and Community Policing Grants			16.710	139,513
Enforcing Underage Drinking Laws Program	State of Colorado, Department of Revenue	TAA 10-00000021	16.727	30,593
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault Program			16.736	89,174
Edward Byrne Memorial Justice Assistance Grant Program			16.738	403,579
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice Colorado Department of Public Safety	29-DJ-06-30-1 & 29-DJ-03-20-2 & 28-DJ-06-21-1 & 29-DJ-03-52-2 & 10-DJ-03-52-3	16.738	447,925
Subtotal 16.738				851,504
Forensic DNA Backlog Reduction Program			16.741	154,331
Forensic DNA Backlog Reduction Program	Colorado Department of Law, Colorado Attomey General's Office	2009-DN-BX-K242	16.741	184,071
Subtotal 16.741				338,402
Paul Coverdell Forensic Sciences Improvement Grant Program			16,742	3,349
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	29-DN-01-6-1	16.742	18,465
Subtotal 16.742				21,814
Criminal and Juvenile Justice and Mental Health Collaboration Program	Colorado Judicial Department, Denver Juvenile Drug Court	5H79SP014018-03	16.745	18,000
Support for Adam Walsh Act Implementation Grant Program			16.750	19,460
Congressionally Recommended Awards			16.753	64,887
ARRA - Recovery Act - State Victim Assistance Fornula Grant Program	Colorado Division of Criminal Justice	29-RA-2-3	16.801	27,589
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	Colorado Division of Criminal Justice Colorado Department of Public Safety	29-JR-06-70-1 & 29-JR-06-65-1 & 29-JR-03-19-1 & 29-JR-03-10-1 & 29-JR-01-44-1	16.803	1,048,120
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government			16.804	508,425
Total Department of Justice			1 1	7,586,817

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Labor				
Employment Service Cluster:				
ARRA - Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment,	09-KAA-00004	17.207	155,780
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment,	10-KAA-00004 & CMS#12065	17.207	941,383
Subtotal 17.207				1,097,163
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment,	10-KAA-00004 & VAX#1738	17.801	19,127
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment,	10-KAA-00004 & VAX#1737	17.804	16,804
Subtotal Employment Services Cluster			'	1,133,094
Trade Adjustment Assistance	Colorado Department of Labor and Employment	10-KAA-00004 & VAX#1782	17,245	24,646
WIA Cluster:				
ARRA WIA Adult Program	Colorado Department of Labor and Employment,	09-KAA-00004	17.258	835,682
WIA Adult Program	Colorado Department of Labor and Employment,	09-KAA-00004 & 10-KAA-00004 & CMS#12065	17.258	1,880,590
Subtotal 17.258			l	2,716,272
ARRA WIA Youth Activities	Colorado Department of Labor and Employment,	09-KAA-00004	17.259	258,917
THE VICE ASSESSMENT		09-KAA-00004 & 10-KAA-00004 &	c t	
W.I.A. Youth Activities	Colorado Department of Labor and Employment,	CMS#12065	17.259	822,904
Subtotal 17.259				1,081,821
	Colorado Department of Labor and Employment Roard of County Commissiones of			
ARRA WIA Dislocated Workers	the County of Arapahoe	09 KAA 00004 & VAX #1900	17.260	978,394
WIA Dislocated Workers	Colorado Department of Labor and Employment	09-KAA-00004 & 10-KAA-00004	17.260	369,001
Subtotal 17,260				1,347,395
ARRA Workforce Investment Act (WIA) National Emergency Grants	Colorado Department of Labor and Employment	CMS#12065	17.277	3,294
WIA Dislocated Worker Formula Grants	Colorado Department of Labor and Employment	CMS#12065	17.278	289,067
Subtotal WIA Cluster			!	5,437,849
WIA Pilots, Demonstrations, and Research Projects	Colorado Department of Labor and Employment	06-KAA-0209 & 10-KAA-00004	17.261	240,030
H-1B Job Training Grants	Colorado Department of Labor and Employment	09-KAA-00004	17.268	2,200
4	Labor's Community Agency			
AKKA Frogram of Competitive Grants for Worker Training and Fracement in High Growth and Emerging Industry Sectors	Board of County Commissioners of the County of Arapahoe	None Provided	17.275	79,643
Veterans' Employment Program	Colorado Department of Labor and Employment,	10-KAA-00004	17.802	27,200
Homeless Veterans Reintegration Project			17.805	300,930
Homeless Veterans Reintegration Project	Colorado Department of Labor and Employment,	VAX#1819	17.805	2,936
Subtotal 17.805				303,866
Total Department of Labor			I	7,248,528

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Transportation				
ARRA Airport Improvement Program			20.106	3,090,565
Airport Improvement Program			20.106	18,230,699
Subtotal 20.106				21,321,264
Highway Planning and Construction Cluster:				
ARRA Highway Planning and Construction	Colorado Department of Transportation	17334	20.205	11,299,039
		16220, 15632, 16178, 16265, 16294, 16395, 16070, 16342, 17334, 17098, 16536, 16653, 16652, 16787, 16952, 16587, 16946, 16947, 17363, 17659,		
Highway Planning and Construction	Colorado Department of Transportation	17331	20.205	7,307,245
Subtotal Highway Planning and Construction Cluster				18,606,284
National Motor Carrier Safety	State of Colorado, Colorado Department of Safety & Colorado Department of Public Safety	CMS18306 & OE RAA SPSS1100039	20.218	132,826
Highway Safety Cluster:				
Citate and Community Hickury Cafety	State of Colorado	PO211008420 & PO21100927 & PO211009670 & PO211011212 & PO211011212 & PO211011765	009 00	721111
State and Community ingriway salety	State of Colorado	PO211008984 & PO211009358 &	0000	(),''
Alcohol Impaired Driving Countermeasures Incentive Grants	Colorado Department of Transportation	PO211009728	20,601	110,348
Subtotal Highway Safety Cluster				221,525
Total Department of Transportation				40,281,899
National Foundation on the Arts and the Humanities				
ARRA Promotion of the Arts_Grants to Organizations and Individuals			45.024	81,250
Promotion of the Arts_Grants to Organizations and Individuals			45.024	20,000
Subtotal 45.024				101,250
Promotion of the Humanities_Public Programs			45.164	1,065
National Leadership Grants			45.312	166,401
Laura Bush 21st Century Librarian Program			45.313	442,894
Total National Foundation on the Arts and the Humanities				711,610
Veterans Health Administration, Department Of Veterans Affairs				
VA Homeless Providers Grant and Per Diem Program			64.024	209,613
Environmental Protection Agency				
ARRA - National Clean Diesel Emissions Reduction Program			66.039	693,701
National Clean Diesel Emissions Reduction Program			66,039	158,509
Subtoral 66.039				852,210
Climate Showcase Communities Grant Program			66.041	15,377

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	1,442
Brownfields Assessment and Cleanup Cooperative Agreements			66.818	161,783
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	Colorado Brownfields Revolving Loan Fund	0005001785	66.818	200,000
Subtotal 66.818				361,783
Total Environmental Protection Agency				1,230,812
Office of Energy Efficiency and Renewable Energy, Department of Energy				
State Energy Program	Governor's Energy Office	PO09-113	81.041	1,530
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			81.117	38,799
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis			81.122	18,567
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)			81.128	1,525,321
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County	None Provided	81.128	45,660
Subtotal 81.128				1,570,981
Total Office of Energy Efficiency and Renewable Energy, Department of Energy				1,629,877
Department of Education				
Rehabilitation Services_Service Projects			84.128	93,641
Safe and Drug-Free Schools and Communities_State Grants	Colorado Department of Human Services	OE IHM ADA10000045	84.186	908'09
Projects with Industry			84.234	318,436
Total Department of Education				472,883
Department of Health and Human Services				
Public Health Emercency Prenaredness	Colorado Department of Public Health and Environment	PO FJA EPR101056 & PO FJA EPR101056	690'86	87.984
Enhance The Refate Of Children Affacted By Decentel Mathematetanine				•
or Other Substance Abuse			93.087	556,037
Protection and Advocacy for Individuals with Mental Illness	Colorado Department of Public Health and Environment	SOW dated 8/14/10	93 138	3 600
Substance Abuse and Mental Health Services Projects of				6
Regional and National Significance			93.243	603,246
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Colorado Department of Justice Colorado Denartment of Human Services	2006-MO-BX-0025 & IHM ADA 0701174C	93.243	218 014
Subtotal 93.243				821,260
Centers For Disease Control and Prevention_Investigations and	Colorado Department of Public Health and Environment	PO OE FHA EPI10000108 &	03 283	81.750
Collinear 1 isolotation	Colorado Foundations for Public Health		9	00,10
National Center for Research Resources	and the Environment	None Provided	93.389	2,952
Abandoned Infants			93,551	186,606

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Promoting Safe and Stable Families	Colorado Department of Human Services	PO IHA CWSCI000007 & PO IHA CWSX1000029	93.556	485,909
Temporary Assistance For Needy Families (TANF) State Programs (TANF Cluster) ARRA - Child Support Enforcement	Colorado Department of Human Services Colorado Department of Labor and Employment Colorado Department of Human Services	10 KAA 00004	93.558 93.563	36,535,949 2,693,718
Child Support Enforcement Subtotal 93,563	Colorado Department of Human Services		93.563	5,924,470
Refugee and Entrant Assistance-State Administered Programs Low-Income Home Energy Assistance	Colorado Department of Human Services Colorado Department of Human Services		93.566 93.568	7,964,821
C.SBG Cluster: Community Services Block Grant ARRA - Community Services Block Grant Subtotal CSBG Cluster	Colorado Department of Local Affairs Colorado Department of Local Affairs	L9CSBG13 & L10CSBG13 L10CSBG13R	93.569	1,012,755 1,530,282 2,543,037
CCDF CHASTER: Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services Colorado Department of Human Services		93.575 93.596	5,001,057
Subtotal Child Care and Development Cluster Refugee and Entrant Assistance - Targeted Assistance Grants	Colorado Department of Human Services	PO IHACRSP00513 & POIHACRSP1010812	93,584	15,568,989 263,946
neud start Head Start ARRA - Head Start Subtotal Head Start Cluster Child Support Enforcement Demonstrations and Special Projects			93.600 93.708	8,108,678 956,966 9,065,644 69,328
Adoption Incentive Payments Child Welfare Services_State Grants Adoption Opportunities ARRA - Foster Care - Title IV-E	Colorado Department of Human Services Colorado Department of Human Services Colorado Department of Human Services	CW-08-24-P	93.603 93.645 93.652 93.658	3,506 688,722 407,256 418,735
Foster Care - Title IV-E Subtotal 93.658 ARRA - Adoption Assistance	Colorado Department of Human Services Colorado Department of Human Services		93.658	9,895,666 10,314,401 289,812
Adoption Assistance Subtotal 93.659 Social Services Block Grant	Colorado Department of Human Services Colorado Department of Human Services		93.659	3,136,846 3,426,658 4,143,000
Chafee Foster Care Independence Program ARRA Strengthening Communities Fund Medical Assistance Program (Medicaid Chuster)	Colorado Department of Human Services Colorado Nonprofit Association Colorado Department of Human Services		93.674 93.711 93.778	157,242 86,769 4,513,156
Medical Library Assistance HIV Emergency Relief Project Grants Total Department of Health and Human Services	University of Utah, Spencer S. Eccles Health Sciences Library	Agreement #62816 Prime Contract No.1 LM-1-3514	93.879 93.914	14,756 8,233,233 114,967,875

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Corporation for National & Community Services				
	Colorado Governor's Commission on	100COLLEGE	900 00	020 63
AKKA - Americorps	Columning Service	USINE III COOOI	24.000	616,20
АпетСотря	Conjugate Community Service	10EBB000xx &	94.006	248,052
Total Corporation for National & Community Services (94,006)			ļ	311,031
Executive Office of the President				
High Intensity Drug Trafficking Areas Program			95.001	959,837
Department of Homeland Security				
Homeland Security Preparedness Technical Assistance Program			97.007	210,870
Emergency Food and Shelter National Board Program (Emergency Food and Shelter Program Cluster)	Metro Denver Emergency Food and Shelter Board	None Provided	97.024	17,000
Emergency Management Performance Grants	Colorado Department of Local Affairs, Division of Emercency Management	9EM091.17 & 10EM01.17	97 042	94 680
Assistance to Firefighters Grant			97.044	340,000
Homeland Security Grant Program (Homeland Security Cluster)	State of Colorado Governor's Office of Homeland Seourity	8EM77717 & 98HS78717 &	97.067	5,214,609
Buffer Zone Protection Program (BZPP)	State of Colorado Governor's Office of Homeland Security	98HS78417	97.078	302,915
Transportation Security Administration			97.UNKNOWN	4,769,025
Total Department of Homeland Security				10,949,099
Total Federal Expenditures			S	227,643,321

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

Notes to Schedule

1. 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 I-A in the City's basic financial statements for the year ended December 31, 2010. The schedule does not include \$508,797 and \$91,930,915, respectively, in Federal Awards expended by Denver Urban Renewal Authority (DURA) and Denver Union Station Project Authority (DUSPA) because the discretely presented component units engaged other accountants to perform an audit in accordance with OMB Circular A-133.

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. 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 nonfederal entities.

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
Promoting Safe and Stable Families	93.556
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.

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

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 \$236,804,944, of which \$172,916,805 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.

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

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 (CDBG)/Entitlement Grants	\$	7,816,378
Economic Development Loans:		
14.Unknown		3,789,846
14.Unknown		714,304
14.218 - Community Development Block Grants (CDBG)/Entitlement Grants		34,926,566
14.253 - Community Development Block Grant ARRA		
Entitlement Grants (CDBG-R)		1,304,970
		10 505 505
Total Economic Development Loans		40,735,686
Section 108 Loans:		
14.246 - Community Development Block Grants/		
Brownfields Economic Development Initiative		157,526
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees		9,862,180
14.246 - Community Development Block Grants_ Section 108 Loan Guarantees	-	9,802,180
Total Section 108 Loans		10,019,706
Total Section 100 Bound		10,012,700
Housing Development Loans:		
14.Unknown		22,010,561
14.Unknown		2,692,353
14.218 - Community Development Block Grants (CDBG)/Entitlement Grants		5,668,482
14.239 - HOME Investment Partnerships Program		40,695,776
14.241 - Housing Opportunities for Persons with AIDS		3,252,870
14.256 - Neighborhood Stabilization Program (Recovery Act Funded)		917,922
		,
Total Housing Development Loans		75,237,964
Total Office of Economic Development Loans:		133,809,734
T and Allamore		
Less Allowances		(6 670 260)
Delinquent Loans		(6,670,269)
Forgivable Loans		(51,393,015)
Note Receivable, Net	\$	75,746,450
Tiole Receivable, 11cl	Ψ	73,710,130

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

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 Program, Section 108 Loan Guarantees which are subject to continuing compliance requirements until project completion and acceptance. The outstanding balances at December 31, 2010 were \$451,921. Of this amount \$35,610 is included in the accompanying schedule of expenditures of federal awards.

6. 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 Grants (CDBG)/Entitlement Grants	14.218	\$ 4,627,073
Emergency Shelter Grants Program	14.231	370,412
Shelter Plus Care	14.238	1,755,471
HOME Investment Partnerships Program	14.239	763,322
Housing Opportunities for Persons with AIDS	14.241	1,510,580
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	455,049
ARRA - Homelessness Prevention and Rapid Re-Housing Program		
Technical Assistance	14.262	2,438,531
National Institute of Justice Research, Evaluation,		
and Development Project Grants	16.560	301,600
Edward Byrne Memorial State and Local Law Enforcement Assistance		
Discretionary Grants Program	16.580	4,317
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence,		
Stalking, or Sexual Assault Program	16.736	87,441
WIA Youth Activities	17.259	475,610
WIA Pilots, Demonstrations and Research Projects	17.261	180,109
Projects with Industry	84.234	110,513
Temporary Assistance for Needy Families (TANF) State Programs	93.558	25,999
Community Services Block Grant	93.569	367,929
Head Start	93.600	6,394,824
ARRA - Head Start	93.708	741,372
ARRA - Community Services Block Grant	93.710	698,739
HIV Emergency Relief Project Grants	93.914	7,615,400
		\$ 28,924,291

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

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?		
	Significant deficiency(ies) identified?	⊠ Yes ⊠ Yes	☐ No ☐ None Reported
3.	Noncompliance material to the financial statements noted?	Yes	⊠ No
	Federal Awards		
4.	Internal control over major programs:		
	Material weakness(es) identified? Significant deficiency(ies) identified?	⊠ Yes	☐ No ☐ None Reported
5.	Types of auditor's report issued on compliance for major pr	rograms:	
	□ Unqualified □ Adverse □ Adverse	Disclaimer	
Uı	nqualified for all major programs except for Medicaid Cluster	, which was qualified	
6.	Any audit findings disclosed that are required to be reported accordance with section 510(a) of OMB Circular A-133?	d in ⊠ Yes	□ No

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

7. Identification of major programs:

CFDA Number Name of Federal Program or Cluster						
10.561	SNAP Cluster, including ARRA					
14.218, 14.253	CDBG - Entitlement Grants Cluster, including ARRA					
14.228	CDBG - State Administered Small Cities Program Cluster					
14.239	HOME Investment Partnerships Program					
17.258, 17.259, 17.260, 17.277, 17.278	WIA Cluster, including ARRA					
20.106	Airport Improvement Program, including ARRA					
20.205	Highway Planning and Construction Cluster, including ARRA					
93.558	Temporary Assistance for Needy Families (TANF) Cluster					
93.563	Child Support Enforcement, including ARRA					
93.600, 93.708	Head Start Cluster, including ARRA					
93.667	Social Services Block Grant					
93.778	Medicaid Cluster					
93.914	HIV Emergency Relief Project Grants					
97.067	Homeland Security Cluster					
97.UNKNOWN	Transportation Security Administration					
8. Dollar threshold used to distinguish b	petween Type A and Type B programs: \$3,000,000.					
9. Auditee qualified as low-risk auditee	?					

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section II – Financial Statement Findings

Reference	
Number	Finding

10-01 **Finding:** Office of Economic Development Accounting for Grants Receivable

Criteria or specific requirement: In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, receivables for federal grants (government-mandated nonexchange and voluntary nonexchange transactions) should only be recorded once all eligibility requirements have been met. In governmental funds, revenue is deferred until cash collections are considered available.

Condition: As mentioned in the prior year, the Office of Economic Development (OED) was not using a method of tracking its grants that allowed for the proper recognition of the receivable and corresponding deferred revenue. The method used by OED resulted in revenue being recorded to a new grant ID number while the expenditures were recorded on the original number. The receivables created by these expenditures were not removed upon the receipt of the cash. Thus, receivables remained recorded on the general ledger that will not be collected. This issue was reported as a significant deficiency (09-02) in our prior year letter dated May 27, 2010.

During the year-end closing process, the Controller's Office worked with OED to adjust the various grant receivable balances to reflect those receivables that were truly valid at year-end. The total adjustments made during this process were approximately \$26.9 million. As part of this larger adjustment, approximately \$11.6 million of receivables removed from the general ledger related to invalid receivables recorded at December 31, 2009.

Cause: Last year, we reported that the grant administration processes were not congruent through the different agencies in the City and OED developed its own accounting practices which did not allow for proper accounting of grant receivables. We had recommended that City-wide accounting procedures be implemented to ensure all agencies properly record their grants. While additional procedures were developed and implemented by many agencies and by the Controller's Office, it does not appear that OED implemented these procedures. While a significant effort was made by both the Controller's Office and OED to adjust grant receivables to the proper balances, this effort was not made until the external audit process had begun. Starting the receivable evaluation process after the external audit had begun created additional pressures on City personnel to meet audit deadlines.

Effect: Grant receivables and deferred revenues at December 31, 2009 were overstated equally by approximately \$11.6 million. This amount was corrected during the year ended December 31, 2010.

Recommendation: 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.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number

Finding

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. By the end of 2010, OED reduced the number of grants from 19 to four to help streamline their grant accounting. OED will continue to work with the Controller's Office to ensure that receivables are valid and properly recorded. In August 2011, OED will calculate a receivable balance as of July 31, 2011, and work with the Controller's Office to ensure the accounting is correct. At year-end, OED will provide the Controller's Office all documentation supporting their receivables calculation and the Controller's Office will review for proper accounting.

Person(s) responsible for implementing: Ami Webb, Accounting Supervisor, Office of Economic Development; and Heather Darlington, Supervisor of Financial Reporting and Analysis, Office of the Controller.

Implementation date: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-02 **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 depreciated over a reasonable useful life. Disposals of capital assets should be recorded timely and replaced infrastructure should be removed from the books, along with any corresponding accumulated depreciation. Accounting guidance that address the proper recognition and accounting of capital assets includes Governmental Accounting Standards Board (GASB) 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:

- 1. The City records all traffic signals at a standard rate. Through analysis by the Public Works Department, the City has determined that the standard rate for traffic signals constructed by outside contractors is higher than the standard rate for signals constructed directly by the City. However, contractor constructed traffic signals were erroneously recorded at the City constructed rate, thereby understating the asset class of contractor constructed traffic signals.
- 2. In accordance with accounting guidance, the City capitalizes all circulated library books. The value of the library books is estimated at \$30 per book and the library uses an estimated useful life of 15 years to depreciate the books. A year-end inventory count of books is performed and the total value of library collections is determined by multiplying the quantity by \$30. The balance in the general ledger is then adjusted accordingly. While current accounting standards do allow for depreciating groups of similar assets together (the composite method), the estimated useful life has not been evaluated for many years and appears longer than that used by other libraries. Furthermore, the \$30 per book value appears to be a value determined when the City implemented GASB 34 and has not been revisited in many years.
- 3. Annually, an inventory of capital assets is taken by the various agencies and this inventory is reported to the Controller's Office. However, if an asset is reported as disposed of, but no true disposal date is indicated by the agency, the Controller's Office will assign a disposal date of June 30. Depending on the magnitude of the disposed asset, this practice could potentially misstate depreciation expense.
- 4. When roads are removed or resurfaced (preservation costs), the cost of the replaced road, and its accumulated depreciation should be removed from the books. The City was not properly removing the entire value of a resurfaced or replaced street, but continued to depreciate the residual value over the remaining life of the road.

The City has over \$2.7 billion in capital assets recorded in its governmental activities. The infrastructure assets, which include the traffic signals and road systems, are approximately \$629.4 million, while library books are carried at approximately \$33.0 million at December 31, 2010. Total traffic signal additions were approximately \$5.8 million during 2010, which was approximately \$1.5 million understated due to the use of incorrect standard rates. In addition, there were approximately \$4.8 million of additions to the library books collection during 2010. Finally, the amount for roads that was not properly removed from the general ledger was approximately \$3.6 million.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number

Finding

Cause: There were several causes for the conditions described above, including clerical errors contained in various capital asset spreadsheets, a misapplication of the accounting methodology for the recording of the resurfaced streets, and a lack of follow-up and communication between the agencies and the Controller's Office in order to properly record the disposal date of assets and hence to properly recognize depreciation expense.

Effect: An audit adjustment was proposed, and recorded by management, to increase the traffic signal additions by approximately \$1.5 million. No adjustment was proposed for the library books, as the value of the books could not be reasonably estimated without extensive research. An audit adjustment was also proposed relating to the resurfacing or replacing of streets for approximately \$3.6 million to account for the asset that should have been removed in an earlier year. The \$3.6 million proposed adjustment is included in our Schedule of Adjustments Passed.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the findings.

The issue related to the cost of traffic signals has been corrected and will be monitored on an on-going basis.

The Controller's Office will analyze the appropriateness of a \$30 per book estimate and 15-year useful life and make any necessary adjustments.

The Controller's Office will obtain a specific date of disposal if one is not originally provided on the Asset Disposal Form.

The Controller's Office will review the methodology surrounding the resurfacing and replacement of streets and will review the calculations for accuracy.

Person(s) responsible for implementing: Kelli Bennett, Director of Accounting and Financial Reporting, Office of the Controller.

Implementation date: September 30, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-03 Finding: Department of Human Services Accounting for Receivables

Criteria or specific requirement: In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, receivables for government-mandated nonexchange transactions should be recognized when all applicable eligibility requirements are met. There should also be a valid claim for reimbursement in order to recognize revenue.

Condition: The Denver Department of Human Services (DDHS) discovered accounts receivable recorded at December 31, 2009 that were invalid and were written off during the current year 2010.

Total accounts receivable at December 31, 2009 for DDHS were approximately \$12.4 million. Of this amount, it was determined that \$1.8 million were invalid and should not have been recorded as a receivable.

Cause: DDHS is reimbursed for a percentage of some expenses by the State of Colorado. DDHS erroneously included expenses on its revenue accruals for which they were not going to be reimbursed. Improper review led to these revenue accruals being posted to the revenue and receivable accounts.

Effect: Total receivables at December 31, 2009 were overstated by \$1.8 million. The amount was removed from the receivables balance during 2010. An audit adjustment was proposed to recognize the prior year effect of the invalid receivables. The \$1.8 million proposed adjustment is included on our Schedule of Adjustments Passed.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. A strict review process, with additional levels of review for year-end accruals, will be implemented. Reviews will be performed by the preparer's supervisor as well as a manager. Both of these positions are qualified to provide the additional review.

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

Implementation date: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-04 Finding: Wastewater Management Enterprise Fund – Donated Capital Assets

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.

Condition: Several capital assets were conveyed in prior years as evidenced by signed letters of acceptance but were not recorded until the current year.

Donated capital assets in the current year totaled \$13.4 million, of which \$6.4 million related to capital assets donated in prior years.

Effect: The timing of the recognition of contributed capital assets is incorrect.

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.

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.

Views of Responsible Officials and Planned Corrective Actions:

Response: 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. In Management's experience, the lag between a developer's submission of the application for permission to construct and the final acceptance of the public improvement can be significant. When the letter of acceptance is received by accounting, lacking or insufficient records have been found to cause a delay in the timely recording of contributions. A concerted effort was made to account for all capital assets received by Wastewater Management and this led to the identification of contributions received prior to the current year. Beginning in 2011, Wastewater Management's accounting group will prepare a list of all recorded permitted public sewer improvements, including those in process and those accepted in the current year. This list will be submitted to Public Works engineering to amend, update, or confirm details of the permitted public improvements. Any data needed to accurately record the cost of contributed capital assets will be provided by engineering no later than 60 days after the date of acceptance and commencement of the warranty period per the letter of acceptance.

Person(s) responsible for implementing: Matt Blackburn, Agency Controller, Wastewater Management.

Implementation date: September 30, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference		
Number	Findin	g

10-05 **Finding:** Deferred Compensation Plan – Effective Plan Oversight and the Continued Monitoring of the Third-Party Administrators

Criteria or specific requirement: In accordance with the Plan document, the Deferred Compensation Committee (the Committee) of the City and County of Denver (the City) is charged with the responsibility to administer the Plan. Additionally, the Committee shall engage the services of at least two third-party administrators (the Administrators) to assist the Committee in the administration of the Plan.

Condition: The Committee has engaged two administrators: Cooney Benefit Associates, Inc. (Cooney) and ICMA Retirement Corporation (ICMA-RC). Cooney is the Administrator for funds invested with Hartford Life Insurance Company (Hartford) and Prudential Insurance Company of America (Prudential), and ICMA-RC is the administrator for funds invested with ICMA Retirement Trust (ICMA).

The responsibilities of the Administrators include, but are not limited to, the maintenance of individual accounts for participants reflecting amounts deferred, income credited, gains, or losses, and amounts disbursed as benefits. In addition, the Administrators maintain participant accounts with regard to enrollment, account statements, monitoring of deferral limits, participant correspondence, regulatory compliance, plan documentation, internal or external audit coordination, and payroll coordination.

On a quarterly basis, disaggregated Plan statistics and investment performance data is provided to the Committee, and the Administrators review this information with the Committee. During 2010, the Committee implemented procedures whereby the report on controls placed in operation and tests of operating effectiveness (SAS No. 70, *Service Organizations*; SSAE 16 effective June 15, 2011) for the Administrators were provided to, and reviewed by, members of the Committee.

During 2010, the Committee implemented procedures whereby participant contributions and loan repayments were reconciled between payroll records and Plan records maintained by the Administrators. This reconciliation is performed by an employee of the City. The Committee continues to have procedures in place whereby documentation for distributions from the Plan, including loans to participants, are reviewed and approved by an employee of the City for appropriateness.

While the Committee has engaged the Administrators and has implemented certain procedures at the City to assist with the administration of the Plan, the Committee does not have adequate financial reporting oversight procedures in place to fully carry-out its fiduciary duties with respect to the Plan.

Cause: The Committee has not designated an individual(s) to manage the financial reporting activities of the Plan.

Effect: Although our procedures did not identify any errors, inaccuracies, or omissions considered material to the financial statements as a whole, we believe that if certain controls relating to the Plan's internal control over financial reporting are not implemented, there exists a possibility of material misstatement due to fraud or error.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number

Finding

Recommendation: In addition to current financial reporting and monitoring procedures in place, the Committee should consider implementing the following:

- 1. Appoint an individual(s) at the City to manage the financial reporting activities of the Plan, including, at a minimum, the following:
 - a. Maintain a general ledger.
 - b. Prepare plan-level financial information.
 - c. Review reconciliations prepared by others.
 - d. 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Deferred Compensation Committee recently conducted a Request for Proposal for an external financial advisor. The Committee anticipates that these recommendations will become the responsibility of the advisor.

Person(s) responsible for implementing: Max Nelson, Deferred Compensation Committee Chair.

Implementation date: September 30, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section III - Federal Award Findings and Questioned Costs

Reference		
Number	Finding	

10-06 **Finding:** Allowable Costs and Activities

 $CFDA\ No.\ 10.561\ Supplemental\ Nutrition\ Assistance\ Program\ (SNAP)\ Cluster$

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. 93.667 Social Services Block Grant (SSBG)

CFDA No. 93.778 Medicaid Cluster (Medicaid; Title XIX)

Department of Health and Human Services - 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 severance payments are allowable if they are required by (a) law, (b) employer-employee agreement, or (c) established written policy. OMB Circular A-87 also specifies that severance payments be allocated to all activities of the governmental unit as an indirect cost and that abnormal or mass severance payments are allowable only if approved by the cognizant federal agency.

Condition: The severance payments paid by the Denver Department of Human Services (DDHS) were considered abnormal or mass severance payments and were required by employer-employee agreements. As such, DDHS properly obtained approval from the cognizant federal agency to charge these expenditures as indirect cost to the aforementioned grants. In performing our allowable costs and activities testing, we identified instances in which the severance payments were charged directly to a grant or were miscoded to the wrong indirect cost pool, thereby potentially impacting all grants as summarized in the table below:

	Supplemental Nutrition Assistance Program	Temporary Assistance for Needy Families	Child Support Enforcement	Social Services Block Grant	Medicaid	Indirect Cost Pool Testing (All Programs)	Totals
Number of payroll costs tested:	25	-	20	25	25	20	115
Exceptions noted in testing:							
Severance payment charged directly to grant	ı	-	-	1	ı	-	1
Severance payment miscoded to the wrong indirect							
cost pool	-	-	-	-	-	1	1
Questioned costs:							
Identified in testing	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500	\$ 1,000
Identified in further review	\$ -	\$ -	\$ 2,000	\$ 2,500	\$ -	\$ 13,500	\$ 18,000
Total questioned costs	\$ -	\$ -	\$ 2,000	\$ 3,000	\$ -	\$ 14,000	\$ 19,000

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number

Context: We tested payroll cost noted above to evaluate the County's compliance with applicable allowable cost and activities requirements, include the coding of expenditures to the proper indirect cost pools and noted the issues described above.

Finding

Effect: Unallowable costs were charged directly to the aforementioned programs rather than allocated through a cost pool. Additionally, as the State utilizes various cost pools to allocate costs amongst several programs, expenditures that are not coded to the proper indirect cost pools may cause certain expenditures to not comply with cost allocation principles detailed in OMB Circular A-87.

Cause: 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 Financial Management System (CFMS). Payroll information provided by the City is provided by position numbers. DDHS, utilizing the position numbers, assigns a CFMS account code to each position. City payroll utilized a duplicative position number for both the inactive employee receiving severance pay and an active employee. Thus, when a new employee is hired the position numbers get re-coded as a direct pool or to a cost pool which allocates to specific programs. Additionally, DDHS did not have a step on its payroll review checklist to review for any miscodings relating to the severance that occurred during the second half of the year.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. DDHS will add a step to the payroll review checklist to ensure severance payments are coded to the Common Supportive Cost Pool 0500-7000. DDHS will also request from Citywide payroll to eliminate the use of duplicative position codes for active and inactive employees. Finally, DDHS will explore new means of reporting payroll to the State that does not require the utilization of position numbers for cost pool assignment.

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

Implementation date: March 21, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference		
Number	Finding	

10-07 **Finding:** Procurement, Suspension and Debarment

CFDA No. 14.218, 14.253 CDBG Entitlement Grants Cluster, Department of Housing and Urban Development

CFDA No. 20.205 Highway Planning and Construction Cluster, Department of Transportation - Passed-through Colorado Department of Transportation

CFDA No. 97.067 Homeland Security Cluster, Department of Homeland Security - Passedthrough State of Colorado Governor's Office of Homeland Security

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 requirements necessary to ensure compliance with this requirement including documentation that such procedures have been performed.

Condition: Documentation to support compliance with the above requirement was not available in all instances as summarized in the table below:

	CDBG	номе	WIA	Head Start	Homeland Security	Highway Planning	Airport Improvement Program	Transportation Security Administration
Number of Files Tested	26	5	4	7	1	4	5	1
Exceptions	_							
Exceptions								
Suspension and Debarment - EPLS	3					4		

Questioned costs: None.

Context: We tested procurement case files as identified above to evaluate the City's compliance with the applicable procurement requirements, including the review of the Excluded Parties List, and noted the issues described above.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Effect: By not verifying vendors against the Excluded Parties 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.

Cause: Departments within the City do not appear to be fully aware of procurement requirements including the need to keep documentation of suspension and debarment status. The procurement process appears to be fairly decentralized within each department.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Controller's Office will provide additional training on procurement requirements, including reviewing the "Excluded Parties List" for suspension and debarment and maintaining the appropriate documentation. Additionally, the Controller's Office will determine if documentation of review can be captured in Alfresco or PeopleSoft.

Person(s) responsible for implementing: Heather Darlington, Supervisor of Financial Reporting and Analysis, Office of the Controller.

Implementation date: August 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-08 **Finding:** Reporting

CFDA No. 14.218, 14.253 - CDBG Entitlement Grants Cluster CFDA No. 14.239 - HOME Investment Partnerships Program Department of Housing and Urban Development

Criteria or specific requirement: 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 reports were completed incorrectly. The CDBG Entitlement report contained an amount of \$50,000 from a prior year template which was not properly removed prior to submission of the report. The HOME report included a project for \$325,000 that was double counted. The reports were subsequently corrected and resubmitted to the awarding agency.

Questioned costs: None.

Context: We tested the annual HUD 60002 reports for both programs 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 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. All HUD 60002 reports will be reviewed in detail including supporting documentation, by supervisors, before submitting them to the awarding agency.

Person(s) responsible for implementing: Yua Her, Contracts Manager and Ami Webb, Accounting Supervisor, Office of Economic Development.

Implementation date: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-09 **Finding:** Eligibility

CFDA No. 17.258, 17.259, 17.260, 17.277, 17.278 - WIA Cluster and ARRA - WIA Cluster Department of Labor - Passed-through Colorado Department of Labor and Employment

Criteria or specific requirement: Office of Economic Development (OED) is required to determine if individuals participating in the WIA Cluster programs are eligible to receive services based on established program guidelines. Documentation to support such determinations should be maintained.

Condition: We noted the following issues:

- 1. One instance in which an individual was not verified to ensure registration with Selective Services as required by the Military Selective Services Act.
- 2. One instance in which an individual was enrolled in the Dislocated Worker program, however documentation to support Dislocated Worker status was not obtained at the time of eligibility determination.
- 3. Monthly supervisor case reviews were temporarily postponed due to the implementation of an electronic review system. We noted a case file review which was to be performed in September 2010 was not performed until March 2011.

Questioned costs: \$2,727.

Context: We tested 40 individuals who participated in WIA for the year ended December 31, 2010 and noted the issues described above. Total assistance provided to participants during the year totaled \$603,819.

Effect: OED may be providing benefits to individuals who are not eligible to receive them.

Cause: It appears that in both instances the missing documentation was an isolated incident. However, controls over eligibility were not sufficient during the period subjected to testing due to the postponement of the supervisor case reviews.

Recommendation: 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.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. OED will continue to utilize the case file checklist and obtain eligibility documentation at the time of determination. Regarding the monthly supervisor case reviews, OED Quality Assurance staff will implement Quality Control measures through the use of the Case Review Database to ensure that the supervisor reviews are being completed in a timely manner.

Person(s) responsible for implementing: Karla Gomez-Meyer, Manager of Quality Assurance, Division of Workforce Development; and Michelle Tenorio, Acting Manager, Workforce Operations.

Implementation date: July 1, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-10 **Finding:** Reporting

CFDA No. 20.106 - ARRA Airport Improvement Program, Department of Transportation

Criteria or specific requirement: Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA or the Act) requires all agencies receiving ARRA funds from a federal agency to submit a quarterly report no later that the 10th day after the end of each calendar quarter (beginning the quarter ended September 30, 2009) detailing the use of the funds received as specified by the Act. 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, are mathematically accurate, and be fairly presented in accordance with program requirements.

Condition: We noted the Municipal Airport System failed to submit its third quarter 1512 reports within the 10 day window.

Ouestioned costs: None.

Context: We tested two 1512 reports submitted by the Municipal Airport System for the third and fourth quarters of the fiscal year.

Effect: One of the two 1512 reports was not submitted within the required timeframe.

Cause: Lack of segregation of duties in the report preparation, review and submission process resulted in a lack of communication of late submission.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. A process has been implemented wherein the Construction in Progress Manager will review the Airport Improvement Program (AIP) Manager's report prior to submission.

Person(s) responsible for implementing: Tom Blickensderfer, AIP Manager, Denver International Airport.

Implementation date: June 24, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-11 **Finding:** Eligibility

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

Criteria or specific requirement: 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.

Condition: We noted the following issues:

- 1. One instance in which an individual received assistance outside the sixty-month benefit period. A six-month extension for May 2010 to October 2010 was granted, however, the individual received benefits in November and December 2010 which was outside of the extension period (\$1,386).
- 2. Two instances in which monthly status reports were not received and benefits were not subsequently terminated (\$1,995).
- 3. One instance in which a case was properly closed and then subsequently reopened without justification in the case file for the reinstatement (\$5,378).
- 4. One instance in which there was no application in the case file (\$2,435).

Questioned costs: \$11,194.

Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2010 and noted the issues described above. The tested population covered benefits issued of \$185,766. The total population included benefits issued of approximately \$17.7 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.

Cause: There is a significant amount of information to process relating to these cases. Additionally, there has been an increase in caseloads and decrease in staffing. Furthermore, controls over eligibility are not sufficient.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Family & Adult Division (FAD) began an intensive effort in January 2011 to evaluate business practices which included setting production standards across programs, implementing monitoring and accountability expectations for all levels of the division, identifying areas in need of improvement, improving management and accountability practices, training, and increasing the use of technology to identify, assign and track work through the Work Management System (WMS). This effort specifically targets inconsistencies of applications, redeterminations, MSR's and all correlating documentation. The division model continues to account for team-based practices and has also implemented a scanning effort which is targeted to reduce the gaps in missing documentation to support eligibility determinations. The case comment template will be re-evaluated to identify where efficiency gains exist with the new business model and practice. Policy and procedure review continues to be a priority through the business practice evaluation process and communication is shared accordingly with staff. Additionally, improvements with management and accountability practices such as supervisor case file reviews are expected to also add value to monitoring in this area.

Person(s) responsible for implementing: Kate Owen, Operations Administrator; Pam Flowers, FAD Deputy Director, and Performance Improvement & Accountability Division, Department of Human Services.

Implementation date: February 28, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-12 **Finding:** Special Tests and Provision - Income Eligibility and Verification System

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

Criteria or specific requirement: 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 11 instances in which there was no disposition of IEVS discrepancies in CBMS.

Questioned costs: Undeterminable.

Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2010 and noted 11 instances in which the IEVS discrepancies were not investigated or verified by the caseworker.

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 or denied to eligible applicants.

Cause: There is a significant amount of information to process relating to these cases. Additionally, there has been an increase in caseloads and decrease in staffing. Furthermore, controls over IEVS discrepancy resolution are not sufficient.

Recommendation: 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 IVES discrepancies and documenting the disposition in CBMS.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Views of responsible officials and planned corrective actions:

Response: We agree with finding. The Family & Adult Division (FAD) began an intensive effort in January 2011 to evaluate business practices which included setting production standards across programs, implementing monitoring and accountability expectations for all levels of the division, identifying areas in need of improvement, improving management and accountability practices, training, and increasing the use of technology to identify, assign and track work through the WMS. With the assistance of the Performance Improvement and Accountability Division (PIAD), development and use of a dynamic report will be explored to identify cases that have been processed where IEVS has not been addressed. Identifying these cases, coupled with improvements in management and accountability practices at the supervisor and management levels, are expected to improve outcomes with IEVS compliance. Policy and procedure review continues to be a priority through the business practice evaluation process and communication is shared accordingly with staff.

Person(s) responsible for implementing: Andrea Albo, Director, FAD; FAD Management; Michelle Harper, Division Director, PIAD; and PIAD; Department of Human Services.

Implementation: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-13 Finding: Special Tests and Provisions - Failure to Comply with Work Verification Plan

CFDA No. 93.558 - Temporary Assistance for Needy Families (TANF) Cluster

Department of Health and Human Services - Passed-through Colorado Department of Human Services

Criteria or specific requirement: 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.

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:

- 1. Twenty-seven instances in which there was no evidence of the DDHS review having been completed, however the OED review was completed. The OED review tool did not include all review questions required, therefore as a result of the 27 DDHS reviews not being completed, five required review questions, as defined in the CDHS Agency Letter were not addressed.
- 2. Two instances in which the DDHS review was not completed timely.

Ouestioned costs: None.

Context: We tested 60 case files identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2010 and noted the issues described above.

Effect: The City may be out of compliance with State and federal compliance requirements.

Cause: Insufficient number of DDHS employees available to complete the reviews and over-reliance on OED's review. Furthermore, controls surrounding the timeliness of reviews are not sufficient.

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.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Family & Adult Division (FAD) began an intensive effort in January 2011 to evaluate business practices which included setting production standards across programs, implementing monitoring and accountability expectations for all levels of the division, identifying areas in need of improvement, improving management and accountability practices, training, and increasing the use of technology to identify, assign and track work through the Work Management System (WMS). Compliance with the Work Verification Plan reviews is an area of focus in the development of improved management and accountability practice. As part of this focus, there will be a more active role in monitoring and following up with compliance at the management level. A redesign of the review tool is underway and will be added to the WMS as an effort to create efficiencies within the review process. FAD also continues to partner with the State in creating more consistent guidelines to the work verification review process and requirements.

Person(s) responsible for implementing: Andrea Albo, Director, FAD; FAD Management; Michelle Harper, Division Director, PIAD; and PIAD; Department of Human Services.

Implementation date: April 1, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-14 **Finding:** Eligibility

CFDA No. 93.778 Medicaid Cluster (Medicaid; Title XIX)
Department of Health and Human Services - Passed-through Colorado Department of Human Services

Criteria of 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.

Condition: We noted the following issues:

- 1. Five instances in which the client did not reside in Denver County (\$13,398).
- 2. Ten instances in which the redetermination was not processed timely. Processing time for these instances ranged from 37 days to 91 days.
- 3. Two instances in which a pregnancy note or birth certificate identified in CBMS could not be located in the file, therefore, it could not be determined if proof of pregnancy was received by the County (\$3,665).

Questioned costs: \$17,063.

Context: We tested 60 individuals who received Medicaid assistance for the year ended December 31, 2010 and noted the issues above. Benefits issued on behalf of the County for the year were approximately \$2.4 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. Additionally, without timely processing of redeterminations, individuals may lose Medicaid program eligibility due to their case closing unnecessarily.

Cause: Of the five instances discussed above in which the client does not reside in the County, there were four instances in which the individual transferred counties during the year and the receiving county (Adams County) had yet to request a case transfer as of December 31, 2010. Additionally, 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. Furthermore, controls over eligibility were not sufficient during the period subjected to testing.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Family and Adult Division (FAD) began an intensive effort in January 2011 to evaluate business practices which included setting production standards across programs, implementing monitoring and accountability expectations for all levels of the division, identifying areas in need of improvement, and focusing on the development of improved management and accountability practices. During 2010, FAD implemented a case comment template for documentation in CBMS. Templates will be re-evaluated and updated to meet the new business process. Adult Medicaid and Family Medicaid staff were reorganized in 2011 into a team/task based unit. Individuals are held accountable for the completion of a task (update RRR, Changes, Claims, IVES; etc.) versus program action updates within a caseload. As part of this focus, there will be a more active role in monitoring and training, and an increase use of technology to identify, assign and track work through the WMS. The new business process allows for more individuals to perform tasks on a case, ensuring that case file records are accurate and timely. Additional work areas have been added that will enable us to track and document all mail and verification documents in a document imaging system, making information available for any staff person updating or changing the case record. Training will continue for all staff on policies and rules for additional programs. A redesign of the case review tool is underway and will be added to the WMS as an effort to create efficiencies within the review process. FAD continues to partner with the State in creating more consistent guidelines and standards.

Person(s) responsible for implementing: Andrea Albo, Director, FAD and FAD Management, Department of Human Services.

Implementation date: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-15 **Finding:** Reporting

CFDA No. 93.778 Medicaid Cluster (Medicaid; Title XIX)
Department of Health and Human Services - Passed-through Colorado Department of Human Services

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.

Condition: Inaccurate information was detected in our review of CBMS data and supporting documentation was missing from files as follows:

- 1. One instance in which the income verification identified in CBMS was not maintained in the case file as required by DDHS policy.
- 2. Four instances in which income information listed on the redetermination was not entered into CBMS.
- 3. One instance in which the 'Eligibility for Abbreviated or "paper determination" (for Adult Categories Only)' policy (3.130.111) was not followed. This policy may be completed for stable cases on an bi-annual basis and allows for redetermination of eligibility through telephone, mail or electronic means. However, if the redetermination of eligibility is performed through one of the means discussed above, the aforementioned policy requires documentation of the redetermination process be noted in the case record and in CBMS case comments.

Questioned costs: None.

Context: We tested 60 case files for eligibility for the year ended December 31, 2010 and noted the issues above.

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.

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, information may apply to multiple programs and therefore be managed by different technicians across various programs resulting in information residing in various case files and lack of accountability. Furthermore, controls over reporting are not sufficient.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The Family and Adult Division (FAD) began an intensive effort in January 2011 to evaluate business practices which included setting production standards across programs, implementing monitoring and accountability expectation for all levels of the division, identifying areas in need of improvement, and focusing on the development of improved management and accountability practices. During 2010, FAD implemented a case comment template for documentation in CBMS. Templates will be re-evaluated and updated to meet the new business process. Adult Medicaid and Family Medicaid staff were reorganized in 2011 into a team/task based unit. Individuals are held accountable for the completion of a task (update RRR, Changes, Claims, IVES, etc.) versus program action updates within a caseload. As part of this focus there will be a more active role in monitoring and training, and an increase use of technology to identify, assign and track work through the WMS. The new business process allows for more individuals to perform tasks on a case, ensuring that case file records are accurate and timely. Additional work areas have been added that will enable us to track and document all mail and verification documents in a document imaging system, making information available for any staff person updating or changing the case record. Training will continue for all staff on policies and rules for additional programs. A redesign of the case review tool is underway and will be added to the WMS as an effort to crease efficiencies within the review process. FAD continues to partner with the State in creating more consistent guidelines and standards.

Person(s) responsible for implementing: Andrea Albo, Director, FAD; FAD Management; Michelle Harper, Division Director, PIAD; and PIAD; Department of Human Services.

Implementation date: December 31, 2011.

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Reference Number Finding

10-16 **Finding:** Allowable Costs

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

Criteria or specific requirement: In order for direct costs to be charged to a federal program, the expenditures must represent charges for actual costs, not budgeted or projected costs.

Condition: The Office of Emergency Management and Homeland Security (OEMHS) paid an estimated invoice for services to be provided. Adequate documentation could not be provided to support the actual costs incurred.

Questioned costs: \$16,000.

Context: We tested 34 expenditures totaling \$391,968 from a population of \$5,214,609 for allowability. We noted the above issue in two expenditures related to one invoice.

Effect: OEMHS may have paid more than necessary for the services provided and is not in compliance with OMB Circular A-133 allowable cost provisions.

Cause: OEMHS was not aware that vendor payments based on budgeted costs rather than actual costs were not allowable.

Recommendation: 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. The costs associated with this finding were part of a one time event that the Urban Area Security Initiative (UASI) was hosting. It is our understanding that we will not be hosting an event of this kind again. All future invoices and requests for payments will be required to reflect actual expenses and not estimated costs.

Person responsible for implementing: Lin Bonesteel, Program Administrator, Office of Emergency Management and Homeland Security.

Implementation date: May 26, 2011.

Reference Number	Summary of Finding	Status
09-01	Accounting for Capital Assets - The City should implement specific procedures related to year-end capital asset reporting by the agencies to ensure that all costs of capital asset acquisitions are properly accrued and capitalized in the proper period. The City should also make certain that City ownership has been determined for any projects recorded to construction in progress and that contract terms are clearly understood. Additionally, proper communication with the enterprise funds should be maintained regarding the proper accounting for capital assets and capital projects. Training should be given to accounting personnel as necessary.	Partially Implemented. See current year finding 10-02.
09-02	Accounting and Administration of Grants Receivable - In addition to the fiscal rules already adopted by the City, we recommend that there be Citywide grant accounting procedures implemented to ensure that all agencies are properly recording and reporting their grants. In addition, we recommend that the City only record receivables for which there is a valid claim.	Partially Implemented. See current year finding 10-01.
09-03	Accrued Payroll Calculation - We recommend the PeopleSoft data be reconciled to the various payroll registers prior to the beginning of the audit process.	Implemented.
09-04	Public Works - Cash Disbursements - Approval of Construction Payment Applications - We recommend that the City improve the review and authorization procedures currently in place to ensure that all payment applications relating to capital projects are thoroughly reviewed and properly authorized by the Project Manger or Engineer prior to payment.	Implemented.
09-05	Accounting for Bond Refundings - We recommend that management remain diligent in reviewing all refunding calculations to ensure proper computation in accordance with GASB 23.	Implemented.

Summary Schedule of Prior Audit Findings Year Ended December 31, 2010

Reference Number	Summary of Finding
09-06	Various Agencies Procurement, Suspension and Debarment - We recommend that the City continue to clarify and formally remind departments of the procurement

Not Implemented. See current year finding 10-07.

Status

continue to clarify and formally remind departments of the procurement policies and procedures and to emphasize that the "Excluded Parties List" should be reviewed on an annual basis or at a minimum prior to awarding a contract or purchase order and that such review should be documented by including supporting documentation in the contract file. In addition, all contracts should include the appropriate suspension and debarment language.

09-07 SNAP Cluster

Eligibility - We recommend that DDHS continue to enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. 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.

Finding is no longer valid as USDA guidance indicates counties should not report expenditures for SNAP benefits as all benefits are provided exclusively by EBT which eliminates the pass-through of federal funds. As such, SNAP benefits do not meet the definitions of "Federal award" and "Federal financial assistance at 7 CFR section 3052.105.

09-08 SNAP Cluster

Reporting - We recommend that DDHS continue to enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. 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 consistent processing of data, particularly with the implementation of simplified reporting. Furthermore, we recommend that the Case Record Filing Order (attachment E to DDHS Agency Letter 06-16-GEN) be utilized and, when information is located in other program files, that file should be specifically referenced. We also recommend management consider cross-training caseworkers to be able to work on multiple programs in order to increase accountability.

Finding is no longer valid as USDA guidance indicates counties should not report expenditures for SNAP benefits as all benefits are provided exclusively by EBT which eliminates the pass-through of federal funds. As such, SNAP benefits do not meet the definitions of "Federal award" and "Federal financial assistance at 7 CFR section 3052.105.

Reference Number	Summary of Finding	Status
09-09	Public Safety Partnership and Community Policing Grants (COPS) Subrecipient Monitoring - We recommend that Denver Police Department (DPD) continue its implementation of the subrecipient monitoring processes, including documentation of procedures performed, results of the testing, and follow-up action to ensure that subrecipients are appropriately expending funds in accordance with applicable laws, regulations and provisions of contracts, and are receiving OMB Circular A-133 audits.	Implemented.
09-10	ARRA - WIA Cluster Special Tests and Provisions - We recommend that the Office of Economic Development immediately communicate the requirement to provide appropriate identification of ARRA funds in their SEFA and SF-SAC to subrecipients and implement a policy to ensure all future subrecipient contracts include all ARRA requirements at the time of the award.	Implemented.
09-11	ARRA - Airport Improvement Program <i>Reporting</i> - We recommend the Municipal Airport System set up multiple points of contact for ARRA reporting and obtain assistance when reporting requirements are unclear. A detailed review of the report, including agreeing numbers reported to supporting records, should also be performed by someone other than the preparer of the report prior to the report being submitted.	Partially Implemented. See current year finding 10-10.
09-12	ARRA - Highway Planning and Construction Cluster Procurement, Suspension and Debarment - We recommend that the City include a "Buy American" clause into each contract funded or partially funded with American Recovery and Reinvestment Act funds as well as to require contractors to submit a certification that any iron, steel or manufactured goods used in the project were produced in the United States with each payment application.	Implemented.
09-13	ARRA - Highway Planning and Construction Cluster <i>Reporting</i> - We recommend that a detailed review of required reports, including agreeing numbers reported to supporting records, be performed by someone other than the preparer of the report prior to the report being submitted.	Implemented.

Reference Number	Summary of Finding	Status
09-14	TANF Cluster <i>Eligibility</i> - We recommend that DDHS continue to enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. 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. Furthermore, data checks should be implemented in the processing of applications to ensure all dates are properly identified in CBMS.	Not Implemented. See current year finding 10-11.
09-15	TANF Cluster Special Tests and Provisions - Failure to Comply with Work Verification Plan - 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 selection. Either DDHS and OED reviews should overlap to ensure all questions are addressed or a comprehensive review tool should be developed to meet all compliance requirements including the State's minimum requirements that could be used by either agency. Determination and communication of which agency is responsible for completing the selected case reviews should be formalized.	Not Implemented. See current year finding 10-13.
09-16	TANF Cluster Special Tests and Provision - Income Eligibility and Verification System - We recommend that DDHS implement review procedures to ensure disposition of IVES discrepancies are occurring in the proper time period. 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 IVES discrepancies and documenting the disposition in CBMS.	Not Implemented. See current year finding 10-12.
09-17	Head Start Cluster and ARRA - Head Start Cluster Equipment and Real Property Management - We recommend that Head Start amend its contracts with subrecipients to remove the clause regarding equipment ownership remaining with the City if the City does not want ownership of the equipment purchased. However, we recommend that Head Start continue to monitor equipment purchased by subrecipients through receipt of annual physical inventories to ensure propriety of subrecipient activity and to identify any proceeds on disposal of assets that would be required to be returned to the federal awarding agency.	Implemented.

Reference Number	Summary of Finding	Status
09-18	Head Start Cluster Earmarking - We recommend that the earmarking calculations be compiled from the general ledger (PeopleSoft) or, if not prepared from information contained in PeopleSoft, be reconciled to PeopleSoft to ensure accuracy of amounts utilized in the calculation. Furthermore, if management chooses to continue to use QuickBooks, it should be reconciled on a monthly basis to PeopleSoft. Additionally, the information in PeopleSoft should be appropriately classified so as to distinguish types of expenditures for earmarking purposes. Supporting documentation for earmarking calculations should also be maintained. The reconciliations and calculations performed should be reviewed by someone other than the preparer.	Implemented.
09-19	Head Start Cluster and ARRA - Head Start Cluster Procurement, Suspension and Debarment - Head Start should follow procurement policies and procedures as outlined in Executive Order #8 for all procurements obtained with federal funding and documentation of the procurement process should be maintained in the procurement file, including documentation of the bid evaluation process or justification of sole source procurement. This will also help ensure compliance with the ARRA requirements.	Implemented
09-20	ARRA - Head Start Cluster <i>Reporting</i> - We recommend that Head Start obtain assistance when requirements are unclear and that a detailed review of the Section 1512 report, including the agreement of numbers reported to supporting records, be performed by someone other than the preparer of the report prior to the report being submitted.	Implemented
09-21	Medicaid Cluster <i>Eligibility - Income Eligibility and Verification System</i> - We recommend that DDHS continue to enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. 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. Additionally, current policies and procedures should be evaluated and modified to ensure applications and redeterminations are processed timely which might include the incorporation of a reminder notice.	Not Implemented. See current year finding 10-14.

Reference Number	Summary of Finding	Status
09-22	Medicaid Cluster <i>Reporting</i> - We recommend that DDHS continue to enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. 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 consistent processing of data particularly with the implementation of simplified reporting. Furthermore, we recommend that the Case Record Filing Order (attachment E to DDHS Agency Letter 06-16-GEN) be utilized and, when information is located in other program files, that file should be specifically referenced.	Not Implemented. See current year finding 10-15.
09-23	HIV Emergency Relief Project Grants <i>Reporting</i> - We recommend that the program institute reconciliation procedures for all accounting information maintained at the program level to ensure it agrees to the information in PeopleSoft. We also recommend implementation of review processes for all reports submitted to the federal awarding agency and that individuals reviewing such reports be independent of report preparation.	Implemented.
09-24	Homeland Security Cluster <i>Equipment and Real Property Management</i> - We recommend that OEMHS follow-up to obtain acknowledgement of the subsequent communications sent to other Urban Area Security Initiative (UASI) governmental agencies and implement a process by which such agencies can communicate changes in equipment inventories on a quarterly basis to correspond with the award requirements. We also recommend that the asset entry forms be thoroughly reviewed by both the OEMHS and the Controller's Office to ensure the assets are properly reported and recorded.	Implemented.
09-25	Homeland Security Cluster <i>Reporting and Earmarking</i> - We recommend that OEMHS implement procedures to properly reconcile the tracking mechanism used and reports submitted to the PeopleSoft general ledger. The reconciliation should take place on at least a quarterly basis when reports are submitted for each grant. This will help to ensure that the most accurate information is being reported to the awarding agency. We encourage OEMHS to continue to use the separate program code to identify administrative costs in order to properly report and monitor compliance with the administrative expenditure earmarking requirement.	Implemented.