Single Audit Reports

Year Ended December 31, 2012

Year Ended December 31, 2012

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Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Agriculture	Zauty	присион	Tumber	Amount
Child Nutrition Cluster				
Summer Food Service Program for Children	Colorado Department of Education	None Provided	10.559	\$ 134,790
Subtotal Child Nutrition Cluster				134,790
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	8,858,682
Subtotal SNAP Cluster				8,858,682
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants			10.580	97,636
Cooperative Forestry Assistance	Colorado State Forest Service	5366040-005	10.664	80,889
Rural Development, Forestry, and Communities	Colorado State Forest Service	None Provided	10.672	72,246
Total Department of Agriculture				9,244,243
Department of Commerce				
Economic Adjustment Assistance			11.307	1,631
ARRA - Broadband Technology Opportunities Program (BTOP)	Colorado Department of Education	BTOP-010	11.557	129,855
Total Department of Commerce				131,486
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant (CDBG)/Entitlement Grants			14.218	14,359,001
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)			14.253	206,743
Subtotal CDBG - Entitlement Grants Cluster				14,565,744
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Colorado Department of Local Affairs	HONSP09310	14.228	171,057
Subtotal CDBG - State-Administered CDBG Cluster				171,057
Emergency Solutions Grant Program			14.231	444,240
Shelter Plus Care			14.238	2,768,179
HOME Investment Partnerships Program			14.239	2,101,312
Housing Opportunities for Persons with AIDS			14.241	1,728,484
Community Development Block Grants/Brownfields Economic Development Initiative			14.246	934,463
Community Development Block Grants - Section 108 Loan Guarantees Program (HUD Section 108)			14.248	5,548,000

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Housing and Urban Development (continued)				
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)			14.256	6,685,903
ARRA - Homelessness Prevention and Rapid Re-Housing Program			14.257	243,351
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants			14.704	934,683
Lead-Based Paint Hazard Control in Privately-Owned Housing			14.900	532,041
Total Department of Housing and Urban Development			_	36,657,457
Department of Justice				
Property Confiscation			16.UNKNOWN	514,986
Community-Based Violence Prevention Program			16.123	643,095
Juvenile Accountability Block Grants	Colorado Division of Criminal Justice	29-JB-S-02-351	16.523	12,400
Enhanced Training and Services to End Violence and Abuse of Women Later in Life			16.528	86,390
Juvenile Justice and Delinquency Prevention_Allocation to States	Colorado Division of Criminal Justice	29-JD-07-117 & 10-JD-07-115	16.540	79,966
Missing Children's Assistance			16.543	190,998
Missing Children's Assistance	Colorado State Patrol	2009-MC-CX-K011	16.543	11,150
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	356,553
Crime Victim Assistance	Colorado Division of Criminal Justice	11-VA-2-14	16.575	58,066
Crime Victim Compensation	Colorado Division of Criminal Justice	10-VC-2 & 11-VC-2	16.576	1,158,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs			16.580	111,014
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs	Colorado Division of Criminal Justice	12-DG-01-7-1	16.580	5,629
Crime Victim Assistance/Discretionary Grants	Colorado Regional Community Policing Institute	HT-10-01	16.582	10,574
Drug Court Discretionary Grant Program			16.585	93,380
Violence Against Women Formula Grant	Colorado Information Sharing Consortium	10-VW-2-6 & 10-VW-2-32 & 11-VW-2-9	16.588	301,129
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	334,894
State Criminal Alien Assistance Program			16.606	500,000
Bulletproof Vest Partnership Program			16.607	7,541
Project Safe Neighborhoods	Colorado Division of Criminal Justice	11-CP-03-1-1 2012	16.609	9,430
Public Safety Partnership and Community Policing Grants			16.710	269,797
Public Safety Partnership and Community Policing Grants	Colorado Association of Chief's of Police	None Provided	16.710	24,000

	Federal Agency/ Pass-through	Pass-through Identifying Number If	CFDA	
Cluster/Program	Entity	Applicable	Number	Amount
Department of Justice (continued)				
Juvenile Mentoring Program	Colorado Department of Justice	2010-DC-BX-0002	16.726	13,501
Enforcing Underage Drinking Laws Program	Colorado Liquor Enforcement Division	TAA 11/27520	16.727	15,288
Reduction and Prevention of Children's Exposure to Violence	Colorado Department of Justice	2010-JW-FX-K012	16.730	16,500
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program			16.738	420,225
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	11-DJ-07-42-2 & 12-DJ-12-29-07 & 11-DJ-03-2-2 & 11-DJ-03-2-2 & 29-DJ-04-50-1 & 11-DJ-03-52-4	16.738	339,815
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	Colorado Division of Criminal Justice	29-RJ-03-10-3 &29-RI-03-19-3	16.803	54,557
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government			16.804	1,323,716
Subtotal JAG Program Cluster				2,138,313
DNA Backlog Reduction Program			16.741	228,923
DNA Backlog Reduction Program	Colorado Department of Law, Colorado Attorney General's Office	2009-DN-BX-K242 & 2011-DY-BX-K005	16.741	135,763
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	117,123
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	10-DN-01-2-1 & 11-DN-01-6-1	16.742	22,223
Criminal and Juvenile Justice and Mental Health Collaboration Program			16.745	843
Congressionally Recommended Awards			16.753	5,720
Second Chance Act Prisoner Reentry Initiative			16.812	96,868
Total Department of Justice				7,570,057
Department of Labor				
Unemployment Insurance	Colorado Department of Labor and Employment	CMS 12065	17.225	224,105
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.207	1,783,033
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.801	24,645
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	CMS 38154	17.804	5,000
Subtotal Employment Services Cluster				1,812,678
Homeless Veterans Reintegration Project			17.805	279,128
Homeless Veterans Reintegration Project	Colorado Department of Labor and Employment	CMS 12065	17.805	19,366

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Labor (continued)				
WIA Cluster				
WIA Adult Program	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.258	2,046,864
WIA Youth Activities	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.259	2,183,702
ARRA WIA Dislocated Workers	Colorado Department of Labor and Employment	CMS 12065	17.260	249,864
WIA Dislocated Workers	Colorado Department of Labor and Employment	CMS 12065	17.260	60,514
Workforce Investment Act (WIA) National Emergency Grants	Colorado Department of Labor and Employment	CMS 38154	17.277	27,471
WIA Dislocated Workers Formula Grants	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.278	940,431
Subtotal WIA Cluster				5,508,846
Trade Adjustment Assistance	Colorado Department of Labor and Employment	CMS 12065 & CMS 38154	17.245	54,494
Incentive Grants - WIA Section 503	Colorado Department of Labor and Employment	CMS 12065	17.267	3,000
H-1B Job Training Grants	Colorado Department of Labor and Employment	CMS 12065	17.268	204,061
Reintegration of Ex-Offenders			17.270	55,203
ARRA Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	Board of County Commissioners of the County of Arapahoe and Labor's Community Agency	None Provided	17.275	16,063
Total Department of Labor				8,176,944
Department of Transportation				
Airport Improvement Program			20.106	22,939,978
Highway Planning and Construction Cluster				
Highway Planning and Construction	Colorado Department of Transportation	20024, 16220, 16749, 16178, 17205, 15759, 16070, 16265, 16294, 16652, 16395, 16070, 16342, 17334, 17098, 16536, 16653, 16652, 16652, 16787, 17045, 16587, 16946, 16947, 18196, 17363, 17954, 18071, 17659, 17903, 18078, 18536, 18529, 18436, 18453, 18436, 18857, 18857, 19120, 18873, 18700	20.205	18,930,707
Subtotal Highway Planning and Construction Cluster				18,930,707
Highway Safety Cluster				
State and Community Highway Safety	Colorado Department of Transportation	PO 211014206 & PO 211015413 & PO 211016551 & PO 271001565 & 13-01-11-10	20.600	320,647
Alcohol Impaired Driving Countermeasures Incentive Grants	Colorado Department of Transportation	PO 211014226 & 13-01-11-19	20.601	109,856
Subtotal Highway Safety Cluster				430,503
Alternatives Analysis	Regional Transportation District	None Provided	20.522	311,196
Total Department of Transportation				42,612,384

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
National Foundation on the Arts and the Humanities	·			
Promotion of the Arts_Grants to Organizations and Individuals			45.024	10,000
National Leadership Grants			45.312	149,261
Laura Bush 21st Century Librarian Program			45.313	194,773
Total National Foundation on the Arts and the Humanities				354,034
Veterans Health Administration, Department of Veterans Affairs				
VA Homeless Providers Grant and Per Diem Program			64.024	293,979
Total Veterans Health Administration, Department of Veterans Affairs				293,979
Environmental Protection Agency				
Climate Showcase Communities Grant Program			66.041	198,266
Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements			66.802	8,614
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements			66.814	224,084
Environmental Education Grants			66.951	25,304
Total Environmental Protection Agency				456,268
Office of Energy Efficiency and Renewable Energy, Department of Energy				
ARRA - State Energy Program	Governor's Energy Office & Colorado Department of Labor and Employment	C900772 & CMS 12065	81.041	66,966
Conservation Research and Development			81.086	91,743
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			81.117	43,301
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis			81.122	29,026
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)			81.128	1,879,728
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office	None Provided & CMS31485	81.128	3,431,050
Total Office of Energy Efficiency and Renewable Energy, Department of Energy				5,541,814
Department of Education				
Rehabilitation Services_Service Projects			84.128	3,295
Total Department of Education				3,295

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Health and Human Services	·			
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO FJAEPR1231099	93.069	44,562
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	11IHA31431	93.092	122,734
Protection and Advocacy for Individuals with Mental Illness	Colorado Department of Public Health and Environment	PO OEFAA HSV12000010	93.138	4,680
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			93.243	215,991
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Colorado Department of Justice & Denver Juvenile Drug Court	5H79SP014018-04 & 1H79T1023428	93.243	80,863
National Center for Research Resources	Colorado Foundations for Public Health and the Environment	UL1RR025780	93.389	2,511
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	Denver Health and Hospital Authority	1U58DP003493-01	93.531	68,731
Promoting Safe and Stable Families	Colorado Department of Human Services	None Provided	93.556	411,135
TANF Cluster				
Temporary Assistance For Needy Families (TANF) State Programs	Colorado Department of Human Services	None Provided	93.558	32,091,407
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Colorado Department of Human Services	None Provided	93.714	642,744
Subtotal TANF Cluster				32,734,151
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	7,834,418
Refugee and Entrant Assistance-State Administered Programs	Lutheran Family Services	None Provided	93.566	155,072
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	4,489,177
CSBG Cluster				
Community Services Block Grant	Colorado Department of Local Affairs	L11CSBG13	93.569	1,097,879
Subtotal CSBG Cluster				1,097,879
Child Care and Development Cluster				
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	677,261
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	6,481,187
Subtotal Child Care and Development Cluster				7,158,448
Head Start Cluster				
Head Start			93.600	8,556,510
Subtotal Head Start Cluster				8,556,510
Child Support Enforcement Demonstrations and Special Projects			93.601	9,349
Voting Access for Individuals with Disabilities_Grants to States	Colorado Secretary of State	None Provided	93.617	12,900

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2012

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Health and Human Services (continued)				
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	599,136
Social Services Research and Demonstration	Colorado Department of Human Services	None Provided	93.647	11,410
Adoption Opportunities			93.652	510,070
Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	7,781,754
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,732,604
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	3,978,834
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	291,309
ARRA Strengthening Communities Fund	Colorado Nonprofit Association	None Provided	93.711	85
Medicaid Cluster:				
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	4,941,498
Subtotal Medicaid Cluster			-	4,941,498
HIV Emergency Relief Project Grants			93.914	7,150,598
Preventive Health and Health Services Block Grant	Colorado Department of Public Health and Environment	PO OE FAA ADM12000020	93.991	21,000
Total Department of Health and Human Services			-	92,017,409
Corporation for National & Community Services				
Americorps	Colorado Governor's Commission on Community Service	29-JR-03-10-2 & 12AFHCO0010	94.006	290,486
Total Corporation for National & Community Services			-	290,486
Executive Office of the President				
High Intensity Drug Trafficking Areas Program			95.001	999,199
Total Executive Office of the President			-	999,199
Department of Homeland Security				
Homeland Security Preparedness Technical Assistance Program			97.007	242,991
Emergency Food and Shelter Program Cluster:				
Emergency Management Performance Grants	Colorado Department of Local Affairs, Division of Emergency Management	12EM1L17 & 12EM1PE17A.	97.042	173,979
Assistance to Firefighters Grant			97.044	1,362,750
Interoperable Emergency Communications	Arapahoe County	None Provided	97.055	15,645
Homeland Security Grant Program (Homeland Security)	State of Colorado, Governor's Office of Homeland Security	98HS78717 & 9UASI10DEN & 10UASI11DEN & 11UASI12DEN	97.067	5,708,204
Positive Zeros Postantina Postantina Postantina (PZDP)	Arapahoe County	None Provided	07.070	7.500
Buffer Zone Protection Program (BZPP)	State of Colorado, Governor's Office of Homeland Security	8BZPP12DPD	97.078	7,509
Transportation Security Administration			97.UNKNOWN	768,161
Total Department of Homeland Security			-	8,279,239
Total Federal Expenditures			=	\$ 212,628,294

⁽n) noncash federal award

See accompanying notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2012

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of the City and County of Denver (the City). The City's reporting entity is defined in note 1 in the City's basic financial statements for the year ended December 31, 2012.

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

The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA), a discretely presented component unit, which received \$94,839,254 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2012.

(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
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
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families	93.714
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 (Continued) Year Ended December 31, 2012

(3) Human Service 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 \$241,636,115, of which \$182,328,575 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 of Colorado (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 (Continued) Year Ended December 31, 2012

(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:	\$	0 072 222
14.218 - Community Development Block Grants/Entitlement Grants	Ф	8,873,323
Economic Development Loans:		
14.Unknown		2,836,397
11.307 - Economic Adjustment Assistance		322,872
14.218 - Community Development Block Grants/Entitlement Grants		29,243,247
14.253 - ARRA - Community Development Block Grants/Entitlement Grants		_,,_,,_,,
Entitlement Grants (CDBG-R)		1,907,597
Total Economic Development Loans		34,310,113
C (' 100 I		
Section 108 Loans: 14.246 - Community Development Block Grants/Brownfields Economic		
Development Initiative		15,382,181
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees		1,091,989
14.246 - Community Development Block Grants_ Section 106 Loan Guarantees		1,071,707
Total Section 108 Loans		16,474,170
Housing Development Loans:		
14.Unknown		26,331,646
14.218 - Community Development Block Grants (CDBG)/Entitlement Grants		6,437,467
14.239 - HOME Investment Partnerships Program		44,055,258
14.241 - Housing Opportunities for Persons with AIDS		3,252,870
14.256 - ARRA - Neighborhood Stabilization Program		11,856,910
Total Housing Development Loans		91,934,151
Total Office of Economic Development Loans		151,591,757
Less Allowances:		(40.000.015)
Delinquent Loans		(13,382,946)
Forgivable Loans		(61,755,729)
Note Receivable, Net	\$	76,453,082

Notes to Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2012

(6) Revolving Loan Funds – Subject to Further Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the 14.248 Community Development Block Grant_Section 108 Loan Guarantees program which are subject to continuing compliance requirements until project completion and acceptance. The outstanding balances at December 31, 2012 were \$5,999,921. Of this amount \$5,548,000 is included in the accompanying schedule of expenditures of federal awards.

(7) Payments to Subrecipients

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

Program	CFDA Number	Pr	Amount ovided to precipients
Community Development Block Grant (CDBG)/Entitlement Grants	14.218	\$	4,143,506
Emergency Shelter Grants Program	14.231		245,728
Shelter Plus Care	14.238		2,520,720
HOME Investment Partnerships Program	14.239		1,376,461
Housing Opportunities for Persons with AIDS	14.241		1,689,569
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257		197,779
WIA Youth Activities	17.259		978,834
Reintegration of Ex-Offenders	12.270		21,461
Community Services Block Grant	93.569		402,011
Head Start	93.600		7,154,834
HIV Emergency Relief Project Grants	93.914		6,540,067
		\$	25,270,970





Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2013, which contained an "Emphasis of a Matter" paragraph regarding a change in accounting principle and a reference to the reports of other auditors. Other auditors audited the financial statements of the Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Colfax Business Improvement District, Denver Union Station Project Authority, and Denver Preschool Program, Inc., presented as discretely presented component units, and Gateway Village General Improvement District and Denver 14th Street General Improvement District, included as blended component units, as described in our report on the City and County of Denver's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Colfax Business Improvement District, and Denver Preschool Program, Inc. component units included in the financial statements of the aggregate discretely presented component units and Gateway Village General Improvement District and Denver 14th Street General Improvement District, blended component units included in the financial statements as aggregate remaining fund information, were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.





Audit Committee City and County of Denver

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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*.

Other Matters

We noted certain other matters that we reported to the City's management in a separate letter dated May 30, 2013.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denver, Colorado May 30, 2013

BKDLLIP



Independent Auditor's 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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City and County of Denver (the City) 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 its major federal programs for the year ended December 31, 2012. 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.

The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA), a discretely presented component unit, which received \$94,839,254 in federal awards, which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2012.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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.





Audit Committee City and County of Denver

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with those requirements.

Basis for Qualified Opinion on Medicaid Cluster and Temporary Assistance for Needy Families (TANF) Cluster

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

CFDA #	Program	Compliance Requirement	Type of Opinion	Finding Number
93.558	Temporary Assistance for Needy Families (TANF) Cluster	Eligibility, Special Tests and Provisions and Reporting	Qualified	2012-01 and 2012-02
93.778	Medicaid Cluster (Medicaid; Title XIX)	Eligibility and Reporting	Qualified	2012-07 and 2012-08

Qualified Opinion on Medicaid Cluster and Temporary Assistance for Needy Families (TANF) Cluster

In our opinion, except for the noncompliance described in the preceding paragraph, the City 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, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matter

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2012-03, 2012-04, 2012-05 and 2012-06. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 2012-01, 2012-02, 2012-07 and 2012-08 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the findings and questioned costs as item 2012-03, 2012-04, 2012-05 and 2012-06 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 30, 2013, which contained an unmodified opinion on the financial statements that collectively comprise the basic financial statements. Other auditors audited the financial statements of the Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Denver Union Station Project Authority, and Denver Preschool Program, Inc., presented as discretely presented component units, and Gateway Village General Improvement District and Denver 14th Street General Improvement District, included as blended component units, as described in our report on the City and County of Denver's financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the 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, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matter

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Denver, Colorado July 18, 2013

BKD, LLP

Schedule of Findings and Questioned Costs Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements Type of auditor's report issued: □ Unmodified Qualified Adverse Disclaimed Internal control over financial reporting: ☐ Yes None reported Significant deficiency(ies)? ☐ Yes No No Material weakness(es)? No No Noncompliance material to the financial statements noted? ☐ Yes 3. Federal Awards Internal control over major programs: X Yes Significant deficiency(ies)? ☐ None reported Material weakness(es)? X Yes \square No Types of auditor's report issued on compliance for major programs: □ Unmodified Qualified Adverse Disclaimed

Unqualified for all major programs except for Medicaid Cluster and Temporary Assistance for Needy Families (TANF) Cluster, which are qualified.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

6.	•	s disclosed that are required to be reported in ection 510(a) of OMB Circular A-133? Yes No			
7.	Identification of major programs:				
	CFDA Number Name of Federal Program or Cluster				
	14.218, 14.253 14.239 14.248 14.256 81.128 93.558, 93.714 93.563 93.575, 93.596 93.658 93.659 93.667 93.778 97.067	CDBG - Entitlement Grants Cluster, including ARRA HOME Investment Partnerships Program Community Development Block Grants_Section 108 Loan Guarantees ARRA - Neighborhood Stabilization Program ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Temporary Assistance for Needy Families (TANF) Cluster, including ARRA Child Support Enforcement, including ARRA Child Care and Development Fund Cluster Foster Care Title IV-E, including ARRA Adoption Assistance, including ARRA Social Services Block Grant Medicaid Cluster Homeland Security Grant Program			
8.	Dollar threshold u	sed to distinguish between Type A and Type B: \$3,000,000.			
9.	Auditee qualified	as low-risk auditee?			

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section II – Financial Statement Findings

Reference		Questioned
Number	Finding	Costs

No matters are reportable

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section III – Federal Award Findings and Questioned Costs

Reference Number Finding

2012-01 Finding: Eligibility and Special Tests and Provisions - Income Eligibility and Verification System

CFDA No. 93.558, 93.714 - Temporary Assistance for Needy Families (TANF) Cluster

Pass-through Colorado Department of Human Services

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

Condition: We noted the following issues:

- 1. Two instance in which a client was determined not to be eligible for a previously paid benefit, and a claim was not issued to recover the payment (\$2,344).
- 2. Eleven instances in which monthly status reports were not received and benefits were not subsequently terminated (\$19,637).
- 3. Three instances in which documentation of the initial case interview could not be provided (\$4,878).
- 4. One instance in which the Individual Responsibility Contract (IRC) was not generated timely (\$0).
- 5. Seven instances in which IEVS hits were not cleared and would have affected the eligibility determination (\$6,602).

Questioned Costs: \$31,823

Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2012 and noted the issues described above. The tested population covered benefits issued of \$134,352. The total population included benefits issued of approximately \$19.0 million.

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

Cause: Controls over eligibility and IEVS discrepancy resolution were not sufficiently operating during the year. Additionally, during 2012 DDHS continued to develop its processes and procedures relating to the new workflow management system and is still in the process of converting all files to an electronic format. It was noted that scanned documents were not always saved in the proper location or some information provided was not scanned at all.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

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

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. During 2012, Denver FAAD divisions were in the process of implementing scanning of the Monthly Status Reports (MSR) at all offices. However, this occurred at different intervals, which may have led to lost or misplaced MSRs. Effective July 1, 2013, the State Department of Human Services Colorado Works Program will be eliminating the MSR. The MSR will be replaced by a six (6) month recertification process for all TANF/CW clients. All FAAD Staff will attend a mandatory State training in the summer of 2013 on the new recertification process. Training was provided to all FAAD Staff in the 1st quarter of 2013 on Claims, IEVS and case comments. Case comments and the use of the case comment templates and IEVS will be monitored during monthly case reviews. OED TANF is currently working to build a scheduler for Compass in the WMS system, implementation set for September 2013. Currently DHS and OED are set to participate in a Rapid Improvement Event (RIE) in 2013 to work on the intake process and handoff of the customer to OED at case approval. FAAD foresees with the elimination of approximately 3,800 MSRs monthly there will be more time to process IEVS and Claims, and will be working with the State and other counties to develop a best practices.

Person responsible for implementing: Heather Hewitt, Deputy Director, Elizabeth Foster, Family Section Manager, Pam Flowers, Montbello Office Manager, Sundanz Washington, East Office Manager, Patrice Hawkins Castro, Customer Service Manager.

Implementation date: April 1, 2013 and ongoing.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

2012-02 **Finding:** Reporting

CFDA No. 93.558, 93.714 - Temporary Assistance for Needy Families (TANF) Cluster

Pass-through Colorado Department of Human Services

Criteria: Information obtained from clients should be accurately input into CBMS and agree to supporting documentation included in the case file for accurate reporting of information to the State for the processing of benefits.

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 income information listed on the redetermination/application was not entered into CBMS.
- 2. Eleven instances in which monthly status reports were received and entered into CBMS but the documents could not be located.
- 3. Three instances in which documentation of the initial case interview could not be provided.

Questioned Costs: Questioned costs related to the above issues were included at finding 2012-02.

Context: We tested 60 case files for the year ended December 31, 2012 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, during 2012 DDHS continued to develop its processes and procedures relating to the workflow management system and recently converted all files to an electronic format resulting in documentation that could not be located. In addition, case workers are not always utilizing case comments appropriately. Furthermore, controls over reporting were not sufficiently operating during the year.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

Recommendation: We recommend that DDHS continue to develop the workflow management system to improve the processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination. This is in addition to noting any changes made throughout the year in case comments 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 the information in CBMS is accurate.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. In February and March 2013 all FAAD Staff were required to attend mandatory case comment training. Refresher training will be provided to staff to remind them to document the type of interview, as well as that all changes reported must be entered into CBMS. In May 2013, Staff will be given updated refresher training on income provided by the State. During 2012, the Denver FAAD division was in the process of implementing scanning of the Monthly Status Reports (MSR) at all offices. However, this occurred at different intervals, which may have led to lost or misplaced MSRs. Effective July 1, 2013, the State Department of Human Services Colorado Works Program will be eliminating the MSR. The MSR will be replaced by a six (6) month recertification process for all TANF/CW clients. All FAAD Staff will attend mandatory State training in the summer of 2013 on the new recertification process.

Person responsible for implementing: Heather Hewitt, Deputy Director, Elizabeth Foster, Family Section Manager, Pam Flowers, Montbello Office Manager, Sundanz Washington, East Office Manager, Patrice Hawkins Castro, Customer Service Manager.

Implementation date: April 1, 2013.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

2012-03 **Finding:** Activities Allowed, Allowable Costs, and Reporting

CFDA No. 93.575 & 93.576 - Child Care and Development Fund Cluster

Pass-through Colorado Department of Human Services

Criteria or specific requirement: Expenditures should be supported by underlying documentation such as child care authorizations and swipe card activity. In addition, providers should be paid based on a contractually agreed-upon rate as defined by their licensed provider fiscal agreement. Furthermore, provider rate should be accurately reflected in the Child Care Automated Tracking System (CHATS) and agree to the licensed provider fiscal agreement, for accurate reporting of information to the State for the processing of benefits.

Condition: We noted the following issues:

- 1. One instance in which the rate paid to the provider was less than the rate in the Licensed Provider Fiscal Agreement (\$37).
- 2. One day in which providers were paid for both an automatic absence and attendance swipe for each child on March 9th. Ten instances were noted within our initial testing, which we then expanded to identify the duplicate payments throughout the entire population, which totaled \$28,987.

Questioned Costs: \$28,987

Context: We tested 40 case files of individuals receiving \$45,980 in child care assistance for the year ended December 31, 2012, and noted the issues above. Assistance payments issued during the year totaled approximately \$9,950,000.

Effect: A provider payment was made at a rate less than required under the provider fiscal agreement. In addition, some providers received duplicate payments which have not yet been recovered.

Cause: In the first situation, payments are generated through the automatic payment system, which is based off of swipe card detail and not reviewed unless a manual payment is requested. A manual payment request was received in this case and the DDHS' employees failed to ensure that the provider rate had been updated to agree to the latest fiscal agreement rate. In the second situation, there was a glitch in the CHATS system, which caused the State to issue duplicate payments. The State provided a listing to DDHS detailing all participants for which a recovery should be generated. DDHS hadn't yet initiated recoveries for the identified participants.

Recommendation: We recommend DDHS implement a review process of payments to ensure all payments made to providers are agreed to the contractually agreed-upon rates. When rates change, all current rates should be made available to reviewers. While the automatic payment of absences has been mitigated with the change in policy, we recommend that a plan be implemented immediately to recover the duplicate payments made on March 9, 2012. Furthermore, policies and procedures should be implemented to ensure recoveries are initiated timely when discovered.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. A State-wide CHATS system problem resulted in no payments for services on March 9, 2012 for these cases. This caused automatic absence payments for Denver providers. The State made correcting payments for the March 9, 2012 system errors in April 2012 that resulted in duplicated payments being made for absences the CHATS system had already paid an absence for. The State was unable to correct the duplicate payments as they agreed to prior. On June 16, 2012, the State advised Counties that duplicate payments would not be corrected. The State has provided a list of these cases; and DDHS is in the process of analyzing the duplicate payments. The process to enter the recoveries for the March 9, 2012 duplicate payments was completed by April 30, 2013. Recovery training has been completed for CCAP eligibility, BOCC and Fraud Control and Recovery staff as of March 2013. DHS is developing a policy for the CCAP program on Recovery, Intentional Program Violation (IPV) and Fraud, this policy is in the process of being written and will be submitted for review and approval no later than August 31, 2013. BOCC recently complete another rate change and all fiscal rates were audited for accuracy. The BOCC continues to process monthly internal audits that include rate review to ensure accuracy of data entry into CHATS.

Person(s) responsible for implementing: Monie Salgado, CCAP Eligibility Supervisor and Kenneth Ruterbories, Accounting Supervisor.

Implementation date: April 1, 2013 and ongoing.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

2012-04 Finding: Activities Allowed, Allowable Costs, Eligibility, Period of Availability and Reporting

CFDA No. 93.575 & 93.576 - Child Care and Development Fund Cluster

Pass-through Colorado Department of Human Services

Criteria or specific requirement: Expenditures should be made to an eligible child and supported by underlying documentation such as TANF referral form, application/redetermination, swipe card activity and licensed provider fiscal agreement. The expenditure should be paid in accordance with the timeframe established by the child care authorization form. Furthermore, information obtained from the clients should be accurately input into the Child Care Automated Tracking System (CHATS) and agree to supporting documentation included in the case file, for accurate reporting of information to the State for the processing of benefits.

Condition: We noted instances in which payments were made for child care services during unauthorized or ineligible periods.

Questioned Costs: \$551

Context: We noted this issue in 6 out of 40 case files tested for the year ended December 31, 2012. Assistance payments tested totaled \$45,980 and total payments issued by DDHS during the year totaled approximately \$9,950,000.

Effect: The inaccuracy of input of authorization dates in CHATS resulted in automatic payments to providers that exceeded the payments that should have been allowed due to the automatic absence policy that was in place at the time.

Cause: Data entry input errors into CHATS by DDHS personnel caused payments to be made during unauthorized periods. Payments are primarily generated through the automatic payment system which is based off of swipe card detail, with the exception of automatic absence and holiday payments as required by the licensed provider fiscal agreements. For the period January 1, 2012 through May 1, 2012, DDHS' policy was to pay three automatic absences per month, which resulted in the automatic payment errors when the system inputs were incorrect. DDHS amended its policy to discontinue the payment of automatic absences effective May 1, 2012.

Recommendation: In addition to the change in policy, we recommend DDHS implement additional review procedures to include accuracy of input of authorization dates into CHATS. In conjunction with additional review, we recommend training be provided for all levels of staff on the CHATS system and Child Care State Plan Requirements.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. Child Care Assistance Program (CCAP) and the Business Office of Child Care (BOCC) agree with this finding. Beginning May 1, 2012, DDHS changed our policy and fiscal structure to include absence payments into the county payment rates. This has eliminated the possibility of any reoccurrences of this type of incorrect payment for absences based on authorization start dates in the future. CCAP program supervisors will continue to monitor the accuracy of authorizations as part of their monthly file reviews.

Person(s) responsible for implementing: Monie Salgado, CCAP Eligibility Supervisor and Kenneth Ruterbories, Accounting Supervisor.

Implementation date: May 1, 2012.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

2012-05 **Finding:** Eligibility

CFDA No. 93.575 & 93.576 - Child Care and Development Fund Cluster

Pass-through Colorado Department of Human Services

Criteria or specific requirement: In accordance with the State Plan, Section 3.913 D, approval or denial of low-income applications should be completed within 15 calendar days of receipt of the last piece of information. Per State Plan, Section 3.921A, low-income based child care participants are required to go through the redetermination process every year. Redeterminations are to be worked within one month of the last day of the re-determination month. In addition, the County has five business days to process any referrals from Colorado Works per State Plan, Section 3.913 JJ.

Condition: We noted the following issues:

- 1. Sixteen instances in which TANF Child Care Referrals were processed outside the allowed five business days. The delay for completion ranged from 1 day to 32 days late.
- 2. Three instances in which Low Income Application or Redetermination were processed outside the allowed fifteen days for Low Income or thirty days for Redeterminations. The delay for completion in our testing ranged from 1 to 39 days late.

Questioned Costs: None

Context: We tested 40 case files of individuals receiving child care assistance for the year ended December 31, 2012 and noted the issues above.

Effect: TANF Referrals and Low Income Applications/Redeterminations participants may lose or experience a gap in benefits as a result of their case not being processed timely.

Cause: DDHS brought the eligibility determination back in house in the fall of 2009 and only recently received clarification regarding the time requirements for processing referrals, applications and redeterminations. DDHS also does not have a tracking mechanism in place to monitor that referrals, applications and redeterminations are worked timely.

Recommendation: We recommend DDHS continue to refine the eligibility intake procedures and oversight, including a tracking mechanism, similar to the Work Management System (WMS) to help improve the timely processing of applications, redeterminations, and referrals.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. In September 2012, DHS CCAP eligibility and Workforce Development performed a Rapid Improvement Event (RIE). During this RIE, processes and timeframes were clarified for CCAP staff and the Workforce Development staff and an automated mechanism was put into place to manage timely processing of TANF CCAP referrals. DDHS has also developed an automated tracking mechanism for receipt and completion of Low Income CCAP redeterminations mailing.

Person(s) responsible for implementing: Monie Salgado, CCAP Eligibility Supervisor and Kenneth Ruterbories, Accounting Supervisor.

Implementation date: TANF Referral Tracking, September 2012. Low Income Redetermination Tracking, February 2013.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

2012-06 **Finding:** Eligibility - 90 Day Reviews

CFDA No. 93.658 - Foster Care - Title IV-E

Pass-through Colorado Department of Human Services

Criteria or specific requirement: In accordance with the State plan, as part of providing services to eligible children in the Foster Care System, a Family Services Plan should be completed to assure that the child's needs for safety, permanency and well-being are met. The Family Service plans are to be created within 60 calendar days of opening an assessment in the automated case management system (TRAILS) (State Staff Manual Volume 7.301.2 Family Services Plan Requirements). In addition, a continuing reassessment and documentation of the Family Services Plan is required to be performed at least every 90 calendar days (State Staff Manual Volume 7.301.3 Family Services Plan Review and Updates).

Condition: We noted the following issues:

- 1. Five instances in which a 90-day review did not occur within the 90-day time frame. The delay for completion in our testing ranged from 2 days late to 17 days late.
- 2. One instance in which a new Family Service Plan was not created for a returning individual and thus, no 90-day review was triggered in the system.

Questioned Costs: None.

Context: We tested 25 case files of individuals receiving foster care assistance for the year ended December 31, 2012 and noted the issues above.

Cause: The TRAILS system is supposed to provide alerts to caseworkers and supervisors for both the 60-day Family Services Plan and 90-day reviews, however the system alerts are not working properly. In regards to item 1 above, DDHS has implemented an ancillary Work Management System (WMS) that is interfaced with TRAILS to help supervisors track due dates for 90-day reviews assigned to them. We determined that not all of the supervisors are utilizing the WMS tool or completing the reviews in the required timeframe. In regards to item 2 above, the case was closed and re-opened and the caseworker failed to create a new Family Services Plan and the 90-day review tracking will not start until this plan is created. In addition, we noted that the WMS system is not currently set up to track due dates for new cases.

Effect: Supervisor reviews are ineffective if not performed timely and may result in untimely adjustments to services provided to the child and family receiving assistance from this program. In addition, if Family Service Plans are not created, there is no baseline for evaluating progress and continuing eligibility of individuals in the program.

Recommendation: We recommend that DDHS provide training to the supervisors to emphasize the importance of completing the 90-day reviews within the required timeframe and to emphasize the use of the WMS system to track deadlines. Furthermore, the program managers should utilize WMS to monitor outstanding 90-day reviews more closely to ensure completion in a timely manner. We also recommend policies and procedures be implemented to ensure a new Family Services Plan is created every time a case is opened to prevent caseworkers from utilizing old or outdated family services plans. In addition, the WMS business rule should be modified to monitor 60-days from the case opening to help management ensure Family Service Plans are created within the required time.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Department of Human Services is responsible for completing the Family Service plan within 60 days of the initial assessment, and also responsible for reviewing each foster care cases every 90 days thereafter.

To ensure compliance, the Child Welfare Division Trails Administrator will provide updated training for Supervisors and their respective teams by April 30, 2013. This training will include information related to family service planning, 90-day time frames, and compliance alerts. Supervisors will continue to use the Work Management System, which provides alerts that a 90 day review is needed. The Supervisors will further develop their knowledge and use of WMS, and incorporate both Trails and WMS to monitor and complete the 90 day reviews in accordance with Volume VII rules.

The supervisory planning team is developing a plan to ensure that each supervisor has mastered the WMS data system and using the "tickler" feature to identify reviews that are required ahead of the due date. The Section Program Administrator will be reviewing this as a standing supervision item monthly with each Supervisor.

Person(s) responsible for implementing: Alllen Pollack, Division Director, Jude Liguori-Oliver, Section Administrator, and Diedra Grayson, Trails Administrator and Trainer.

Implementation date: February 25, 2013.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

2012-07 **Finding:** Eligibility

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

Pass-through Colorado Department of Human Services

Criteria: 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. Two instances in which the redetermination was not processed timely. Processing time for these instances ranged from 55 days to 107 days.
- 2. Three instances in which the supporting documentation and case file to support the eligibility determination in CBMS could not be located and therefore, no conclusion could be made to support proper determination of individual eligibility.
- 3. One instance in which client was incorrectly excluded from the household, resulting in an underpayment of benefits.
- 4. One instance in which a case was reopened by the County, however no support can be provided that establishes reinstatement and therefore, no conclusion could be made to support proper determination of individual eligibility.
- 5. One instance in which RRR was not time and date stamped, thus it could not be determined that it was processed in the proper timeframe.

Questioned Costs: Unknown

Context: We tested 60 individuals who received Medicaid assistance for the year ended December 31, 2012 and noted the issues above. Benefits issued on behalf of the County for the year were approximately \$4.9 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: Controls over eligibility were not sufficient during the period subjected to testing. Additionally, during 2012 DDHS continued to develop its processes and procedures relating to the new workflow management system and is still in the process of converting all files to an electronic format. It was noted that scanned documents were not saved in the proper location or information provided was not scanned at all.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

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

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. Denver Human Services is currently implementing the philosophy of LEAN, a tool used to reduce waste and duplication of work process. The Workflow Management System (WMS) will continue to be utilized as a tracking tool and will be re-engineered to meet the changed identified through the LEAN process. Health Care Policy and Finance, in preparation for the Affordable Care Act, is making changes to the States automated computer system. The online PEAK application system will interface directly with other State and Federal systems to verify information. Client's will make applications with real time approvals, recertifications, and upload changes directly into the system directly therefore eliminating delays in processing. FAAD and PIAD will continue to partner to develop case review tools in WMS as State programs change.

Person(s) responsible for implementing: Heather Hewitt, Deputy Director, Elizabeth Foster, Family Section Manager, Geri Bettis, Adult Section Manager, Pam Flowers, Montbello Office Manager, Sundanz Washington, East Office Manager, Patrice Hawkins Castro, Customer Service Manager

Implementation date: June 30, 2013.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

2012-08 Finding: Reporting

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

Pass-through Colorado Department of Human Services

Criteria: Information obtained from clients should be accurately input into CBMS and agree to supporting documentation included in the case file for accurate reporting of information to the State for the processing of benefits.

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

- 1. Two instances in which information provided to DDHS was added to the incorrect case file.
- 2. Three instances in which information listed in CBMS did not match the information listed on the redetermination/application.
- 3. Nine instances in which case comments listed in CBMS were either inaccurate or missing based on the case file documentation.

Questioned Costs: Unknown

Context: We tested 60 case files for eligibility for the year ended December 31, 2012 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, during 2012 DDHS continued to develop its processes and procedures relating to the workflow management system and recently converted all files to an electronic format resulting in documentation that could not be located. In addition, case workers are not always utilizing case comments appropriately. Furthermore, controls over reporting are not sufficiently operating during the year.

Recommendation: We recommend that DDHS continue to develop the workflow management system to improve the processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination. This is in addition to noting any changes made throughout the year in case comments 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 the information in CBMS is accurate.

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Reference Number Finding

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. Denver Human Services is currently implementing the philosophy of LEAN, a tool used to reduce waste and duplication of work process. The Workflow Management System (WMS) will continue to be utilized as a tracking tool and will be re-engineered to meet the changed identified through the LEAN process. Health Care Policy and Finance in preparation for the Affordable Care Act is making changes to the States automated computer system. The online PEAK application system will interface directly with other State and Federal systems to verify information. Client's will make applications with real time approvals, recertification's, and upload changes directly into the system directly therefore eliminating delays in processing. FAAD and PIAD will continue to partner to develop case review tools in WMS as State programs change. Training was provided to all of FAAD staff in the first quarter of 2013 on case comment and utilization of the case comment tool. Case comments and the use of the case comment templates will be monitored during monthly case reviews.

Person(s) responsible for implementing: Heather Hewitt, Deputy Director, Elizabeth Foster, Family Section Manager, Geri Bettis, Adult Section Manager, Pam Flowers, Montbello Office Manager, Sundanz Washington, East Office Manager, Patrice Hawkins Castro, Customer Service Manager

Implementation date: June 30, 2013 and ongoing.

Summary Schedule of Prior Audit Findings Year Ended December 31, 2012

Reference Number	Summary of Finding	Status
11-01	Accounting for Capital Assets - The City has made significant improvements in the accounting of capital assets during the current year through a concerted effort to improve this process. However, some opportunities for improvements still exist. We recommend that the City continue this improvement process, and continue to work with the agencies through increased training and communication. Furthermore, the methodology surrounding the resurfacing or replacing of streets should be modified to be consistent with US GAAP and critical spreadsheets should be reviewed for clerical errors.	Implemented.
11-02	Waste Water Management Enterprise Fund - Donated Capital Assets - 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.	Implemented.
11-03	CDBG - Entitlement Grants Cluster <i>Reporting</i> - We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review and should be maintained with the supporting documents used to prepare the report.	Implemented.
11-04	HOME Investment Partnerships Program Reporting - We recommend that staff follow updates to Office of Management and Budget (OMB) Circulars as well as ensure grant agreements are reviewed each year for any changes in requirements. Additionally, we recommend submitting required reports immediately in order to be in compliance with reporting guidelines.	Implemented.
11-05	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG) Reporting - We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review and should be maintained with the supporting documents used to prepare the report. Additionally, we recommend a coordinated effort be implemented involving all individuals contributing information to the reporting process, including a detailed time line schedule to help ensure reporting is timely.	Implemented.

Schedule of Prior Audit Findings (Continued) Year Ended December 31, 2012

Reference Number	Summary of Finding	Status
11-06	Various Agencies Allowable Costs and Activities - We recommend that DDHS improve the process of capturing all entries required for State reporting. Additionally, the monthly reconciliation performed by DDHS should be expanded to include a reconciliation of IBTs as well as all other potentially reportable items in order to identify discrepancies that could result in either the over or under reporting of expenditures in CFMS.	Implemented.
11-07	Temporary Assistance for Needy Families (TANF) Cluster Eligibility and Special Tests and Provisions - Income Eligibility and Verification System - We recommend that DDHS continue to refine the workflow management system and oversight to help improve the timely processing of applications and redeterminations as well as to ensure disposition of IEVS discrepancies are occurring timely. In addition, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS. Furthermore, we recommend that current policies and procedures be reviewed in a formal setting with all technicians to improve communication regarding the importance of resolving IEVS discrepancies and documenting the disposition in CBMS.	Not implemented. See current year finding at 2012-01.
11-08	Temporary Assistance for Needy Families (TANF) Cluster <i>Reporting</i> - We recommend that DDHS continue to develop the workflow management system implemented to help improve processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination, in addition to any changes made throughout the year, to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensuring that information is being input into CBMS accurately.	Not implemented. See current year finding at 2012-02.
11-09	Temporary Assistance for Needy Families (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 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.	Finding is no longer valid. The State of Colorado suspended work verification reviews for all counties during 2012.

Schedule of Prior Audit Findings (Continued) Year Ended December 31, 2012

Reference Number	Summary of Finding	Status
11-10	Child Support Enforcement and ARRA - Child Support Enforcement <i>Allowable Costs and Activities</i> - Because these separation payments usually result in an unusually large payment, we recommend that DDHS enhance the review process to ensure there are no anomalies within the CEDS uploads for each pay period and that all coding appears reasonable. Additionally, City payroll should provide notification as to the time period for which any separation payments are made to assist DDHS in identifying and correcting the account coding. Furthermore, we recommend that DDHS incorporate the Budget Review report or other analytical tools into their monthly review of IBT's to help identify separation payments included within the IBT total.	Implemented.
11-11	Foster Care Procurement, Suspension and Debarment - We recommend that the Contracting Services Unit of DDHS update its current policies and procedures to ensure that the "Excluded Parties List" be reviewed prior to awarding a provider contract, purchase order or contract extension, and on an annual basis thereafter. Performance of such reviews should be documented by including supporting documentation in the contract file as well as electronically in the provider system. In addition, contracts should be reviewed to ensure that all required clauses are contained within the contract.	Implemented.
11-12	Medicaid Cluster <i>Eligibility</i> - We recommend that DDHS continue to refine the workflow management system and oversight to help improve the timely processing of applications and redeterminations. In addition, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case CBMS.	Not implemented. See current year finding at 2012-07.
11-13	Medicaid Cluster <i>Reporting</i> - We recommend that DDHS continue to develop the workflow management system implemented to help improve processing of applications and redeterminations. Additionally, DDHS should evaluate its process and procedures over electronic scanning and receipt of information to ensure the data received from clients is maintained as support. In conjunction with this system, management has also implemented a case comment template which requires all information relating to the case be input at the time of application and redetermination, in addition to any changes made throughout the year, to improve processing and accuracy of data. Management should ensure the case comment template is consistently utilized by technicians and emphasize its importance to ensuring that information is being input into CBMS accurately. In order for the review process to be an effective control, management should continue to develop the case review tool in the workflow management system and the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case CBMS.	Not implemented. See current year finding at 2012-08.

Schedule of Prior Audit Findings (Continued) Year Ended December 31, 2012

Reference Number	Summary of Finding	Status
11-14	Homeland Security Allowable Costs - We recommend that the position in question be reassigned to a more appropriate lower-ranking officer or civilian to ensure that personnel costs are reasonable.	Implemented.