

# **City and County of Denver**

Single Audit Reports

Year Ended December 31, 2013

**City and County of Denver**  
**Year Ended December 31, 2013**

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**City and County of Denver**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Agriculture</b>				
Child and Adult Care Food Program	Colorado Department of Public Health and Environment	PO# FLA CFP13000001	10.558	\$ 170,582
Child Nutrition Cluster				
Summer Food Service Program for Children	Colorado Department of Education	None Provided	10.559	<u>180,481</u>
Subtotal Child Nutrition Cluster				<u>180,481</u>
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	<u>8,804,901</u>
Subtotal SNAP Cluster				<u>8,804,901</u>
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants			10.580	(621)
Cooperative Forestry Assistance	Colorado State Forest Service	None Provided; 5366040-005	10.664	<u>229,111</u>
<b>Total Department of Agriculture</b>				<u><b>9,384,454</b></u>
<b>Department of Commerce</b>				
Economic Development Cluster				
Economic Adjustment Assistance			11.307	<u>656,296</u>
Subtotal Economic Development Cluster				<u>656,296</u>
ARRA - Broadband Technology Opportunities Program (BTOP)	Colorado Department of Education	BTOP-010	11.557	<u>974</u>
<b>Total Department of Commerce</b>				<u><b>657,270</b></u>
<b>Department of Housing and Urban Development</b>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants			14.218	<u>14,858,995</u>
Subtotal CDBG - Entitlement Grants Cluster				<u>14,858,995</u>
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	<u>13,077</u>
Subtotal CDBG - State-Administered CDBG Cluster				<u>13,077</u>
Emergency Solutions Grant Program			14.231	509,171
Shelter Plus Care			14.238	2,697,460
HOME Investment Partnerships Program			14.239	4,733,208
Housing Opportunities for Persons with AIDS			14.241	1,572,290

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Housing and Urban Development (continued)</b>				
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants			14.251	36,396
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)			14.256	548,133
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants			14.704	503,992
Lead-Based Paint Hazard Control in Privately-Owned Housing			14.900	638,531
<b>Total Department of Housing and Urban Development</b>				<b><u>26,111,253</u></b>
<b>Department of Interior</b>				
Fish and Wildlife Cluster				
Sport Fish Restoration Program	Colorado Department of Natural Resources	12-FIF-39306	15.605	31,207
Subtotal Fish and Wildlife Cluster				31,207
<b>Total Department of Interior</b>				<b><u>31,207</u></b>
<b>Department of Justice</b>				
Property Confiscation/OCDETF Strike Force			16.UNKNOWN	480,188
Community-Based Violence Prevention Program			16.123	872,152
Juvenile Accountability Block Grants	Colorado Division of Criminal Justice	10-JB-S-02-381	16.523	15,960
Enhanced Training and Services to End Violence and Abuse of Women Later in Life			16.528	81,638
Juvenile Justice and Delinquency Prevention_Allocation to States	Colorado Division of Criminal Justice	10-JD-07-115 & 29-JD-07-117	16.540	14,576
Missing Children's Assistance			16.543	99,478
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	592,569
Crime Victim Assistance	Colorado Division of Criminal Justice	12-VA-2-13	16.575	61,245
Crime Victim Compensation	Colorado Division of Criminal Justice	11-VC-2 & 212-VC-2	16.576	1,267,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs			16.580	38,782
Drug Court Discretionary Grant Program			16.585	72,429
Violence Against Women Formula Grants	Colorado Division of Criminal Justice	12-VW-2-6 & 11-VW-2-33	16.588	216,313
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	303,979
State Criminal Alien Assistance Program			16.606	300,000
Bulletproof Vest Partnership Program			16.607	3,435
Public Safety Partnership and Community Policing Grants			16.710	41,835
Public Safety Partnership and Community Policing Grants	Colorado Association of Chief's of Police	None Provided	16.710	10,500

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Justice (continued)</b>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program			16.738	533,358
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice, Colorado Department of Safety	11-DJ-03-2-2& 10-DJ-03-2-1 & 11-DJ-03-20-3 & 12-DJ-12-29-07 & 2013-DJ-BX-0027	16.738	117,057
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government			16.804	<u>364,850</u>
Subtotal JAG Program Cluster				<u>1,015,265</u>
DNA Backlog Reduction Program			16.741	418,902
DNA Backlog Reduction Program	Colorado Department of Law, Colorado Attorney General's Office	2011-DY-BX-K005	16.741	120,527
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	76,284
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	11-DN-01-6-1 & 12-DN-01-6-1 & 13-DN-01-11-1	16.742	58,196
Second Chance Act Prisoner Reentry Initiative			16.812	<u>139,709</u>
<b>Total Department of Justice</b>				<u><b>6,300,962</b></u>
<b>Department of Labor</b>				
Unemployment Insurance	Colorado Department of Labor & Employment	CMS#38154 CMS#12065	17.225	227,146
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor & Employment	CMS#38154	17.207	1,637,644
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor & Employment	CMS#38154 CMS#54595	17.801	33,241
Local Veterans' Employment Representative (LVER) Program	Colorado Department of Labor & Employment	CMS#54595	17.804	<u>3,000</u>
Subtotal Employment Services Cluster				<u>1,673,885</u>
Veterans' Employment Program	Colorado Department of Labor & Employment	CMS#38154	17.802	42,722
Homeless Veterans Reintegration Project			17.805	282,977
WIA Cluster				
WIA Adult Program	Colorado Department of Labor & Employment	CMS#38154 CMS#12065 CMS#54595	17.258	2,568,582
WIA Youth Activities	Colorado Department of Labor & Employment	CMS#38154 CMS#12065	17.259	1,336,205
Workforce Investment Act (WIA) National Emergency Grants	Colorado Department of Labor & Employment	CMS#38154	17.277	157,896
WIA Dislocated Workers Formula Grants	Colorado Department of Labor & Employment, Board of County Commissioners of Arapahoe County	CMS#12065, CMS#54595; None Provided	17.278	<u>1,016,013</u>
Subtotal WIA Cluster				<u>5,078,696</u>
Trade Adjustment Assistance	Colorado Department of Labor & Employment; Board of County Commissioners of Arapahoe County	CMS#38154; None Provided	17.245	40,100
H-1B Job Training Grants	Colorado Department of Labor & Employment	CMS#38154 CMS#12065	17.268	816,159
Reintegration of Ex-Offenders			17.270	310,814
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	Colorado Department of Labor & Employment	CMS#38154	17.282	<u>5,961</u>
<b>Total Department of Labor</b>				<u><b>8,478,460</b></u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Transportation</b>				
Airport Improvement Program			20.106	29,854,159
Highway Planning and Construction Cluster				
Highway Planning and Construction	Colorado Department of Transportation; Regional Transportation District; DRCOG	PO 291001072, STE C010-085 (16643), STU M320-058 (16749), AQC M320-051 (16265), AQC C010-081 (16070), STU M320-060 (16952), ITS C010-084 (16587), STU C010- 092 (16946), STU C010-093 (16947), STE C010-094 (17045), AQC 002A-002 (17515), SHE C010-105 (17659), SHE R600-390 (18196), SHE R600-391 (18197), STE 0252- 411 (17954), STU M320-069 (18078), AQC M320-071 (18144), AQC M320-067 (17903), STE C010-109 (18566), AQC M320-076 (18535), AQC M320-075 (18536), STU C010-108, (18529) BRO M320-072 (18375), BRO M320-073 (18436), STU M320-074 (18453), BRO M320-072 (18375), BRO M320-073 (18436), TRG M320-077 (18857), ACQ M320-081, (19120) AQC M320-078 (18873), STE C010-110 (18700), SHE M320-080 (19118), AQC M320-082 (19320), 543013, None Provided	20.205	<u>16,085,381</u>
Subtotal Highway Planning and Construction Cluster				<u>16,085,381</u>
National Motor Carrier Safety	Colorado State Patrol	OE RAA SPMCS 1	20.218	55,924
Federal Transit Cluster				
Federal Transit_Formula Grants	Regional Transportation District	None Provided	20.507	<u>57,029</u>
Subtotal Federal Transit Cluster				<u>57,029</u>
Highway Safety Cluster				
State And Community Highway Safety	Colorado Department of Transportation	PO211017391 & PO211018848 & PO211019350 & PO211020254 & PO211020313 & PO211020309 & PO271001565 & PO271001773	20.600	442,841
Alcohol Impaired Driving Countermeasures Incentive Grants	Colorado Department of Transportation	13-01-11-19	20.601	<u>178,422</u>
Subtotal Highway Safety Cluster				<u>621,263</u>
Alternatives Analysis	Regional Transportation District	D2010-ALTA-07002	20.522	935,854
National Priority Safety Programs	Colorado Department of Transportation	PO291001523	20.616	24,865
Interagency Hazardous Materials Public Sector Training and Planning Grants	Colorado Department of Public Safety	13HMP13MOF	20.703	8,680
National Infrastructure Investments			20.933	<u>442,270</u>
<b>Total Department of Transportation</b>				<u><b>48,085,425</b></u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>National Foundation on the Arts and the Humanities</b>				
Grants to States	Colorado Department of Education	FY12-016	45.310	19,953
National Leadership Grants			45.312	84,171
Laura Bush 21st Century Librarian Program			45.313	21,586
<b>Total National Foundation on the Arts and the Humanities</b>				<b>125,710</b>
<b>Veterans Health Administration, Department of Veterans Affairs</b>				
VA Homeless Providers Grant and Per Diem Program			64.024	450,653
<b>Total Veterans Health Administration, Department of Veterans Affairs</b>				<b>450,653</b>
<b>Environmental Protection Agency</b>				
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	6,318
Brownfields Assessment And Cleanup Cooperative Agreements			66.818	52,783
<b>Total Environmental Protection Agency</b>				<b>59,101</b>
<b>Office Of Energy Efficiency And Renewable Energy, Department Of Energy</b>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)			81.128	319,754
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County, Governor's Energy Office	None Provided	81.128	928,287
<b>Total Office Of Energy Efficiency and Renewable Energy, Department of Energy</b>				<b>1,248,041</b>
<b>Department of Health and Human Services</b>				
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	81083, 13FJA41886	93.069	74,910
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	13IHAXXXX, 14IHA59233, 12IHA39133	93.092	176,336
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			93.243	103,137
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Colorado Department of Justice	1H79T1023428	93.243	120,391
National Center for Research Resources	Colorado Foundations for Public Health and the Environment	UL1RR025780	93.389	5,632
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Connect for Health Colorado	None Provided	93.525	124,483
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	IU58DP003493-01	93.531	120,655
Promoting Safe and Stable Families	Colorado Department of Human Services	None Provided	93.556	460,912
<b>TANF Cluster</b>				
Temporary Assistance For Needy Families (TANF) State Programs	Colorado Department of Human Services	None Provided	93.558	29,722,595
<b>Subtotal TANF Cluster</b>				<b>29,722,595</b>
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	8,219,139
Refugee and Entrant Assistance-State Administered Programs	Lutheran Family Services	None Provided	93.566	148,258
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	3,796,432

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Health and Human Services (continued)</b>				
Community Services Block Grant	Colorado Department of Local Affairs	L12CSBG13, L13CSBG13	93.569	1,175,342
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	1,294,564
Child Care Mandatory and Matching Funds of The Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	<u>7,218,592</u>
Subtotal CCDF Cluster				<u>8,513,156</u>
Head Start			93.600	9,133,478
Voting Access for Individuals with Disabilities_Grants to States	Colorado Secretary of State	None Provided	93.617	11,000
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	597,261
Adoption Opportunities			93.652	317,993
Adoption Opportunities	University of Colorado Kemp Foundation	2-5-81927	93.652	164,215
Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	8,428,896
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,721,029
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	5,016,095
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	221,286
<b>Medicaid Cluster</b>				
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	<u>4,983,525</u>
Subtotal Medicaid Cluster				<u>4,983,525</u>
HIV Emergency Relief Project Grants			93.914	7,918,072
<b>Total Department of Health and Human Services</b>				<b><u>93,274,228</u></b>
<b>Corporation for National &amp; Community Services</b>				
Americorps	Colorado Governor's Commission on Community Service	12AC133177	94.006	<u>281,846</u>
<b>Total Corporation for National &amp; Community Services</b>				<b><u>281,846</u></b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program			95.001	<u>816,568</u>
<b>Total Executive Office of the President</b>				<b><u>816,568</u></b>
<b>Department of Homeland Security</b>				
Homeland Security Preparedness Technical Assistance Program			97.007	111,003
Emergency Management Performance Grants	Colorado Department of Local Affairs, Division of Emergency Management	12EM1L17, 12EM1PE17A.	97.042	105,043
Assistance to Firefighters Grant			97.044	69,151
Homeland Security Grant Program	State of Colorado, Governor's Office of Homeland Security & Arapahoe County	10UASI11DEN, 11UASI12DEN, 12UASI13DE, None Provided	97.067	4,886,619
Buffer Zone Protection Program (BZPP)	Colorado Department of Public Safety	10BZPP12DEN2	97.078	180,725
Transportation Security Administration			97.UNKNOWN	<u>2,039,579</u>
<b>Total Department of Homeland Security</b>				<b><u>7,392,120</u></b>
<b>Total Federal Expenditures</b>				<b><u>\$ 202,697,298</u></b>

(n) noncash federal award



**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

**(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, 2013.

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 \$76,407,064 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2013.

**(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
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092
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
Stephanie Tubbs Jones Child Welfare Services Program	93.645
Foster Care_Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778

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

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

**(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 \$241,719,618, of which \$181,536,154 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.

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

**(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:

	<b>Amount</b>
Neighborhood Development Loans:	
14.218 - Community Development Block Grants/Entitlement Grants	\$ 11,298,563
Economic Development Loans:	
14.Unknown	6,067,314
14.218 - Community Development Block Grants/Entitlement Grants	26,308,161
14.253 - ARRA - Community Development Block Grants/Entitlement Grants Entitlement Grants (CDBG-R)	1,833,506
Total Economic Development Loans	34,208,981
Section 108 Loans:	
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	9,111,181
Total Section 108 Loans	9,111,181
Housing Development Loans:	
14.Unknown	27,560,838
14.218 - Community Development Block Grants (CDBG)/Entitlement Grants	7,202,264
14.239 - HOME Investment Partnerships Program	46,043,994
14.241 - Housing Opportunities for Persons with AIDS	3,172,870
14.256 - ARRA - Neighborhood Stabilization Program	13,691,133
Total Housing Development Loans	97,671,099
Total Office of Economic Development Loans	152,289,824
Less Allowances:	
Delinquent Loans	(8,862,572)
Forgivable Loans	(69,583,146)
Note Receivable, Net	\$ 73,844,106

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

**(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. There were no outstanding balances subject to continuing compliance at December 31, 2013. There were no new loans during 2013; therefore nothing has been included in the accompanying schedule of expenditures of federal awards. The City also has certain revolving loan funds, which were originally financed from the Department of Commerce, under CFDA 11.307, Economic Development Administration which are subject to continuing compliance requirements and included in the schedule of expenditures of federal awards. The outstanding loan balance at December 31, 2013 was \$321,904 and the cash and investment balance in the loan revolving fund was \$255,769. The 2013 expenditures for administrative costs were \$2,378. The 2013 loan write offs were \$76,245. There are no City match requirements.

**(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:

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants (CDBG)/Entitlement Grants	14.218	\$ 2,760,962
Emergency Solutions Grant Program	14.231	509,171
Shelter Plus Care	14.238	2,681,094
HOME Investment Partnerships Program	14.239	1,712,031
Housing Opportunities for Persons with AIDS	14.241	1,299,964
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	36,396
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	453,726
Community-Based Violence Prevention Program	16.123	137,974
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	198,007
Second Chance Act Prisoner Reentry Initiative	16.812	122,534
WIA Youth Activities	17.259	538,587
H-1B Job Training Grants	17.268	330,182
Reintegration of Ex-Offenders	17.270	122,841
VA Homeless Providers Grant and Per Diem Program	64.024	260,817
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	70,594
Promoting Safe and Stable Families	93.556	54,765
Community Services Block Grant	93.569	653,451
Head Start	93.600	7,170,832
Adoption Opportunities	93.652	82,368
HIV Emergency Relief Project Grants	93.914	7,471,026
		<u>\$ 26,667,322</u>

**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 the 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 (the City), as of and for the year ended December 31, 2013, 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, 2014, which contained an emphasis of matter paragraph regarding a change in accounting principle. Our report includes a reference to other auditors who 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, Gateway Village General Improvement District, included as a blended component unit, and Denver Employee Retirement Plan, a fiduciary component unit, 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, a blended component unit 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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 2013-001 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a significant deficiency.

### ***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*.

### ***City's Response to Findings***

The City's response 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 the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the City's management in a separate letter dated May 30, 2014.

Audit Committee  
City and County of Denver

***Purpose of this Report***

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

**BKD, LLP**

Denver, Colorado  
May 30, 2014



## **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 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, 2013. 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.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA), a discretely presented component unit, which received \$76,407,064 in federal awards, which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2013. Our audit, described below, did not include the operations of DUSPA because the component unit engaged other auditors 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

***Basis for Qualified Opinion on SNAP Cluster, TANF Cluster, CCDF Cluster and HIV Emergency Relief Project Grants***

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.

<b>CFDA #</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Type of Opinion</b>	<b>Finding Number</b>
10.561	SNAP Cluster	Special Tests and Provisions	Qualified	2013-003
93.558	TANF Cluster	Eligibility, Reporting, and Special Tests and Provisions	Qualified	2013-004 and 2013-005
93.575/93.596	CCDF Cluster	Activities Allowed, Allowable Costs and Reporting	Qualified	2013-006 and 2013-007
93.914	HIV Emergency Relief Project Grants	Reporting	Qualified	2013-011

***Qualified Opinion on SNAP Cluster, TANF Cluster, CCDF Cluster and HIV Emergency Relief Project Grants***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 SNAP Cluster, TANF Cluster, CCDF Cluster and HIV Emergency Relief Project Grants for the year ended December 31, 2013.

***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, 2013.

### ***Other Matters***

The results of our auditing procedures also disclosed other instances of noncompliance, 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 2013-008, 2013-009 and 2013-010. Our opinion on each major federal program is not modified with respect to these matters.

The City's response 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.

### **Report on Internal Control Over Compliance**

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing 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 2013-004, 2013-005 and 2013-011 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-006, 2016-007, 2013-008, 2013-009 and 2013-010 to be significant deficiencies.

Audit Committee  
City and County of Denver

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, 2013, 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, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions 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, Colfax Business Improvement District, Denver Union Station Project Authority, and Denver Preschool Program, Inc., presented as discretely presented component units, Gateway Village General Improvement District, included as a blended component unit, and Denver Employee Retirement Plan, a fiduciary component unit, 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 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Denver, Colorado  
July 18, 2014

**City and County of Denver**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

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

*Federal Awards*

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

Unmodified for all major programs except for SNAP Cluster, TANF Cluster, CCDF Cluster, and HIV Emergency Relief Project Grants which are qualified.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

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

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.561	SNAP Cluster
20.106	Airport Improvement Program
93.558	TANF Cluster
93.575, 93.596	CCDF Cluster
93.600	Head Start
93.658	Foster Care Title IV-E
93.914	HIV Emergency Relief Project Grants
93.778	Medicaid Cluster

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

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

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
2013-001	<p><b>Finding:</b> Donated Capital Assets</p> <p><b>Criteria or Specific Requirement:</b> Accounting principles generally accepted in the United States of America (US GAAP) that addresses the proper recognition and accounting of capital assets includes:</p> <ul style="list-style-type: none"> <li>• Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i> (GASB 34)</li> <li>• Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34</i> (GASB 37)</li> <li>• Governmental Accounting Standards Board Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i> (GASB 62)</li> <li>• Various implementation guidance issued by GASB</li> </ul> <p>In accordance with this guidance, and specifically GASB 34, donated capital assets should be reported at their estimated fair value at the date of acquisition (donation).</p> <p><b>Condition:</b> The City and County of Denver Department of Parks and Recreation’s (Park’s Department) management discovered that multiple parks donated to the City from developers in both the Stapleton and Lowry redevelopment areas were not recorded in the financial records. The donations occurred in a prior fiscal period and as such the fair value at the date of donation was not readily available. The parks included land, structures and land-related improvements.</p> <p><b>Cause:</b> There was a lack of communication between the Parks Department individuals who accepted the donated assets and those responsible to record the assets. Upon acceptance of the donated capital assets, this should be communicated to the Parks Department accounting department and the Controller’s Office to ensure the assets are recorded properly and timely.</p> <p><b>Effect:</b> This oversight resulted in an understatement of capital assets, depreciation expense, and revenue in the prior period. An adjustment was proposed and recorded by management for approximately \$23.6 million in the current period to recognize the donated capital assets and related contribution revenue. This amount was net of accumulated depreciation and was determined through an estimate of fair value using a discounted replacement value approach.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Recommendation:</b> When this error was discovered by the Parks Department, additional controls were implemented to prevent this from recurring. Specifically the inventory process of park assets were strengthened and additional quarterly communication was implemented to ensure all required parties are aware of the donation. In addition, we would further recommend the Controller's Office monitor the controls over the donated assets to verify proper accounting treatment is followed and be notified immediately upon a significant donation of assets in the future. We also recommend that this process be reviewed prior to the end of 2014 to ensure that controls are operating as designed.</p> <p><b>Views of responsible officials and planned corrective actions:</b> <i>Response:</i> We agree with the finding. In addition to the controls implemented above, the Department of Parks and Recreation is currently developing a Standard Operating Procedure (SOP) that will detail the procedures for the acceptance of donated assets. The SOP will include instructions to ensure that proper approvals have been obtained, that the asset is properly accounted for, and that all appropriate parties are notified.</p> <p>The Controller's Office will further increase controls over reporting of donated assets by directly reaching out at year-end to those agencies most likely to receive donated assets to discuss whether any had been received during the year.</p> <p><i>Person(s) responsible for implementing:</i> Lauri Dannemiller, Executive Director, Parks and Recreation, and Fred Weiss, Director of Finance and Administration, Parks and Recreation.</p> <p><i>Anticipated completion date:</i> July 31, 2014.</p>



**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
2013-002	<p><b>Finding:</b> Municipal Airport System – Accounting for Capitalized Interest</p> <p><b>Criteria or Specific Requirement:</b> US GAAP requires that interest expense incurred in connection with the acquisition, construction, improvement, or development of a capital asset be included in the cost of that asset as an ancillary charge necessary to place the asset in service. As such these costs should be “capitalized” as part of the constructed assets. Governmental Accounting Standards Board Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i> (GASB 62), provides the guidance for capitalization of interest costs. According to GASB 62 the amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings, which are externally restricted, should include all interest cost of the borrowing, less interest earnings on related interest-bearing investments that are acquired with the proceeds of the related tax-exempt borrowings. The capitalization period begins when specific criteria are met and ends when the assets are ready for their intended use.</p> <p>Additionally, GASB 62 also requires that interest on debt outstanding during the period of capital construction, should be capitalized even when that debt is unrelated to the capital construction, to account for the “opportunity cost” of the cash outlays.</p> <p><b>Condition:</b> Interest expense related to the 2012A and 2012B bonds, which include the Hotel Bonds, were originally over-capitalized during the year. We proposed, and management recorded, approximately \$16 million of adjusting journal entries to properly record capitalized interest for the current year.</p> <p><b>Cause:</b> Management capitalized interest expense based on amounts calculated under debt service requirements as defined in the General Bond Ordinance. Capitalized interest, as defined by GASB Statement No. 62 above, requires a different methodology for calculation and transfer from interest expense to construction in progress.</p> <p><b>Effect:</b> The audit adjustments were necessary to properly state capital assets and interest expense, which were overstated, and understated, respectively.</p> <p><b>Recommendation:</b> We recommend that the Municipal Airport System review the methodology surrounding the recording of capitalized interest to be consistent with GASB 62 and to implement controls to ensure that this methodology is followed.</p> <p><b>Views of responsible officials and planned corrective actions:</b> <i>Response:</i> We agree with the finding. The airport accounting group will review Denver International Airport’s methodology in regard to capitalized interest and implement controls to ensure the proper methodology is followed.</p> <p><i>Person(s) responsible for implementing:</i> Felicia Newton, Financial Manager, Denver International Airport; and Laura Trujillo, Controller, Denver International Airport.</p> <p><i>Anticipated completion date:</i> December 31, 2014.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
2013-003	<p><b>Finding:</b> Special Tests and Provisions - EBT Card Security</p> <p><b>CFDA No. 10.561 Supplemental Nutrition Assistance Program (SNAP) Cluster</b> <b>Department of Health and Human Services, Award Number - None Provided, Award Year 2013</b></p> <p><b>Passed-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> Security measures outlined in Colorado Electronic Benefit Transfer Bulletin, Volume 4B.710 and other State Agency letters require that Electronic Benefit Transfer (EBT) cards are destroyed on a daily basis. At least two people who do not have card issuance access shall destroy the cards and sign the destruction log. In response to the state requirements, Denver Department of Human Services (DDHS) has implemented policy 0801-024.</p> <p><b>Condition:</b> EBT cards were not destroyed in accordance with state and DDHS policies as follows:</p> <ol style="list-style-type: none"><li>1. One instance in which the witness for the card destruction also had card issuance access.</li><li>2. Seven instances in which the card destruction was not performed on the same day as when the card was received. In these instances the time lag in destruction ranged from 1 to 3 days late.</li><li>3. Five instances in which the EBT destruction logs were not initialed by the EBT Supervisor as required by DDHS policy.</li></ol> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested six weeks of destruction logs from each of the three locations where EBT cards are issued and noted the issues described above.</p> <p><b>Effect:</b> DDHS may be out of compliance with state and federal compliance requirements regarding EBT card security, including daily card destruction, signed destruction logs and destruction staff criteria.</p> <p><b>Cause:</b> During the year, DDHS experienced turnover in the supervisor position at two of the three locations.</p> <p><b>Recommendation:</b> We recommend that DDHS train all employees on the updated policies, which were revised in October 2013, and ensure that appropriate training is provided throughout the year whenever there is staff turnover impacting EBT card security. In addition, we recommend that additional employees be added to the destruction team as back up to help when a member of the team is unavailable to participate in the destruction process. Furthermore, when extenuating circumstances exist and the card destruction does not or cannot occur on the same day received this should be clearly documented on the destruction log by the staff and procedures should be implemented to ensure the destruction is completed the next day.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. All three DDHS sites will ensure that any staff that has EBT card issuance access is no longer assigned to participate with the destruction of the EBT cards. Each office has designated two employees without issuance access to destroy EBT cards. Additionally, the Castro office will also maintain one back up to ensure the separation of duties and daily destruction, and the East location will add a Lead position. Training of EBT staff and supervisors occurred on March 19, 2014 and covered the State and County EBT policies. Going forward, the training team will provide ongoing training to staff and new employees throughout the year at all three offices. The managers at each of the three sites will monitor and review EBT destruction logs at least monthly to ensure that destruction is completed daily and all initials are on the log. As additional oversight, quarterly reviews by QI will continue to monitor for compliance and report its findings to the Family and Adult Division (FAAD) Division Director and DDHS' Executive Management team.

*Person responsible for implementing:* Joy Martinez, Castro Lobby Supervisor of Case Management Coordinator I; Monica Gomez, Operational Supervisor II; Sundanz Washington, Manager of the East Office; Pam Flowers, Manager of the Montbello Office and Tammy Hoffman, Trainer.

*Implementation date:* March 19, 2014.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
2013-004	<p><b>Finding:</b> Eligibility, Reporting and Special Tests and Provisions - Income Eligibility and Verification System</p> <p><b>CFDA No. 93.558 - Temporary Assistance for Needy Families (TANF) Cluster</b></p> <p><b>Department of Health and Human Services, Award Number - None Provided, Award Year 2013</b></p> <p><b>Passed-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> Denver Department of Human Services (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. Information obtained from clients should be accurately input into Colorado Business Management System (CBMS) and agree to supporting documentation included in the case file for accurate reporting of information to the State for the processing of benefits.</p> <p><b>Condition:</b> We noted the following issues:</p> <ol style="list-style-type: none"> <li>1. Two instances in which a client was determined not to be eligible for a previously paid benefit, and a recovery claim was not issued to recover the payment (\$1,634).</li> <li>2. Three instances in which an invalid recovery claim was issued due to worker error or incorrect closure of case, resulting in an underpayment of benefits (-\$1,588).</li> <li>3. Six instances in which monthly status reports were received and entered into CBMS but the documents could not be located (\$5,726).</li> <li>4. Two instances in which documentation of the initial application or initial case interview could not be provided (\$4,396).</li> <li>5. Seventeen instances in which either the initial assessment or Individual Responsibility Contract (IRC) were not completed timely (\$0).</li> <li>6. Four instances in which there was no documentation that the client was participating in an eligible work activity (\$6,112).</li> <li>7. One instance in which the number of months the client received TANF did not include out-of-state benefits received and therefore, no conclusion could be made to support the number of months the client received benefits during their lifetime (unable to determine).</li> <li>8. One instance 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 (\$1,355).</li> <li>9. One instance in which an ineligible member of the assistance unit (adult on a child only case) was receiving benefits (\$335).</li> <li>10. One instance in which the client was receiving both TANF and SSI benefits during the same period, which is prohibited under Volume 3.602.1 (\$728).</li> <li>11. Twelve instances in which IEVS hits were not cleared and would have affected the eligibility determination (\$8,531).</li> <li>12. Twelve instances in which supporting documentation in case file did not agree to information reported within CBMS (\$0).</li> </ol>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

**Questioned Costs:** Overpayments of \$28,817 and Underpayment of \$1,588.

**Context:** We tested 60 individuals who received TANF assistance for the year ended December 31, 2013 and noted the issues described above. The tested population covered benefits issued of \$127,169. The total population included benefits issued of approximately \$16.0 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 2013 DDHS continued to develop its processes and procedures relating to its Work Management System (WMS). It was noted that scanned documents were not always saved in the proper location or some information provided was not scanned at all. In addition, case workers are not always utilizing case comments appropriately. Furthermore, controls over reporting were not sufficiently operating during the year.

**Recommendation:** We recommend that DDHS continue to refine WMS 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, we recommend that all departments involved with TANF benefits, DDHS and Office of Economic Development, use WMS to improve communication regarding clients and tasks to be completed. 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 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 that case reviews adequately include accuracy questions to help ensure that the information in CBMS is accurate. In order for the review process to be an effective control, management should implement policies and procedures to more effectively monitor that the reviews are being completed timely and accurately. Furthermore, we recommend that management develop policies and procedures to monitor IEVS discrepancies, even if they do not effect the eligibility determination and train all employees on these policies.

**Views of responsible officials and planned corrective actions:**

*Response:* We agree with the finding. DDHS is collaborating with the Change in Innovation Agency (CIA) to improve its processes and procedures. One area of CIA's focus includes increasing the quality and timeliness of eligibility determinations. The Family and Adult Division's (FAAD) has partnered with the Training and Development team to implement refresher training courses for Case Management Coordinators (CMC) and supervisors, these courses will encompass: TANF eligibility; CBMS data entry; required household members; case comment expectations; and validating claims and recoveries. The planned timeline for these courses are March, April and August 2014.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

The Colorado Department of Human Services (CDHS) - Colorado Works division has eliminated the Monthly Status Report (MSR) requirements as of July 2013, thus no further corrective action is required for findings relating to MSRs.

DDHS's Performance Improvement team in cooperation with FAAD has fully implemented an electronic process and a standard work process for all intake staff. This is expected to improve the timely transfer of documents to the scanning unit for input into the WMS. The full implementation of the scanning process eliminates the need for a case files. DDHS expects the new technology and process improvements will eliminate the issue of missing case files and will increase timely processing. As part of their regular standup meetings, FAAD supervisors and staff will review any new standard work processes and identify any inconsistencies in WMS, scanning or CBMS that need to be addressed with the Performance Improvement Accountability (PIA) technology or scanning team.

DDHS's Data & Technology team has begun the process of modifying WMS to revise the task assignment functions to better support the prioritization of cases. Recommendations offered by CIA in their business process redesign recommendations will also be considered during the process of WMS modification. These coordinated efforts are expected to promote consistency in the functionality of WMS, as well as accuracy and timeliness in the application, delivery, and authorization of TANF benefits. This will be effective August 2014.

FAAD will create a desk aid to assist CMCs in contacting out-of-state human services agencies to obtain information regarding any TANF benefits received in other states. The desk aid will increase the accuracy of the information in CBMS and ensure clients have the correct number of months on their TANF clock in CBMS. This will be effective June 2014. In addition, FAAD has implemented an aggressive pilot project to resolve IEVS discrepancies. The IEVS pilot started on April 1, 2014 with TANF, Food Assistance and Medical Assistance programs. Every processed redetermination is reviewed in order to identify if all IEVS were addressed accordingly. Any unaddressed IEVS will be returned to the CMC for research and disposition. The intention with this pilot is to promote compliance, identify and resolve overdue IEVS, and also re-establish a standard of work process. Final written procedures will be completed August 31, 2014.

In regard to Compass Assessments, Individual Responsibility Contracts (IRC) and eligible workforce activities the Office of Economic Development (OED) concurs with the findings as cited. The Data & Technology team, FAAD and OED have developed a "Compass Scheduler" in WMS to meet timeliness in initiating the assessment, thereby promoting compliance with IRC requirements and workforce activities. This new functionality in the Compass Scheduler will improve communication and ensure new cases are appropriately referred and processed timely between FAAD and OED. This was implemented effective April 7, 2014.

The Colorado Department of Human Services (CDHS) - Colorado Works Performance Integrity team is currently redesigning the Colorado Works review tool. These changes in the case review tool will improve the review process in many areas such as accuracy in TANF authorizations, CBMS data entry and processing of claims and recoveries. To promote a new level of quality reviews FAAD will immediately begin utilizing the new tool as soon as it is made available by CDHS. This tool has an approximate effective date of August 2014.

*Person responsible for implementing:* Heather Hewitt, Deputy Division Director; Curt Pesicka, Manager of Operation; Elizabeth Foster, Operational Supervisor; Aaron Gabler, Data & Technology Manager; Tammy Hoffman, Training Manager; Michael Lamp, TANF Supervisor.

*Implementation date:* March 1, 2014 to August 1, 2014.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
2013-005	<p><b>Finding:</b> Special Tests and Provisions - Failure to Comply with Work Verification Plan</p> <p><b>CFDA No. 93.558 Temporary Assistance for Needy Families (TANF) Cluster</b>  <b>Department of Health and Human Services, Award Number - None Provided, Award Year 2013</b></p> <p><b>Passed-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> Denver Department of Human Services (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. DDHS has created a review tool to track compliance with this requirement. Portions of the reviews are required to be completed by the Office of Economic Development (OED).</p> <p><b>Condition:</b> Evidence of some reviews was not available and other reviews were not completed timely in compliance with City and State policies as follows:</p> <ol style="list-style-type: none"> <li>1. Seven instances in which there was no evidence of the review having been completed by DDHS or OED.</li> <li>2. Twenty-nine instances in which the review was not completed timely by DDHS or OED.</li> <li>3. Five instances in which the review was completed by DDHS on the incorrect review month.</li> <li>4. Seventeen instances in which the due date or review month entered into the DDHS review tool did not match the sample information provided by the state.</li> </ol> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested 60 case files identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2013 and noted the issues described above.</p> <p><b>Effect:</b> The City may be out of compliance with state and federal compliance requirements.</p> <p><b>Cause:</b> In order to ensure all review requirements are met, reviews must be completed by both DDHS and OED for all selected cases. Although DDHS reviews are tasked to employees within the Work Management System (WMS) and assigned a due date, there are limited controls in place ensuring the reviews are completed timely. In addition, if a task is transferred to another worker, WMS does not contain a detailed audit trail showing the transfer. Furthermore, the reporting tool utilized by OED does not include reviews that have not been started, allowing for uncompleted reviews to go undetected.</p> <p><b>Recommendation:</b> We recommend that DDHS implement monitoring procedures for the fifteenth of each month to ensure that the review of all cases selected for Work Verification Rate review occurs timely. Furthermore, DDHS should utilize its WMS to monitor tasks assigned and past-due tasks to increase accountability of supervisors to perform reviews timely. In addition, DDHS should add a detailed audit trail log for all transfers of assigned tasks. For OED, we recommend that the reporting tool be modified to include both completed and uncompleted reviews.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. DDHS is collaborating with the Change in Innovation Agency (CIA) to improve our processes and procedures. One area of focus includes increasing the quality and timeliness of eligibility determinations. The CDHS - Colorado Works Performance Integrity team is currently redesigning the Colorado Works review tool. These changes in the review tool and questions will increase quality in many areas such as accuracy in TANF authorizations, Colorado Business Management System (CBMS) data entry and processing of claims and recoveries. Family and Adult Division (FAAD) will immediately begin utilizing the new tool as soon as it is made available by CDHS. This tool has an approximate effective date of August 2014. FAAD has also worked with the Process Improvement and Accountability Division (PIA) to get the cases assigned to supervisors for review by the 7th day of each month, which should allow time for timely completion. FAAD and PIA have also implemented a pilot to provide real time case reviews. This went into effect April 1, 2014.

WMS contains a report of the status of supervisory case reviews by unit. The Data & Technology team will communicate this feature to FAAD managers and receive feed-back if the current report is adequate for quality oversight. The report will be modified if additional information is required. This is planned to be effective April 30, 2014.

The OED Quality Assurance (QA) team implemented several changes in their case review process. This included a new Access Database (Checkpoint) and added an additional 15 questions based on CDHS requirements. This was implemented effective July 2013. Checkpoint data reports are now available and monitored on a weekly basis to ensure that reviews are completed timely. Reports are being developed from Checkpoint and will include monthly QA management reports that will include the timeliness of the reviews as well as areas of concern and help to identify training needs. These reports have been utilized since January 2014.

*Person responsible for implementing:* Heather Hewitt, Deputy Division Director; Curt Pesicka, Manager of Operation; Elizabeth Foster, Operational Supervisor; Aaron Gabler, Data & Technology Manager; Tammy Hoffman, Training Manager.

*Implementation date:* March 1, 2014 to August 1, 2014.



**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

2013-006 **Finding:** Activities Allowed and Allowable Costs

**CFDA No. 93.575 & 93.596 - Child Care and Development Block Grant  
Department of Health and Human Services, Award Number - None Provided, Award Year 2013**

**Passed-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 a 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.

Per State Plan, Section 3.910 B, counties shall pay for absences in accordance with the policy set by the county. Per county plan, Section 4, the only absence paid by the County is holidays. Additionally, according to State Plan Section 3.913 Y, counties shall pay providers monthly for services provided the previous month that could not be paid through the Point of Service (POS) records. Counties have the flexibility to determine and establish provider payment policies.

**Condition:** We noted the following issues:

1. Two instances in which payments were made for child care services during unauthorized or ineligible periods (\$47).
2. Seven instances in which automatic holiday payments were not paid to the provider. Holidays ranged from New Year's Day 2013 through Christmas 2013 (\$-290).
3. Three instances in which swipe card activity was approved, however providers did not receive payments. Services provided ranged from March 2013 through December 2013 (\$-2,066).

**Questioned Costs:** Overpayments of \$47 and underpayments of \$2,356.

**Context:** We tested 60 case files of individuals receiving \$174,261 in Child Care assistance for the year ended December 31, 2013 and noted the issues above. Assistance payments issued during the year totaled approximately \$11,424,000.

**Cause:** Data entry input errors into Child Care Automated Tracking System (CHATS) by Denver Department of Human Services (DDHS) personnel caused payments to be made during unauthorized periods. The POS system (EPIC) which records all swipe detail and CHATS, which tracks child authorizations, automatically interface to generate payments to providers. An error in the interface would result in provider payments not being made. Additionally, swipe detail and automatic holiday payments as required by the county plan and licensed provider fiscal agreements are not reviewed unless manual payments are requested by the provider. When fiscal agreements are modified, there is a three step process DDHS employees must complete in order for the change to be properly implemented. In these cases, the DDHS employees failed to complete all three steps which inadvertently prevented payments from being made.

**Effect:** The inaccuracy of input of authorization dates in CHATS resulted in unauthorized automatic payments to providers. Additionally, certain providers did not receive payments for automatic holidays or approved swipe activity which, in accordance with the County policy, remain unpaid unless notification from the provider is made within 60 days.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Recommendation:** We recommend DDHS take additional steps to improve the accuracy of data entered into CHATS. One step could be to emphasize the importance of entering data accurately, during team meetings and training sessions. The review process currently being utilized could also place more emphasis on data accuracy as well as potentially increasing or targeting reviews for known problem areas of personnel. Additionally, we recommend DDHS implement targeted or spot check reviews of payment detail to ensure providers receive payment for care authorized over a holiday and all approved swipe card activity.

**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. An unspecified failure occurred in the State's system that prevented automatic payment of holidays for a limited number of providers. The State is unable to provide an explanation for this error nor a time frame for a remedy. The Financial Services Division will request a report from the State of Colorado to find authorized holidays not paid. Until a State report is ready, the Financial Services Division will implement a targeted review of possible holiday care not paid. Additionally, when a child is authorized for child care services and the adult caretaker has swiped their Colorado Child Care Assistance Program (CCCAP) card at a provider, the charge may not be paid due to either a data entry error on the provider setup by the Financial Services Division or a data entry error when the program area sets up the child. The Financial Services Division will request a report from the State to list the instances a CCCAP card was swiped but no payment was issued. Until an official report is available from the State, the Financial Services Division will implement a spot check review of swiped data not creating a payment to the provider to help with identification and correction of setup errors.

In addition, DDHS has implemented a Real Time Case Review tool. Effective May 2014 this tool will go into production and will be used by child care supervisors for staff case reviews. Child Care supervisors will be able to review CCCAP/CHATS cases within 48 hours of the case action being taken. By completing real time case reviews, supervisors will be able to improve the accuracy for the data entry by identifying errors made and providing the opportunity for the Case Management Coordinators (CMC) to correct their errors. For the year 2014, the child care supervisors have required staff to attend monthly child care team meetings. All Staff Meetings have a standing agenda item focused on the area of quality. Beginning June 2014 the child care supervisors will share the data collected during the review month with the child care CMC team. Child care supervisors will also use the data collected in the Real Time Reviews to identify error trends. Mini trainings will be developed by the child care supervisors using the data trends collected to support staff's production of error free work. These changes will result in accurate data entry and correct eligibility determination. These changes will support a reduction/elimination in processing and data entry errors. The State has implemented a stakeholders group to complete a rule rewrite project and will have recommendations submitted by June 2014. One area of the proposal would simplify the process of eligibility for our clients and the child care staff. The result would be a reduction in the amount of data entry by child care CMCs needed to determine eligibility. The child care supervisors have partnered with the FADD training team to develop a child care training that will support consistency of information being provided to staff as well as updates and revisions of rules and regulations. The training manual has been completed and training was piloted March 5th and 6th. This pilot was attended by the two child care supervisors and their input was welcomed and incorporated. Since that time, the child care team has hired three additional members and they will be attending the CCAP training in May 2014.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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*Person(s) responsible for implementing:* Maurice Stenberg, Deputy Director Financial Services; Kenneth Ruterbories, Accounting Supervisor; Christine Lucero, Supervisor; Heather Hewitt, Deputy Division Director; Elizabeth Foster, Operational Supervisor; Tammy Hoffman, Training Manager; Matthew Paris, Agency Trainer; Rodrick Prayer, Case Management Supervisor I; Monie Salgado, Case Management Supervisor I.

*Implementation date:* June 1, 2014 and ongoing.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
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2013-007 **Finding:** Reporting

**CFDA No. 93.575 & 93.596 - Child Care and Development Block Grant  
 Department of Health and Human Services, Award Number - None Provided, Award Year 2013**

**Passed-through Colorado Department of Human Services**

**Criteria or specific requirement:** Information provided to the State for the processing of benefits should be accurately input into Child Care Automated Tracking System (CHATS) and agree to supporting documentation included in the case file. Additionally, provider rates should be accurately reflected in CHATS and agree to the licensed provider fiscal agreement. Per Denver Department of Human Services (DDHS) Policy 1302-450 CCAP, all case workers are required to have three case reviews per month.

**Condition:** We noted the following issues:

1. Fifteen instances in which information related to the client household within CHATS did not agree to the case file.
2. Forty-seven months across the twelve employees tested where the required case reviews per month were not performed.
3. Five instances in which the provider rate input into CHATS did not agree to the fiscal agreement. However, no questioned costs resulted as both the fiscal agreement rate and the rate input into CHATS exceeded the maximum reimbursable rate which was paid.

**Questioned Costs:** None.

**Context:** We tested 60 case files of individuals receiving \$174,261 in Child Care assistance for the year ended December 31, 2013 and noted the issues above. Assistance payments issued during the year totaled approximately \$11,424,000.

**Cause:** An adequate review of changes in fiscal agreement rate schedules input into CHATS was not performed. While not a direct cause, certainly the missing required case reviews may have identified and corrected some of these issues.

**Effect:** The CHATS 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 CHATS, child care could be provided to ineligible applicants, denied to eligible participants, or benefits paid for an incorrect amount. Additionally, providers may be paid based on improper rates.

**Recommendation:** We recommend that continued training be provided emphasizing the importance of ensuring information entered into CHATS agrees with the case file. In addition, a reporting mechanism to ensure each case worker is getting the required number of reviews per month would be advised. We also recommend DDHS provide a thorough review of system updates for changes in fiscal agreements to ensure rates are properly entered into CHATS.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. Currently, the Financial Services Division checks a limited percentage of entries in CHATS related to new and adjusted rates for fiscal agreements. In the future, the Financial Services Division will have a 100% check of rate changes and new entries prior to finalization.

In addition, effective May 2014 child care supervisors will use the Real Time Case Review tool for all staff case reviews. Child care supervisors are trained to review documentation in the Hardback Case File, CBMS and Work Management System (WMS) to ensure documentation/verification provided reflects information in the CHATS system. Using the Real Time Review tool, child care supervisors will be able to identify data entry errors and allow the child care Case Management Coordinators (CMC) to rectify any errors made. This practice and identification of errors will reinforce to child care CMCs the correct process for entry data and checking to ensure their entry is correct. The Family and Adult Division (FAAD) has created a tracking/reporting mechanism in the form of a case review spread sheet. The spread sheet is available on our FAAD shared drive. The spread sheet lists the supervisor's name, number of case reviews expected for the month and the number of reviews completed. Each supervisor, child effective January 2014, is required to update the spreadsheet monthly. The information is completed and presented by the Operational Supervisor to executive management monthly in the PEAK Performance presentation.

*Person(s) responsible for implementing:* Maurice Stenberg, Deputy Director Financial Services; Kenneth Ruterbories, Accounting Supervisor; Christine Lucero, Supervisor; Heather Hewitt, Deputy Division Director; Elizabeth Foster, Operational Supervisor; Tammy Hoffman, Training Manager; Rodrick Prayer, Case Management Supervisor I; Monie Salgado, Case Management Supervisor I.

*Implementation date:* June 1, 2014 and ongoing.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
2013-008	<p><b>Finding:</b> Activities Allowed, Allowable Costs</p> <p><b>CFDA No. 93.600 - Head Start</b>  <b>Department of Health and Human Services, Administration for Children and Families, Award Number 08CH0119/16 Award Year 2013</b>  <b>Department of Health and Human Services, Administration for Children and Families, Award Number 08CH0119/01 Award Year 2014</b></p> <p><b>Criteria or specific requirement:</b> In accordance with OMB Circular A-87, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages shall be supported by personnel activity reports or equivalent documentation which meets the following standards:</p> <ol style="list-style-type: none"> <li>a) Must reflect an after-the-fact distribution of the actual activity of each employee</li> <li>b) Must account for the total activity for which each employee is compensated</li> <li>c) Must be prepared at least monthly and must coincide with one or more pay periods, and</li> <li>d) Must be signed by the employee.</li> </ol> <p><b>Condition:</b> We noted that payroll costs are initially charged 100% to the program and are then allocated on a monthly basis. This allocation is based on an estimate of hours spent on the program during the entire grant year, rather than an after-the-fact distribution of actual activity.</p> <p><b>Questioned Costs:</b> Not determinable.</p> <p><b>Context:</b> We tested three payroll allocations charged during 2013 totaling \$55,586 and noted the issue above. Payroll expenditures incurred during the year totaled \$844,766 out of total expenditures of \$9,133,478.</p> <p><b>Cause:</b> The agency was unaware of the OMB Circular A-87 requirements for payroll allocations.</p> <p><b>Effect:</b> Payroll costs charged to the program were not based on actual personnel activity reports which could result in charges to the program for unallowable activities.</p> <p><b>Recommendation:</b> We recommend the agency implement a system for tracking and allocating time to federal programs to ensure compliance with OMB Circular A-87.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b></p> <p><i>Response:</i> We agree with the finding. The current allocation methodology used by Office of Children’s Affairs does not comply with OMB Circular A-87 guidance and the following changes will be implemented:</p> <p>Effective July 1, 2014, the Office of Children’s Affairs employees who are allocated to more than one activity will leverage the existing City payroll system (Kronos) to:</p> <ol style="list-style-type: none"> <li>1. Track hours worked by program (Head Start or general fund programs).</li> <li>2. At the end of each payroll period, the employee will approve his/her timecard verifying the hours worked for each activity.</li> <li>3. After the employee has verified his/her hours and allocation of hours, the supervisor for each employee will also approve the timesheet.</li> <li>4. A report will be generated and shared with the Controller’s Office team to appropriately allocate payroll costs after the approvals have been completed.</li> </ol> <p>The Controller’s Office will journal voucher the personnel expenses accordingly.</p> <p><i>Person(s) responsible for implementing:</i> Dr. Al Martinez, Director of Denver Great Kids Head Start.</p> <p><i>Implementation date:</i> July 1, 2014.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
2013-009	<p><b>Finding:</b> Eligibility - 90 Day Reviews</p> <p><b>CFDA No. 93.658 - Foster Care - Title IV-E</b> <b>Department of Health and Human Services, Award Number - None Provided, Award Year 2013</b></p> <p><b>Passed-through Colorado Department of Human Services</b></p> <p><b>Criteria or specific requirement:</b> In accordance with the State plan, as part of providing services to eligible children in the Foster Care System, 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).</p> <p><b>Condition:</b> We noted the following issues in our testing:</p> <ol style="list-style-type: none"><li>1. Two instances in which a 90-day review did not occur timely within the 90-day time frame. The delay for completion in our testing ranged from 10 days late to 14 days late.</li><li>2. One instance in which a 90-day review was not completed at all during the six months that Denver Department of Human Services (DDHS) had custody.</li></ol> <p>In addition to the above errors identified in our testing, we noted in our review of internal controls that although DDHS has tools in place that are designed effectively to monitor the completion of the 90-day reviews they are not being utilized effectively by staff and several additional overdue reviews were noted.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested 40 case files of individuals receiving foster care assistance for the year ended December 31, 2013 and noted the issues above.</p> <p><b>Cause:</b> The TRAILS system is supposed to provide alerts to caseworkers and supervisors for 90-day reviews. In addition, 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. This interface documents upcoming and overdue 90-day reviews. We determined that not all of the supervisors are utilizing the WMS tool or completing the reviews in the required timeframe.</p> <p><b>Effect:</b> 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.</p> <p><b>Recommendation:</b> 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. In addition, we recommend management be advised monthly of all 90-day reviews not completed timely and all overdue 90-day reviews.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. The Protection and Prevention Division began intensive efforts in 2013 to evaluate business practices related to 90-day reviews. These efforts included: Enhancements to WMS, which is interfaced with TRAILS, to help supervisors track due dates for 90-day reviews which are assigned to them. A Rapid Improvement Event occurred in November 2013 to ensure compliance with Volume 7 requirements for the 90-day review by creating Standard Work. Lastly, a 90-day review monthly score report has been developed allowing the supervisors access to the monthly Administrative Review Division (ARD) results.

A team has been identified to work on recommendations to align the processes of (90-day review, VOICES - Value of Individual Community and Engagement Services, Service Authorization, and ARD). The first meeting is March 19, 2014 with a target improvement date of June 1, 2014. Currently the supervisors will continue to review the monthly 90-day compliance report and they will receive year-end data to assist in the evaluation of trends and gaps. Caseworkers as well as supervisors are now receiving a task in WMS which identifies reminders to complete upcoming 90-day reviews. As new supervisors are hired onto child/youth services teams, they will be trained in WMS and the various means of tracking the due dates for 90-day reviews. Progress toward improvement will be measured by TRAILS results, ARD results and targeted review findings.

*Person(s) responsible for implementing:* Erin Stremming, Youth Services Administrator; and Jude Liguori-Oliver, Child Protection Administrator.

*Implementation date:* June 1, 2014.



**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
2013-010	<p><b>Finding:</b> Level of Effort - Maintenance of Effort</p> <p><b>CFDA No. 93.914 - HIV Emergency Relief Project Grants</b>  <b>Department of Health and Human Services, Award Number - 2 H89HA00027-19-00,</b>  <b>Award Year - 2012</b>  <b>Department of Health and Human Services, Award Number - 2 H89HA00027-20-00,</b>  <b>Award Year - 2013</b></p> <p><b>Criteria:</b> According to 42 USC 300ff-15(a)(1)(B) and (C), the political subdivision within the eligible metropolitan area is required to maintain its level of expenditures for HIV-related services to individuals with HIV disease at a level equal to its level of such expenditures for the preceding fiscal year. Additionally, political subdivisions within the eligible metropolitan area may not use funds received under the HIV grants to maintain the required level of HIV-related services.</p> <p><b>Condition:</b> The Denver Office of HIV Resources does not have a sufficient process in place to identify and communicate with the awarding agency when difficulty meeting such requirements occur.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> In reviewing the Maintenance of Effort table submitted to the Department of Health and Human Services as part of the annual grant application, we noted that in a previous year (2012), the level of general funds were less than the expenditures for the preceding fiscal year.</p> <p><b>Effect:</b> Failure to implement controls to ensure compliance with this requirement could impact future funding levels.</p> <p><b>Cause:</b> The Denver Office of HIV Resources received funding back from one of its subrecipients causing an unexpected reduction in expenditures in 2012.</p> <p><b>Recommendation:</b> We recommend that the Denver Office of HIV Resources develop a control within their monthly reporting process to identify and monitor non-federal (general) fund expenditures maintenance of effort requirements and to help ensure that general fund allocations are at a level equal to or greater than the expenditures for the preceding fiscal year. Should a situation arise in which the requirement can not be met a formal waiver should be requested from the awarding agency.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><i>Response:</i> We agree with the finding. A reporting system is already in place that monitors Denver Health &amp; Hospital Authority's (Denver Health) expenditures on a monthly basis particularly for public health services that are contracted by the City. A copy of this report will be forwarded to the Denver Office of HIV Resources for review to monitor general fund expenditures and determine appropriate level of funding is being used for the HIV/AIDS at Denver Health. Additionally, the Denver Office of HIV Resources will work with Denver's negotiating team to include a provision in the A-3 appendix of its Operating Agreement that will require the HIV/AIDS clinic to expend their annual allocation by the end of the fiscal year. The Operating Agreement negotiations will start in May 2014 and will have the changes in by September 30th.</p> <p><i>Person responsible for implementing:</i> Robin Valdez, Division Director - Community Health Division.</p> <p><i>Implementation date:</i> September 30, 2014.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Finding
2013-011	<p><b>Finding:</b> Reporting</p> <p><b>CFDA No. 93.914 - HIV Emergency Relief Project Grants</b>  <b>Department of Health and Human Services, Award Number - 2 H89HA00027-19-00,</b>  <b>Award Year - 2012</b></p> <p><b>Department of Health and Human Services, Award Number - 2 H89HA00027-20-00,</b>  <b>Award Year - 2013</b></p> <p><b>Criteria:</b> The U.S. Office of Management and Budget (OMB) Circular A-133, <i>Compliance Supplement</i>, requires that all reports for federal awards include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements.</p> <p><b>Condition:</b> Supporting documentation and a copy of the annual progress report actually submitted to the Department of Health and Human Services during the year could not be provided. Additionally, the Denver Office of HIV Resources was unable to provide evidence that reports were being reviewed prior to submission.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested the only annual progress report required to be submitted during the year noting the issues above.</p> <p><b>Effect:</b> Without supporting documentation there is no way to ascertain the validity of the information reported to the awarding agency.</p> <p><b>Cause:</b> The Denver Office of HIV Resources experienced turnover and the individual who compiled all reports and maintained supporting documentation is no longer with the City. A proper transition of information and/or back up of his files was not performed.</p> <p><b>Recommendation:</b> We recommend that a detailed review of reports be documented and performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report in a central database location that is not limited to one individual. In addition, close out procedures for employees leaving the employment of the City should include ensuring that all necessary information has been backed up and is available as needed.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><i>Response:</i> We agree with the finding. The Program Manager had provided the reports to the funder's electronic submission format as verified by HRSA's Program Officer. After the retirement of the Program Manager, the Division Director lacked sufficient system access to obtain a copy of the Annual Report which had been submitted on time as confirmed by HRSA's Project Officer. Going forward, a copy of the report and the related supporting documentation will be maintained on a shared drive for future access and there will be a documented review of the report.</p> <p><i>Person responsible for implementing:</i> Robin Valdez, Division Director - Community Health Division.</p> <p><i>Implementation date:</i> May 1, 2014.</p>

# City and County of Denver

## Summary Schedule of Prior Audit Findings

### Year Ended December 31, 2013

Reference Number	Summary of Finding	Status
2012-01	<p>Temporary Assistance for Needy Families (TANF) Cluster <i>Eligibility and Special Tests and Provisions - Income Eligibility and Verification System</i> - We recommend that DDHS continue to refine the Work Management System (WMS) 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 WMS 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.</p>	Not implemented. See current year finding at 2013-004.
2012-02	<p>Temporary Assistance for Needy Families (TANF) Cluster <i>Reporting</i> - We recommend that DDHS continue to develop WMS 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.</p>	Not implemented. See current year finding at 2013-004.
2012-03	<p>Child Care and Development Fund Cluster <i>Activities Allowed, Allowable Costs, and Reporting</i> - 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.</p>	Partially implemented. See current year finding at 2013-007.
2012-04	<p>Child Care and Development Fund Cluster <i>Activities Allowed, Allowable Costs, Eligibility, Period of Availability and Reporting</i> - 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.</p>	Not implemented. See current year finding at 2013-006 and 2013-007.

**City and County of Denver**  
**Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2013**

Reference Number	Summary of Finding	Status
2012-05	<p>Child Care and Development Fund Cluster</p> <p><i>Eligibility</i> - 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.</p>	Implemented.
2012-06	<p>Foster Care - Title IV-E</p> <p><i>Eligibility - 90-Day Reviews</i> - 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.</p>	Not implemented. See current year finding at 2013-009.
2012-07	<p>Medicaid Cluster (Medicaid; Title XIX)</p> <p><i>Eligibility</i> - We recommend that DDHS continue to refine WMS 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 WMS and the reviews should occur on a timely basis compared to case processing, such as prior to finalizing a case in CBMS.</p>	Implemented.
2012-08	<p>Medicaid Cluster (Medicaid; Title XIX)</p> <p><i>Reporting</i> - We recommend that DDHS continue to develop WMS 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.</p>	Implemented.