

City and County of Denver

Single Audit Reports

Year Ended December 31, 2016

City and County of Denver
Year Ended December 31, 2016

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City and County of Denver
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Department of Agriculture					
Child and Adult Care Food Program	Colorado Department of Public Health and Environment	13 FLA 50639	10.558	\$ 237,217	\$ -
Child Nutrition Cluster					
Summer Food Service Program for Children	Colorado Department of Education	16-78686	10.559	177,101	-
Subtotal Child Nutrition Cluster				<u>177,101</u>	<u>-</u>
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	9,391,232	-
Subtotal SNAP Cluster				<u>9,391,232</u>	<u>-</u>
Total Department of Agriculture				<u>9,805,550</u>	<u>-</u>
Department of Commerce					
Economic Development Cluster					
Economic Adjustment Assistance			11.307	745,408	-
Subtotal Economic Development Cluster				<u>745,408</u>	<u>-</u>
Total Department of Commerce				<u>745,408</u>	<u>-</u>
Department of Housing and Urban Development					
CDBG - Entitlement Cluster					
Community Development Block Grants/Entitlement Grants			14.218	13,532,556	3,087,045
Subtotal CDBG - Entitlement Cluster				<u>13,532,556</u>	<u>3,087,045</u>
Emergency Solutions Grant Program			14.231	557,712	538,773
HOME Investment Partnerships Program			14.239	2,142,764	481,051
Housing Opportunities for Persons with AIDS			14.241	1,524,412	1,511,385
Continuum of Care Program			14.267	4,123,922	4,005,085
Education and Outreach Initiatives			14.416	5,000	-
Total Department of Housing and Urban Development				<u>21,886,366</u>	<u>9,623,339</u>
Department of Interior					
Fish and Wildlife Cluster					
Sport Fish Restoration Program			15.605	76,000	-
Subtotal Fish and Wildlife Cluster				<u>76,000</u>	<u>-</u>
Migratory Bird Monitoring, Assessment and Conservation			15.655	15,898	-
Historic Preservation Fund Grants-In-Aid	State Historical Fund	None Provided	15.904	663	-
Total Department of Interior				<u>92,561</u>	<u>-</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Department of Justice					
Community-Based Violence Prevention Program			16.123	398,266	108,838
Missing Children's Assistance	Colorado Springs Police Department	2015-MC-FX-K030	16.543	1,892	-
Youth Gang Prevention			16.544	111,164	17,896
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	130,505	-
Crime Victim Assistance	Colorado Division of Criminal Justice	2015-VA-14-009003-02	16.575	73,412	-
		2015-VX-15-009546-02			
Crime Victim Compensation	Colorado Division of Criminal Justice	14-VC-2	16.576	800,000	-
Crime Victim Assistance/Discretionary Grants	Rocky Mountain Victim Law Center	None Provided	16.582	15,000	-
Violence Against Women Formula Grants	Colorado Division of Criminal Justice	2015-VW-14-008949-02	16.588	217,561	-
		2015-VW-14-009002-02			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	222,509	-
Community Capacity Development Office	Office of Justice Programs	2014AJBX0014	16.595	1,326	-
State Criminal Alien Assistance Program			16.606	500,000	-
Project Safe Neighborhoods			16.609	302,530	85,177
Public Safety Partnership and Community Policing Grants			16.710	13,718	-
Edward Byrne Memorial Justice Assistance Grant Program			16.738	610,317	116,096
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	2014-DJ-15-008754-01-1	16.738	293,915	-
	Colorado Department of Public Safety	2015-DJ-15-008689-03-2			
		2015-DJ-15-008702-03-2			
		2015-DJ-15-008602-06-2			
		2015-DJ-15-008651-07-2			
		2016-DJ-16-013512-03-2			
		2016-DJ-16-013928-03			
Subtotal CFDA 16.738				904,232	116,096
DNA Backlog Reduction Program			16.741	165,473	-
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	155,590	-
Criminal and Juvenile Justice and Mental Health Collaboration Program			16.745	(90,210)	-
Edward Byrne Memorial Competitive Grant Program			16.751	112,932	-
Second Chance Act Reentry Initiative			16.812	173,234	162,368
Byrne Criminal Justice Innovation Program			16.817	75,687	26,734
Justice Reinvestment Initiative			16.827	65,433	65,433
Equitable Sharing Program			16.922	855,948	-
Total Department of Justice				5,206,202	582,542

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Department of Labor					
Employment Service Cluster					
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	CMS#89945 CMS#54595	17.207	964,999	-
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	CMS#54595	17.801	28,000	-
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	CMS#54595	17.804	7,000	-
Subtotal Employment Services Cluster				999,999	-
Homeless Veterans Reintegration Project			17.805	1,636	-
WIA/WIOA Cluster					
WIA/WIOA Adult Program	Colorado Department of Labor and Employment	CMS#89945 CMS#54595	17.258	1,478,118	579,418
WIA/WIOA Youth Activities	Colorado Department of Labor and Employment	CMS#89945 CMS#54595	17.259	1,594,974	826,443
WIA/WIOA Dislocated Worker Formula Grants	Colorado Department of Labor and Employment	CMS#89945 CMS#54595	17.278	976,483	245,093
Subtotal WIA Cluster				4,049,575	1,650,954
Trade Adjustment Assistance	Colorado Department of Labor and Employment	CMS#38154 CMS#54595	17.245	5,489	-
WIA/WIOA Pilots, Demonstrations, and Research Projects			17.261	107,468	-
H-1B Job Training Grants			17.268	1,566,514	756,434
Reentry Employment Opportunities			17.270	5,880	-
Total Department of Labor				6,736,561	2,407,388
Department of Transportation					
Airport Improvement Program			20.106	4,910,645	-
Airport Improvement Program	Colorado Department of Transportation	None Provided	20.106	10,497	-
Subtotal CFDA 20.106				4,921,142	-
Highway Research and Development Program			20.200	100,000	-
Highway Planning and Construction Cluster					
Highway Planning and Construction	Colorado Department of Transportation Regional Transportation District Regional Air Quality Control DRCOG	SHE030A-031 ; AQC M320-085 (19634); AQC M320-105(21124); AQCM320-091(20300); AQCM320-090 (20235); BROM320-093(20556) STUM320-098(21118); STUM320-101(21120); TAPM320-102(21119); NHPP C010-114 (20414); BRO320-072(18375; BROM320-073(18436); NHPP2873-172(19957); SHEM320-087(19978); SHEM320-087(19980); STUM320-074(18453); AQCM320-081(19120); AQCM320-086; STUC010-108(18529); ITSC010-084(16587); AQCM320-076(18535); STEC010-109(18566); PO725, PO804; PO835	20.205	10,447,170	-
Subtotal Highway Planning and Construction Cluster				10,447,170	-

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Department of Transportation (continued)					
Highway Safety Cluster					
State and Community Highway Safety	Colorado Department of Transportation	PO411007051; PO411007047; PO411007128; PO411010546; PO411010666; PO411010603;	20.600	209,514	-
National Priority Safety Programs	Colorado Department of Transportation	PO411007046; PO411008815; PO471001001; PO421029729 ; PO421030071	20.616	292,535	-
Subtotal Highway Safety Cluster				502,049	-
Alternatives Analysis	Regional Transportation District	None Provided	20.522	193,721	-
Total Department of Transportation				16,164,082	-
National Foundation on the Arts and the Humanities					
National Leadership Grants	Colorado State Library	2015*0521	45.312	7,052	-
Total National Foundation on the Arts and the Humanities				7,052	-
Veterans Health Administration, Department Of Veterans Affairs					
VA Homeless Providers Grant and Per Diem Program			64.024	112,711	101,440
Total Veterans Health Administration, Department Of Veterans Affairs				112,711	101,440
Environmental Protection Agency					
State Indoor Radon Grants	Colorado Department of Public Health and Environment	PO FAAA 201700005085	66.032	774	-
Urban Waters Small Grants			66.440	32,154	-
Brownfields Assessment and Cleanup Cooperative Agreements			66.818	261,462	-
Total Environmental Protection Agency				294,390	-
Office Of Energy Efficiency And Renewable Energy, Department Of Energy					
Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office	None Provided	81.128	371,342	-
Total Office Of Energy Efficiency and Renewable Energy, Department of Energy				371,342	-
Department of Health and Human Services					
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO FJA EPR41886	93.069	28,756	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Colorado Department of Public Health and Environment	PO FJA EPR1341886 CT FAAA2016-2466	93.074	56,496	-
Guardianship Assistance	Colorado Department of Human Services	None Provided	93.090	69,681	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	None Provided	93.092	133,934	-
Injury Prevention and Control Research and State and Community Based Programs	Colorado Department of Public Health and Environment	None Provided	93.136	2,080	-

See accompanying notes to Schedule of Expenditures of Federal Awards

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Department of Health and Human Services (continued)					
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance			93.243	113,732	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	Colorado Department of Justice	1H79T1025036	93.243	67,794	-
Subtotal CFDA 93.243				181,526	-
Promoting Safe and Stable Families TANF Cluster	Colorado Department of Human Services	None Provided	93.556	383,713	-
Temporary Assistance for Needy Families Subtotal TANF Cluster	Colorado Department of Human Services	None Provided	93.558	22,723,970	-
				22,723,970	-
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	8,054,404	-
Child Support Enforcement Research	Colorado Department of Human Services	None Provided	93.564	19,042	-
Refugee and Entrant Assistance_State Administered Programs	Lutheran Family Services	None Provided	93.566	170,790	-
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	3,157,747	-
Community Services Block Grant	Colorado Department of Local Affairs	L15CSBG14	93.569	1,165,144	799,572
CCDF Cluster					
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	4,564,885	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	6,170,297	-
Subtotal Child Care and Development Cluster				10,735,182	-
Head Start			93.600	8,576,693	6,659,825
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	562,782	-
Adoption Opportunities	CO Kempe Foundation, University of Colorado	90CO1059-05-00	93.652	73,409	-
Foster Care_Title IV-E	Colorado Department of Human Services	None Provided	93.658	11,788,990	-
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,430,189	-
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	6,068,472	-
Child Abuse and Neglect Discretionary Activities	Colorado Department of Human Services	None Provided	93.670	66,030	-
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	178,909	-
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	Colorado Department of Public Health and Environment	2016-1349 17 FHHA 93317	93.753	33,205	-
Medicaid Cluster:					
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	9,470,502	-
Subtotal Medicaid Cluster				9,470,502	-
HIV Emergency Relief Project Grants			93.914	7,596,257	7,169,376
Block Grants for Community Mental Health Services	Colorado Department of Human Services	PO IHEA 73080	93.958	14,943	-
Block Grants for Prevention and Treatment of Substance Abuse	SSAMSA/CO Office of Behavioral Health	IHJA2015000213 IHJA2016000213	93.959	130,184	51,415
Total Department of Health and Human Services				94,873,030	14,680,188

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Restated Total Federal Expenditures	Passed Through to Subrecipients
Executive Office of the President					
High Intensity Drug Trafficking Areas Program			95.001	781,044	-
Total Executive Office of the President				<u>781,044</u>	<u>-</u>
Department of Homeland Security					
Hazard Mitigation Grant	Colorado Department of Public Safety Colorado Division of Homeland Security and Emergency Management	2014HMGP15DEN HMGP15_17	97.039	330,040	-
Emergency Management Performance Grants	Colorado Division of Homeland Security and Emergency Management	EMPG13_14 EMPG15_16	97.042	139,089	-
Assistance to Firefighters Grant			97.044	109,202	-
Homeland Security Grant Program	Colorado Division of Homeland Security and Emergency Management	15UASI16DEN 14UASI15DEN	97.067	2,587,909	-
Total Department of Homeland Security				<u>3,166,240</u>	<u>-</u>
Total Federal Expenditures				<u>\$ 160,242,539</u>	<u>\$ 27,394,897</u>

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award 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, 2016.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule 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) and Denver Urban Renewal Authority (DURA), discretely presented component units, which received \$309,531,056 and \$1,055,161, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2016.

(2) Basis of Accounting

Governmental funds and proprietary funds account for the City's federal grant activity. Amounts reported in the Schedule 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
Guardianship Assistance	93.090
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
Child Support Enforcement Research	93.564
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
Child Abuse and Neglect Discretionary Activities	93.670
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

The City's summary of significant accounting policies is presented in Note I in the City's basic financial statements. Such expenditures are recognized following, as applicable, the cost principles in OMB A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

(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 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 \$91,733,612, of which \$37,853,541 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, 2016

(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:

Neighborhood Development Loans:

14.218 - Community Development Block Grants/Entitlement Grants	\$ 16,844,940
Total Neighborhood Development Loans	16,844,940

Economic Development Loans:

14. Unknown	4,856,854
14.218 - Community Development Block Grants/Entitlement Grants	15,079,627
14.253 - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	1,398,981
Total Economic Development Loans	21,335,462

Section 108 Loans:

14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	8,227,181
Total Section 108 Loans	8,227,181

Housing Development Loans:

14. Unknown	30,589,468
14.218 - Community Development Block Grants/Entitlement Grants	8,455,662
14.239 - HOME Investment Partnerships Program	48,380,099
14.241 - Housing Opportunities for Persons with AIDS	1,981,604
14.256 - ARRA - Neighborhood Stabilization Program	13,467,651
Total Housing Development Loans	102,874,484

Total Office of Economic Development Loans	149,282,067
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Less Allowances:

Delinquent Loans	(13,014,425)
Forgivable Loans	(75,404,881)

Note Receivable, Net	\$ 60,862,761
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City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2016

(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 Community Development Block Grant_Section 108 Loan Guarantees program (CFDA 14.248) which are subject to continuing compliance requirements until project completion and acceptance. There were no outstanding balances subject to continuing compliance at December 31, 2016. There were no new loans during 2016; 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, 2016 was \$157,382 and the cash and investment balance in the loan revolving fund was \$330,035. There were no expenditures for 2016 administrative costs. There were \$257,991 of loan write-offs in 2016. There are no City match requirements.

(7) Indirect Costs

The City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, except for the following CFDA's (17.801, 17.804, 17.207, 17.258, 17.259 and 17.268) which elected to use a rate agreed on through the grant agreement or interagency agreement.

(8) Restatement

This Schedule has been restated due to the identification of additional expenditures under the Airport Improvement Program (CFDA 20.106) requiring the program to be considered a major program and tested as such. Changes from the previously issued Schedule include an increase in federal expenditures reported under CFDA 20.106 Airport Improvement Program from \$2,821,009 to \$4,921,142 along with an increase in total federal expenditures from \$158,142,406 to \$160,242,539, inclusion of the Airport Improvement Program as a major program in the Summary of Auditor's Results and revisions to finding 2016-003.

**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 City and County of Denver (the City), as of and for the year ended December 31, 2016, 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 26, 2017. 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, Denver Union Station Project Authority, and Denver Preschool Program, Inc., presented as discretely presented component units, Gateway Village General Improvement District, which is included as a blended component unit, and the Denver Employee Retirement Plan, a fiduciary component unit and the Deferred Compensation Plan, a fiduciary fund of the City, as described in our report of the City's financial statements. We also did not audit the financial statements of the Wastewater Management Enterprise Fund, an enterprise fund of the City, and which is included in the business-type activities and as a major enterprise fund. 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 report on separately by those auditors. The financial statements of Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, and Denver Preschool Program, Inc., component units included in the financial statements of the aggregate discretely presented component units, 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 of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003 to be material weaknesses.

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 26, 2017.

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 26, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Audit Committee
City and County of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City and County of Denver's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA) and Denver Urban Renewal Authority (DURA), discretely presented component units, which received \$309,531,056 and \$1,055,161, respectively, in federal awards which are not included in the schedule during the year ended December 31, 2016. Our audit below did not include the operations of DUSPA and DURA because DUSPA and DURA obtained separate audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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.

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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 TANF Cluster

As described in item 2016-005 in the accompanying schedule of findings and questioned costs, the City did not comply with eligibility, reporting and special tests and provisions – penalty for failure to comply with work verification plan requirements for its TANF Cluster program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Qualified Opinion on TANF Cluster

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 the TANF Cluster for the year ended December 31, 2016.

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, 2016.

Other Matter

This report is replacing a previously issued report dated July 6, 2017 due to the identification of additional expenditures under the Airport Improvement Program (CFDA 20.106) requiring the program to be considered a major program and tested as such. Changes from the previously issued report include an increase in federal expenditures reported under CFDA 20.106 Airport Improvement Program along with an increase in total federal expenditures, inclusion of the Airport Improvement Program as a major program in the Summary of Auditor's Results, and revisions to finding 2016-003.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-005 to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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.

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

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

We have audited the financial statements of 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 26, 2017, which contained unmodified opinion on those financial statements. Our audit was conducted 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 the Uniform Guidance 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

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of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 6, 2017, except for the Other Matter paragraph of the Report on Compliance for Each Major Federal Program and Note 8 of the Schedule of Expenditures of Federal Awards as to which the date is July 16, 2018.

City and County of Denver
Schedule of Findings and Questioned Costs – As Restated
Year Ended December 31, 2016

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor’s report on internal control over financial reporting disclosed:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor’s report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

5. The opinion expressed in the independent auditor’s report on compliance for major federal award program was:
 Unmodified Qualified Adverse Disclaimer
Unmodified for all major programs except for TANF Cluster which is qualified.

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

7. Identification of major programs (as restated):

CFDA Number	Name of Federal Program or Cluster
10.561	SNAP Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster
93.558	TANF Cluster
93.563	Child Support Enforcement
93.667	Social Services Block Grant
93.778	Medicaid Cluster
97.067	Homeland Security Grant Program

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

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

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

Section II – Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2016-001	<p>Finding: Cash Management</p> <p>Criteria or Specific Requirement: An effective financial reporting system is an important component of an internal control system that helps ensure transactions are recorded accurately and timely, thereby providing accurate financial data. Denver International Airport (the Airport) is responsible for establishing and maintaining effective internal controls over financial reporting. Specifically, the Airport should have controls in place to ensure the Airport's cash balances reconcile to the City Treasury's pooled cash balances to prevent and detect a material misstatement in the financial statements in a timely manner.</p> <p>Condition: The City and County of Denver (CCD) and the Airport have separate and partially integrated financial systems; CCD uses PeopleSoft and the Airport employs AMS. AMS is considered the Airport's financial book of record. The CCD Controller's department performs a monthly reconciliation of the PeopleSoft cash accounts to the respective bank statements. Accordingly, CCD's PeopleSoft system is considered the book of record for Airport cash.</p> <p>During the audit, it was discovered that the Airport was not properly recording cash wires received. Identification of the cash amounts recorded in the Airport's general ledger did not reconcile to the cash balances maintained and recorded on the City Treasury's general ledger throughout 2016. Cash recorded in the Airport's ledger was approximately \$1.3 million higher than the City Treasury's balance.</p> <p>Effect: Multiple entries were proposed and recorded to correct cash balances in the Airport's general ledger to reconcile to the City Treasury balance.</p> <p>Cause: Airport accounting performs a reconciliation of cash balances between AMS and PeopleSoft monthly. Historically, unidentified reconciling items have been classified by the Airport as timing issues and carried forward monthly. In the prior year, these unidentified reconciling items between the two systems had not risen to a material balance.</p> <p>(A) Cash wires received for management of the Airport's hotel were transferred monthly to the City Treasury's cash pool. During 2016, Airport management discovered that the Airport Accounts Receivable - Collections department would record the cash received and credit revenue instead of accounts receivable. The Airport's General Accounting - Fixed Assets department, also recorded corresponding revenue and expense activity each month in addition to overall changes in hotel-specific account balances as reported by hotel operations management. This resulted in the double-entry of revenue associated with monthly hotel operations. When Airport management discovered this, they reversed the cash and revenue entries recorded by the accounts receivable department, which eliminated the additional revenue but also eliminated the corresponding cash receipt, thereby understating cash. As 2016 progressed, the general ledger accounting group continued to record accounts receivable from the hotel operations management group. Because cash was not being applied to relieve the accounts receivable balance, this resulted in a growing receivable balance of \$13.6 million at December 31, 2016. Also, monthly differences between the City Treasury's balance for cash and the Airport's balance continued to occur, resulting in an accumulated understatement of \$13.6 million between the two entities.</p> <p>(B) Cash wires received for sales of Stapleton land were recorded by the Airport twice - once by Accounts Receivable - Collections to record the cash received and once by General Accounting - Fixed Assets as part of the entry for the sale of land. Therefore cash was overstated by the amount of the sale, approximately \$12.1 million.</p> <p>(C) During 2016, variance differences in cash between the City Treasury and the Airport were tracked; however, correcting entries were not made by Airport accounting to adjust for these differences.</p>

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

Reference Number	Finding
	<p>Identification as a Repeat Finding: Not applicable.</p> <p>Recommendation: We recommend departments within Airport accounting communicate on applicable transactions to help ensure transactions are not being double recorded. Additionally, the Airport should prioritize the identification and timely correction of variances identified each month between the City Treasury's general ledger and the Airport's general ledger. We also recommend the Airport continue implementation of a training program to cross-train accounting employees on the process of reconciling cash balances to the City Treasury as well as each department's roles and responsibilities within the accounting cycle.</p> <p>Views of Responsible Officials: The City agrees with the finding. See separate auditee document for planned corrective actions.</p>

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-002	<p>Finding: Financial Reporting</p> <p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Documented accounting policies and procedures should be available to all employees that outline all employees' responsibilities, including cross checks and performance of reviews, involved in preparing accurate accounting data and financial information for interim and year-end financial statements.</p> <p>Condition: During the 2016 audit, a number of variances between account balances and supporting documentation provided were identified. In the aggregate, the variances identified below could be indicative of a larger internal control issue. The following conditions were noted:</p> <ul style="list-style-type: none"> (1) Recorded Audit Adjustments: <ul style="list-style-type: none"> • Deferred loss on refunding on 2016A Bond transaction was not recorded properly (\$3.0 million) • Adjustment to vouchers payable in the amount of (\$0.1 million) • Elimination of 2015 airline credit true-ups that were not properly reversed (\$4.6 million) • Entry to correct duplication of accrued interest receivable / payable associated with the interest rate swaps (\$2.6 million) (2) Proposed Audit Adjustments Waived by management <p>Effect: As outlined above, there were proposed audit adjustments recorded, other proposed audit adjustments waived by management and other variances identified. Without having updated procedures or formal training, employees may be unaware of their responsibilities or others' responsibilities, which can create a situation where errors occur and go undetected.</p> <p>Cause: The Airport had not updated formal accounting policies for several years. During 2016, there were errors and omissions throughout the year, which resulted in adjusting entries to be proposed. In addition, there was turnover in several accounting positions during the year. Without updated procedures and a lack of cross-training of other accounting personnel, there was little guidance for the current and new accounting staff to follow to ensure all processes and procedures were addressed throughout the year and at year-end.</p> <p>Identification as a Repeat Finding: Not applicable.</p> <p>Recommendation: We recommend that the Airport continue to develop and complete written policies and procedures documenting all accounting employees' roles and responsibilities in relation to accounting procedures, as well as audit workpaper preparation. This will become especially important as the Airport transitions to a new financial accounting system during 2017. We also recommend the Airport continue implementation of a training program to cross-train accounting employees on the roles and responsibilities within the accounting and financial reporting cycles, including a more robust review process of transactions across all departments where certain transactions affect more than department within Airport accounting.</p> <p>Views of Responsible Officials: We agree with the finding. See separate auditee document for planned corrective actions.</p>

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-003	<p>Finding: Schedule of Expenditures of Federal Awards Preparation</p> <p>Criteria or Specific Requirement: In accordance with 2 Part 200.510, auditees receiving federal funds must prepare an annual Schedule of Expenditure of Federal Awards (SEFA) detailing the value and type of federal assistance received each year. The federal Office of Management and Budget issues instructions on how to prepare this schedule. Key information to be reported includes the catalog of federal domestic assistance (CFDA) number provided in the federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the City and County of Denver, the SEFA is prepared by the Controller's Office based on information from the accounting system and additional information provided by the various departments receiving federal funds.</p> <p>Context: A) One grant within the Highway Planning and Construction Cluster incorrectly included \$5.5 million of expenditures on the SEFA. Total expenditures of \$15.8 million originally reported for the Highway Planning and Construction Cluster were reduced by \$5.5 million to bring the final expenditures total for the cluster to \$10.3 million for the year ended December 31, 2016. B) Total expenditures of \$2.8 million originally reported for the Airport Improvement Program were increased by \$2.1 million to bring the final expenditures total for the program to \$4.9 million for the year ended December 31, 2016.</p> <p>Effect: The federal government and pass-through entities rely on the SEFA information to be reported accurately. In addition, accurate SEFA information is relied upon by the auditors in order to perform the major program determination utilized to select the federal programs subjected to single audit procedures. Condition A above resulted in an additional major program being selected to meet coverage requirements very late in the audit process. Condition B above resulted in the reissuance of the City's 2016 Single Audit Report for restatement of the SEFA and inclusion of the Airport Improvement Program as a major program.</p> <p>Cause: Grant management at the City is decentralized and thus departments are responsible for providing the required information to the City's Controller's Office to facilitate the preparation of the SEFA. A) The Department of Public Works was relying on a series of Excel spreadsheets prepared by department accounting staff to track federal expenditures which were not being periodically reconciled to the general ledger. A detailed review was not completed over these spreadsheets to help ensure accuracy. B) The amounts provided by Airport personnel included only amounts that had been requested for reimbursement rather than total actual expenditures incurred.</p> <p>Identification as a Repeat Finding: Not applicable.</p>

City and County of Denver
Schedule of Findings and Questioned Costs –As Restated – (continued)
Year Ended December 31, 2016

Reference Number	Finding
	<p>Recommendation: A) We recommend that a more automated system of tracking federal expenditures be implemented, to the extent possible, such as utilizing the general ledger system combined with unique grant identifiers. The new WorkDay system implementation may provide some opportunities for improvement. If Excel spreadsheets continue to be used for the tracking of federal expenditures, the spreadsheets should be reconciled to the general ledger on a regular basis and a detailed supervisor review should be performed. In addition, the Department of Public Works should consider designating a grant manager to oversee all compliance related functions within the department, including the accumulation of total federal expenditures. B) We recommend that all expenditures be identified and reconciled to the general ledger and reported on the SEFA for the Airport Improvement Program.</p> <p>Views of Responsible Officials: A) The Department of Public Works agree with the finding. See separate report for planned corrective actions.</p> <p>B) The Airport understands the City reports on an accrual basis for the Schedule of Expenditures of Federal Awards (SEFA) and has agreed to the appropriate adjustments for the year ended December 31, 2016 but believes there is inconsistency in industry practice and is seeking guidance from the Federal Aviation Administration (FAA) to support continuing to report expenditures as described in the cause above.</p> <p>Auditor's Response: We believe the Airport's suggested approach is not an option under the AICPA Government Auditing Standards and Single Audits - Clarified Chapter 7.07 <i>Basis of Accounting</i> and 2 Part 200.502 <i>Basis for Determining Federal Awards Expended</i>, which indicates the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: Expenditure/expense transactions associated with awards including grants. We believe the options available are the accrual basis as expenditures are incurred or cash basis when expenditures are paid. The FAA request for reimbursement and approval process is irrelevant to the reporting of expenditures on the SEFA.</p>

City and County of Denver
Schedule of Findings and Questioned Costs – (continued)
Year Ended December 31, 2016

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2016-004	<p>Finding: Special Tests and Provisions - EBT Card Security</p> <p>CFDA No. 10.561 SNAP Cluster Department of Agriculture, Award Number - None Provided, Award Year 2016 Passed-through Colorado Department of Human Services</p> <p>Criteria: 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 by at least two people who do not have card issuance access and that the destruction log be signed within one business day of cards being received. In response to the state requirements, Denver Department of Human Services (DDHS) has implemented policy 1505-472 and procedure 0801-024-A which requires that the related destruction forms be reviewed and initialed by a supervisor.</p> <p>Condition: The EBT destruction logs were not initialed by the EBT Supervisor, as required by DDHS policy, for 13 for the 25 days tested.</p> <p>Questioned Costs: None.</p> <p>Context: We tested 25 days of destruction logs from the business days of calendar year 2016 from all three DDHS locations where EBT cards are issued and noted the issue described above. A non-statistical sampling methodology was used to select the sample.</p> <p>Effect: DDHS internal controls over EBT card destruction is not operating as designed by internal policies and procedures.</p> <p>Cause: The destruction log form approved by the state does not include a line for EBT Supervisor initials. In addition, throughout the year DDHS received conflicting information about what signature documentation was required on the destruction log. The combination of these two items resulted in inconsistent practices among EBT supervisors.</p> <p>Identification as a Repeat Finding: Not applicable.</p> <p>Recommendation: We recommend that DDHS evaluate their policies and procedures regarding EBT Card Security in order to better align their internal guidance with state requirements. To further this process, we recommend acquiring from the state, guidance on the necessary procedures to complete daily destruction logs, and updated destruction log form templates, if applicable. This refinement will allow for more consistent procedures and more efficient processing of daily destruction logs.</p> <p>Views of Responsible Officials: We agree with the finding. See separate report for planned corrective actions.</p>

City and County of Denver
Schedule of Findings and Questioned Costs – (continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-005	<p>Finding: Eligibility, Reporting and Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan</p> <p>CFDA No. 93.558 - TANF Cluster Department of Health and Human Services, Award Number - None Provided, Award Year 2016 Passed-through Colorado Department of Human Services</p> <p>Criteria: Denver Department of Human Services (DDHS) is required to investigate and verify information on applications and redeterminations, as part of determining eligibility. DDHS is also required to process applications and redeterminations for benefits timely and ensure that benefits are only issued for periods of eligibility. Information obtained from clients should be input into Colorado Benefit 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. Finally, 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 TCW-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. Portions of the reviews are the responsibility of the Workforce Team (Office of Economic Development (OED) and/or ResCare).</p> <p>Condition: We noted the following issues in the 60 cases tested (some items in sample have multiple items listed). The dollar effect, if any, is listed after each item.</p> <ol style="list-style-type: none"> 1. Twenty-four instances in which there was no documentation that the client was participating in an eligible work activity (\$42,466) 2. Five instances in which there was no documentation that the participant completed an Initial Assessment (questioned costs included in number 1 above) 3. Four instances in which documentation of the initial case interview could not be provided (\$7,514) 4. Four instances in which either the Initial Assessment or Individual Responsibility Contract (IRC) were not completed 5. One instance in which an eligible member of the assistance unit was not included within CBMS (questioned cost cannot be determined) 6. Two instances in which case was incorrectly closed or not closed timely (questioned cost cannot be determined) 7. Ten instances in which there was inaccuracy of information between case file and CBMS (\$0) 8. Three instances in which the case reviews were not completed by the Workforce Team (OED or ResCare) in compliance with county and state policies. In addition, issues identified in case reviews occurring after the ResCare transition effective July 1, 2016, were not documented as resolved (\$0) <p>Questioned Costs: Overpayments of \$49,980. Questioned costs were determined by reviewing the 2016 payments that occurred for the periods effected by the above issues.</p> <p>Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2016 and noted the issues described above. The tested population covered benefits issued of \$167,898. The total population included benefits issued of approximately \$15.1 million to approximately 7,000 individuals. In addition, we tested 60 case file reviews of the approximately 1,200 identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2016 and noted the issues described above. A non-statistical sampling methodology was used to select the sample.</p> <p>Effect: The state’s CBMS system may be determining eligibility and allocating benefits based on incorrect, incomplete, or outdated data. Ultimately, by not having the appropriate controls in place regarding the above requirements, benefits could be provided to ineligible applicants, denied to eligible applicants, or benefits paid for an ineligible period or an incorrect amount.</p>

City and County of Denver
Schedule of Findings and Questioned Costs – (continued)
Year Ended December 31, 2016

**Reference
Number**

Finding

Cause: Controls over eligibility and reporting were not sufficiently operating during the year primarily due to the transition of responsibilities between the Office of Economic Development (OED) and ResCare. Subsequent to the transition, ResCare experienced significant staffing issues and turnover. Case reviews identified many of the issues described above, however, no documentation of issue resolution was available to help ensure similar errors were not repeated. While DDHS utilizes the workflow management system (WMS) for tracking and monitoring of case reviews, as this is an internally developed system for DDHS it is not available to the Workforce team. As such, the Workforce Team began tracking and completing case reviews using an Excel spreadsheet at the point of transition. This spreadsheet is maintained and reviewed by a limited number of OED and ResCare employees and due to the limited functionality of Excel this process is very manual and did not incorporate issue resolution documentation.

Identification as a Repeat Finding: See 2015-004, 2015-005, 2014-007 and 2014-008.

Recommendation: We recommend that the Workforce Team continue to work through the transitional issues by ensuring that adequate controls are in place and adequate training is provided. Until issues have been corrected additional monitoring may be required beyond those cases selected by CDHS. We recommend that the case review tool be enhanced to include the ability to follow up on identified issues and training needs. Finally, we recommend that the DDHS eligibility team continue the use and monitoring of case reviews within WMS to help identify potential areas for additional training and work with the Workforce Team as they continue to develop a similar tracking and monitoring system.

Views of Responsible Officials: We agree with the finding. See separate report for planned corrective actions.

City and County of Denver

Status of Prior Audit Findings

Year Ended December 31, 2016

Reference Number	Summary of Finding	Status
2015-001	<p><i>DIA - Accounting for Capital Assets</i> - As the remainder of the Hotel and Transit Center project is placed into service in 2016 and additional costs are incurred in completion of the project, we recommend management continue to challenge the costs assigned to the discrete assets are proper. As the Airport System enters into future high-profile projects which involve multiple assets being constructed from multiple funding sources and multiple contractors, we recommend Airport System accounting personnel work with project management teams from inception to develop tracking mechanisms, which are useful for both program financial assurance and financial reporting. As significant decisions are made by management, in these future projects, we recommend documentation be maintained of those decisions. This may prevent significant work on the back end of the project in segregating individual assets, as well as help to ensure that assets are reported using an appropriate level of detail in the future.</p> <p>Additionally, we recommend the Municipal Airport System continue to update its written policies and procedures for activity related to construction projects. Such updated policies and procedures will also help the Municipal Airport System continue to be accountable to public, to make sure that transactions are processed consistently and to identify potential conflicts of interest.</p>	Implemented
2015-002	<p><i>Accounting and Financial Reporting for Capital Assets</i> - We recommend that management review both new capital asset classification and the classification on existing capital asset inventories to ensure that all capital assets are recorded in the most appropriate category.</p> <p>In addition, we recommend that management review controls over how construction-in-progress is recorded, monitored, and removed from the construction-in-progress ledger as items are placed into service. Management should also review controls over recording capital assets in general, including a robust review of capital asset-related journal entries and key spreadsheets.</p> <p>Finally, we recommend additional training be provided to relevant staff in order to ensure that all capital assets are recorded in accordance with City policies.</p>	Implemented
2015-003	<p><i>Continuum of Care Program - Subrecipient Monitoring</i> - We recommend that DDHS develop a process to track and review single audit reports received by subrecipients to ensure that findings are identified timely, that management decisions are issued and that follow up occurs to determine that appropriate action was taken.</p>	Implemented
2015-004	<p><i>TANF Cluster - Eligibility</i> - We recommend that DDHS continue striving for 100% completion and timeliness related to case reviews. This could be accomplished through the establishment of specific days each month for supervisor completion of required case review days and monitoring of results within the Work Management System (WMS). In addition, with the changes in structure related to the OED portion of the program, we recommend that DDHS add specific compliance and oversight requirements into the contract with the new third-party-administrator performing assistance with the workforce requirements of Colorado Works. This contract should specify the responsibilities of the third-party-administrator and detail if they will be held responsible for compliance and timeliness requirements. In addition, we recommend that DDHS streamline the intake interview and workforce assessment into back to back appointments rather than requiring the client to come to the office on multiple visits, as this will help ensure clients are able to attend all required appointments and participate in eligible work activities.</p>	Not Implemented. See current year finding at 2016-005. See auditee document for planned corrective actions and summary schedule of prior audit findings.

City and County of Denver
Status of Prior Audit Findings (continued)
Year Ended December 31, 2016

Reference Number	Summary of Finding	Status
2015-005	<i>TANF Cluster - Special Tests and Provisions: Penalty for Failure to Comply with Work Verification Plan</i> - We recommend that DDHS continue to monitor case reviews on a weekly and monthly basis prior to month-end to ensure that the review of all cases selected for Work Participation Rate review occurs timely.	Partially Implemented. See current year finding at 2016-005. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2015-006	<i>CCDF Cluster - Reporting</i> - We recommend DDHS continue to perform case reviews on a monthly basis and analyze trends from the results to identify areas of concern. In addition, we recommend DDHS continue on-going training for case workers that emphasizes the importance of accuracy of information between case files and CHATS.	Implemented
2015-007	<i>Adoption Assistance - Title IV-E - Special Tests and Provisions</i> - We recommend that DDHS work to develop a report using Work Management System (WMS) or other internal resources to pull the listing of required renewals to be completed until the state can correct reporting issues related to the TRAILS report. We also recommend the TRAILS report be pulled, at a minimum, once a year to help ensure all cases requiring renewal are captured, once the report is determined to be reliable.	Implemented