

City and County of Denver

Single Audit Reports

Year Ended December 31, 2014

City and County of Denver
Year Ended December 31, 2014

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City and County of Denver
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Agriculture				
Child and Adult Care Food Program	Colorado Department of Public Health	None Provided	10.558	\$ 180,694
Child Nutrition Cluster				
Summer Food Service Program for Children	Colorado Department of Education	None Provided	10.559	<u>130,262</u>
Subtotal Child Nutrition Cluster				<u>130,262</u>
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	<u>9,089,972</u>
Subtotal SNAP Cluster				<u>9,089,972</u>
Cooperative Forestry Assistance	Colorado State Forest Service	None Provided	10.664	<u>66,216</u>
Total Department of Agriculture				<u>9,467,144</u>
Department of Commerce				
Economic Development Cluster				
Economic Adjustment Assistance			11.307	<u>588,866</u>
Subtotal Economic Development Cluster				<u>588,866</u>
Total Department of Commerce				<u>588,866</u>
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants			14.218	<u>16,007,165</u>
Subtotal CDBG - Entitlement Grants Cluster				<u>16,007,165</u>
Emergency Solutions Grant Program			14.231	549,955
HOME Investment Partnerships Program			14.239	4,371,356
Housing Opportunities for Persons with AIDS			14.241	1,271,650
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants			14.251	157,584
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)			14.256	73,000
Continuum of Care Program			14.267	2,708,299
Education and Outreach Initiatives			14.416	5,000
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants			14.704	744,508
Lead-Based Paint Hazard Control in Privately-Owned Housing			14.900	<u>422,593</u>
Total Department of Housing and Urban Development				<u>26,311,110</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Interior				
Fish and Wildlife Cluster				
Sport Fish Restoration Program	Colorado Department of Natural Resources	12-FIF-39306	15.605	23,793
Subtotal Fish and Wildlife Cluster				<u>23,793</u>
Historic Preservation Fund Grants-In-Aid	Colorado Historical Society	CO-13-013	15.904	<u>25,000</u>
Total Department of Interior				<u>48,793</u>
Department of Justice				
Community-Based Violence Prevention Program			16.123	505,809
Enhanced Training and Services to End Violence and Abuse of Women Later in Life			16.528	65,812
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	430,637
Crime Victim Assistance	Colorado Department of Public Safety	13-VA-2-14	16.575	61,245
Crime Victim Compensation	Colorado Division of Criminal Justice	12-VC-2 & 13-VC-2	16.576	620,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs			16.580	8,230
Crime Victim Assistance/Discretionary Grants	Rocky Mountain Victim Law Center	None Provided	16.582	3,000
Drug Court Discretionary Grant Program			16.585	196,061
Violence Against Women Formula Grants	Colorado Division of Criminal Justice & Colorado Department of Public Safety	12-VW-2-6 & 12-VW-2-25	16.588	213,156
State Criminal Alien Assistance Program			16.606	500,000
Public Safety Partnership and Community Policing Grants			16.710	180,699
Public Safety Partnership and Community Policing Grants	Colorado Association of Chief of Police	None Provided	16.710	32,500
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program			16.738	297,581
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	2013-DJ-BX-0027 2014-DJ-BX-0792 2014DJ14-003374- 031	16.738	52,255
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	Colorado Division of Criminal Justice	2014-DJ-BX-0792	16.803	<u>11,136</u>
Subtotal JAG Program Cluster				<u>360,972</u>
DNA Backlog Reduction Program			16.741	235,409

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Justice (continued)				
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	1,807
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	13-DN-01-11-1	16.742	11,825
Criminal and Juvenile Justice and Mental Health Collaboration Program			16.745	61,108
Second Chance Act Reentry Initiative			16.812	214,246
Equitable Sharing Program			16.922	821,128
Total Department of Justice				<u>4,523,644</u>
Department of Labor				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor & Employment	CMS#38154 CMS#54595	17.207	1,444,494
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor & Employment	CMS#54595	17.801	41,124
Local Veterans' Employment Representative Program	Colorado Department of Labor & Employment	CMS#54595	17.804	7,806
Subtotal Employment Services Cluster				<u>1,493,424</u>
Veterans' Employment Program	Colorado Department of Labor & Employment	CMS#38154 CMS#54595	17.802	23,762
Homeless Veterans Reintegration Project			17.805	123,920
WIA Cluster				
WIA Adult Program	Colorado Department of Labor & Employment	CMS#38154 CMS#54595	17.258	2,163,493
WIA Youth Activities	Colorado Department of Labor & Employment	CMS#38154 CMS#54595	17.259	1,568,103
WIA Dislocated Workers Formula Grants	Colorado Department of Labor & Employment;	CMS#38154 CMS#54595	17.278	1,333,497
Subtotal WIA Cluster				<u>5,065,093</u>
Trade Adjustment Assistance	Colorado Department of Labor & Employment;	CMS#54595	17.245	7,680
H-1B Job Training Grants			17.268	8,165
H-1B Job Training Grants	Colorado Department of Labor & Employment	CMS#38154	17.268	29,630
Reintegration of Ex-Offenders			17.270	402,048
Workforce Investment Act (WIA) National Emergency Grants	Colorado Department of Labor & Employment	CMS#38154	17.277	45,886
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	Colorado Department of Labor & Employment	CMS#38154	17.282	67,163
Total Department of Labor				<u>7,266,771</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Transportation				
Airport Improvement Program			20.106	15,811,153
Airport Improvement Program	Colorado Department of Transportation	None Provided	20.106	3,832,955
Highway Planning and Construction Cluster				
Highway Planning and Construction	Colorado Department of Transportation & Regional Transportation District & Regional Air Quality Control & DRCOG	STU M320-058 (16749), AQC C010-081 (16070), STU M320-060 (16952), AQC 002A-002 (17515), STE 0252- 411 (17954), STE C010-109 (18566), AQC 320-076 (18535), STU C010-108 (18529), BRO M320-072 (18375), TRG M320-077 (18857), AQC M320-078 (18873), SHE M320-080 (19118), AQC M320-082 (19320), SHE C010-112 (19726), NHPP 2873-12 (19957), AQC M320-086 (19977), D2010-ALTA-07002, 543013, None Provided	20.205	<u>17,271,737</u>
Subtotal Highway Planning and Construction Cluster				<u>17,271,737</u>
National Motor Carrier Safety	Colorado State Patrol	OERAASPMCS140015	20.218	39,369
Federal Transit Cluster				
Federal Transit_Formula Grants	Regional Transportation District	60032	20.507	<u>87,614</u>
Subtotal Federal Transit Cluster				<u>87,614</u>
Alternatives Analysis	Regional Transportation District	D2010-ALTA-07002	20.522	125,142
Highway Safety Cluster				
State And Community Highway Safety	Colorado Department of Transportation	PO211020254 & PO211020313 & PO211020309 & PO411003133 & PO411003142	20.600	298,362
State Traffic Safety Information System Improvement Grants	Colorado Department of Transportation	PO211020704	20.610	<u>58,470</u>
Subtotal Highway Safety Cluster				<u>356,832</u>
National Priority Safety Programs	Colorado Department of Transportation	PO411001241 & PO41101873 & PO411003146 & PO291001523	20.616	291,201
National Infrastructure Investments			20.933	<u>83,992</u>
Total Department of Transportation				<u>37,899,995</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Grants to Organizations and Individuals			45.024	7,500
National Leadership Grants			45.312	<u>1,108</u>
Total National Foundation on the Arts and the Humanities				<u>8,608</u>
Veterans Health Administration, Department of Veterans Affairs				
VA Homeless Providers Grant And Per Diem Program			64.024	<u>295,856</u>
Total Veterans Health Administration, Department of Veterans Affairs				<u>295,856</u>
Environmental Protection Agency				
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	10,126
Brownfields Assessment and Cleanup Cooperative Agreements			66.818	<u>456,263</u>
Total Environmental Protection Agency				<u>466,389</u>
Office of Energy Efficiency and Renewable Energy, Department of Energy				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office	None Provided	81.128	<u>476,479</u>
Total Office of Energy Efficiency and Renewable Energy, Department of Energy				<u>476,479</u>
National Archives & Records Administration				
National Historical Publications and Records Grants	Colorado Historical Records Advisory Board	NAR14-RC-10213-14	89.003	<u>2,400</u>
Total National Archives & Records Administration				<u>2,400</u>
Department of Health and Human Services				
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO FJA EPR 453963	93.069	43,250
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	14IHA59233 15IHA59233	93.092	122,272
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			93.243	207
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Colorado Department of Justice	1H79TI025036	93.243	146,382
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Connect for Health Colorado	None Provided	93.525	318,203
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	Denver Health and Hospital Authority	IU58DP003493-01	93.531	75,920
Promoting Safe and Stable Families	Colorado Department of Human Services	None Provided	93.556	411,649

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Health and Human Services (continued)				
TANF Cluster				
Temporary Assistance For Needy Families (TANF) State Programs	Colorado Department of Human Services	None Provided	93.558	28,144,433
Subtotal TANF Cluster				<u>28,144,433</u>
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	7,762,926
Refugee and Entrant Assistance_State Administered Programs	Lutheran Family Services	None Provided	93.566	145,782
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	4,781,374
Community Services Block Grant	Colorado Department of Local Affairs	L13CSBG13L14CSBG13	93.569	1,080,053
CCDF Cluster				
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	283,555
Child Care Mandatory and Matching Funds of The Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	<u>10,038,958</u>
Subtotal Child Care and Development Cluster				<u>10,322,513</u>
Head Start			93.600	8,066,117
Voting Access for Individuals with Disabilities_Grants to States			93.617	28,490
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	462,687
Adoption Opportunities			93.652	117,742
Adoption Opportunities	CO Kempe Foundation, University of Colorado	3-5-81927	93.652	94,566
Foster Care_Title IV-E	Colorado Department of Human Services	None Provided	93.658	8,429,054
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,561,941
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	4,364,291
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	194,929
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Colorado Department of Public Health and Environment	None Provided	93.758	10,000
Medicaid Cluster				
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	<u>7,542,587</u>
Subtotal Medicaid Cluster				<u>7,542,587</u>
HIV Emergency Relief Project Grants			93.914	7,315,715
National Bioterrorism Hospital Preparedness Program	Colorado Department of Public Health and Environment	PO FJA EPR1341886	93.889	<u>53,707</u>
Total Department of Health and Human Services				<u>93,596,790</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Corporation for National & Community Services				
AmeriCorps	Colorado Governor's Commission on Community Service	12AC133177 14AC133177	94.006	244,302
Total Corporation for National & Community				244,302
Executive Office of the President				
High Intensity Drug Trafficking Areas Program			95.001	845,884
Total Executive Office of the President				845,884
Department of Homeland Security				
Emergency Management Performance Grants	Colorado Department of Local Affairs & Colorado Department of Public Safety	12EM-13 -17 & 13EM-14-17	97.042	154,394
Assistance to Firefighters Grant			97.044	88,913
Homeland Security Grant Program	State of Colorado, Governor's Office of Homeland Security & Arapahoe County	11UASI12DEN 12UASI13DEN 13UASI14DEN	97.067	3,634,348
Transportation Security Administration			97.UNKNOWN	1,158,200
Total Department of Homeland Security				5,035,855
Total Federal Expenditures				\$ 187,078,886

See accompanying notes to Schedule of Expenditures of Federal Awards.

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

(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, 2014.

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 \$300,600,000 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2014.

(2) Basis of Accounting

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

SNAP Cluster	10.561
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families Cluster	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
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, 2014

(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 \$96,375,863, of which \$37,880,377 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, 2014

(5) Revolving Loan Funds – Not Subject to Compliance

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

	Amount
Neighborhood Development Loans:	
14.218 - Community Development Block Grants/Entitlement Grants	\$ 15,376,774
Economic Development Loans:	
14.Unknown	5,093,614
14.218 - Community Development Block Grants/Entitlement Grants	23,668,005
14.253 - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	1,688,711
Total Economic Development Loans	30,450,330
Section 108 Loans:	
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	8,830,181
Total Section 108 Loans	8,830,181
Housing Development Loans:	
14.Unknown	28,006,139
14.218 - Community Development Block Grants/Entitlement Grants	7,948,311
14.239 - HOME Investment Partnerships Program	46,874,121
14.241 - Housing Opportunities for Persons with AIDS	3,076,720
14.256 - ARRA - Neighborhood Stabilization Program	13,617,327
Total Housing Development Loans	99,522,618
Total Office of Economic Development Loans	154,179,903
Less Allowances:	
Delinquent Loans	(9,093,891)
Forgivable Loans	(78,341,948)
Note Receivable, Net	\$ 66,744,064

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

(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, 2014. There were no new loans during 2014; 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, 2014 was \$386,872 and the cash and investment balance in the loan revolving fund was \$198,820. The 2014 expenditures for administrative costs were \$3,174. There were no loan write-offs in 2014. 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:

Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,294,534
Emergency Solutions Grant Program	14.231	528,111
HOME Investment Partnerships Program	14.239	1,715,349
Housing Opportunities for Persons with AIDS	14.241	1,244,300
Continuum of Care Program	14.267	2,670,108
Community-Based Violence Prevention Program	16.123	403,350
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	113,390
Second Chance Act Reentry Initiative	16.812	189,263
WIA Youth Activities	17.259	501,568
Reintegration of Ex-Offenders	17.270	107,766
VA Homeless Providers Grant and Per Diem Program	64.024	266,270
Promoting Safe and Stable Families	93.556	31,714
Community Services Block Grant	93.569	912,312
Head Start	93.600	6,445,112
HIV Emergency Relief Project Grants	93.914	6,599,180
		<u>\$ 24,022,327</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 City and County of Denver (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2015. Our report includes a reference to other auditors who audited the financial statements of the Denver Convention Center Hotel Authority and Denver Union Station Project Authority, presented as discretely presented component units, and Denver Employee Retirement Plan, a fiduciary component unit, as described in our report on the City'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, and Denver Preschool Program, Inc., component units included in the financial statements of the aggregate discretely presented component units, and Gateway Village General Improvement District, and the Fourteenth Street General Improvement District, blended component units included in the financial statements as aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 2014-001 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, 2014-004, and 2014-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

We also noted certain matters that we reported to the City's management in a separate letter dated July 14, 2015.

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
July 14, 2015

**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 OMB Circular A-133**

Audit Committee
City and County of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City and County of Denver (the City) with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. 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 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 approximately \$300,600,000 in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2014. 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 and CCDF Cluster

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

CFDA #	Program	Compliance Requirement	Type of Opinion	Finding Number
10.561	SNAP Cluster	Special Tests and Provisions	Qualified	2014-006
93.558	TANF Cluster	Eligibility, Reporting, and Special Tests and Provisions	Qualified	2014-007 and 2014-008
93.575/93.596	CCDF Cluster	Eligibility and Reporting	Qualified	2014-010 and 2014-011

Qualified Opinion on SNAP Cluster, TANF Cluster and CCDF 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 SNAP Cluster, TANF Cluster and CCDF Cluster for the year ended December 31, 2014.

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, 2014.

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 item 2014-009. Our opinion on each major federal program is not modified with respect to this matter.

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

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 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, and 2014-011 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-012 to be a significant deficiency.

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

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.

Audit Committee
City and County of Denver

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 14, 2015, which contained unmodified opinions 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. 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 14, 2015

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

5. Types of auditor’s report issued on compliance for major programs:
 Unmodified Qualified Adverse Disclaimer

Unmodified for all major programs except for SNAP Cluster, TANF Cluster and CCDF Cluster, which are qualified.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

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
17.258, 17.259, 17.278	WIA Cluster
20.205	Highway Planning and Construction Cluster
93.558	TANF Cluster
93.575, 93.596	CCDF Cluster
93.568	Low-Income Home Energy Assistance
93.600	Head Start
93.658	Foster Care_Title IV-E
93.914	HIV Emergency Relief Project Grants

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, 2014

Section II – Financial Statement Findings

Reference Number	Finding
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2014-001 Finding: Municipal Airport System - Monthly Cash Reconciliation

Criteria or Specific Requirement: The Airport System is required to maintain its general ledger necessary to support the preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles. Additionally, the Airport System should have controls in place to ensure the Airport System'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.

Condition: During annual financial statement preparation, staff discovered that the Airport System cash recorded in its general ledger did not reconcile to pooled cash balances maintained and recorded on the City Treasury's general ledger throughout 2014. Cash recorded in the Airport System's ledger was approximately \$3.1 million less than the City Treasury's balance.

Effect: Multiple entries were proposed and recorded to correct cash balances and reverse unnecessary entries in the Airport System's general ledger to reconcile to the City Treasury balance.

Cause: While cash balances were being reconciled between the City's and the Airport System's general ledgers, adequate support for entries relating to corresponding vouchers payable and expenses between the two systems did not exist. Entries were made in the Airport System to match the City Treasury without accurate supporting documentation to justify the adjustment. Furthermore, subsequent to year-end, there was unexpected turnover in the Controller position, who reviewed the reconciliations during the year. This turnover, coupled with a lack of cross-training of accounting personnel and no documented procedures, did not leave documentation to support the reconciling entries that would allow other Airport System accounting personnel to trace and verify the accuracy and justification of the cash balance adjustments in the Airport System's general ledger.

Recommendation: We recommend the Airport System implement a training program to cross-train accounting employees on the process of reconciling cash balances to the City Treasury. In addition, we recommend that the Airport System develop written policies and procedures documenting accounting employees' roles and responsibilities in the cash reconciliation process.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Airport Finance Department implemented a cross-training program in November 2014 that was a factor in Airport staff identifying the cash reconciliation issue. The training program will be expanded to include all Finance staff with roles and responsibilities in any process that involves cash. Written policies and procedures will be updated to reflect the improvements in the cash reconciliation process.

Person(s) responsible for implementing: Airport Accounting Director (currently under recruitment) and Gisela Shanahan, Chief Financial Officer.

Implementation date: In progress with planned completion by September 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

2014-002 Finding: Capital Assets

Criteria: Accounting principles generally accepted in the United States of America (US GAAP) that address the proper recognition and accounting of capital assets include:

- Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34)
- Governmental Accounting Standards Board (GASB) Statement No. 37, *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* (GASB 37)
- Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51)
- Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62)
- Various implementation guidance issued by GASB

In accordance with this guidance, capital assets, including intangible assets should be recorded at historical cost when acquired (or fair value if donated), reported within the appropriate asset classification, and removed from the accounting records when disposed.

Condition: The following conditions are noted:

- Management discovered errors in the recognition of land where certain parcels of land were not properly recorded on the books and other land was disposed of in a prior period, but not removed from the accounting records. The net results of these errors were approximately \$4.3 million.
- Management also discovered that intangible assets were erroneously recorded as both intangibles and machinery and equipment. The net effect of the adjustment made in the current year was approximately \$7.2 million to correct this error.
- The City erroneously included approximately \$12 million in fiber optic lines in current year capital asset additions.

Effect: The errors resulted in a net overstatement of capital assets and depreciation expense. Several adjustments were proposed and recorded by management to correct the balances of capital assets and accumulated depreciation.

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

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Recommendation: After an error was discovered in the previous year related to land donations to the Parks Department, additional controls were implemented to prevent that situation from recurring. Some of the conditions cited, especially those related to errors in how land was recorded, were identified by management during a review of the City's land holdings. We recommend that the City ensure that the controls put in place related to the Parks Department land donations be maintained and potentially expanded to all land holdings. Furthermore, we recommend that the City review controls over recording capital assets in general, including a robust review process of capital asset related entries and key spreadsheets. Lastly, additional training to relevant staff should be provided in order to ensure that all capital assets are recorded correctly.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. Due to the issues with capital assets the City identified in the prior year, the Controller's Office has continued to engage in extensive research to ensure that all capital asset balances are correctly recorded and reported in the Comprehensive Annual Financial Report. During our research, which included all City agencies, we identified land and intangible assets that were not properly reflected in the City's financial statements and corrected those balances. The fiber optic cables were erroneously recorded due to the existing balance being included in the additions for the 2014 fiscal year. Additional review procedures have been put in place to ensure that all capital asset balances are properly recorded and reported within our annual financial report.

Person responsible for implementing: Kelli Bennett, Director of Accounting and Financial Reporting.

Implementation date: Implemented.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

2014-003 Finding: Public Works Contract Revenue Recognition

Criteria: Generally Accepted Accounting Principles require that revenue be recognized in governmental funds when it is both measurable and available. Specifically, National Council on Governmental Accounting (NCGA) Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, paragraph 62 states that “Revenues and other governmental fund financial resource increments (e.g., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual -- that is, when they become both measurable and available to finance expenditures of the fiscal period. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.”

Governmental Accounting Standards Board Statement No. 65, *Items Previously Recorded as Assets and Liabilities*, paragraph 30 states in part that when an asset is recorded in governmental fund financial statements (e.g. a receivable) but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Therefore, accounting principles dictate that when revenue is "unavailable" in the governmental funds, revenue should not be recognized and instead a deferred inflow of resources should be recorded.

Condition: The City improperly recognized approximately \$7.4 million of revenue at year-end that should have been recorded as a deferred inflow of resources. Furthermore, approximately \$2.2 million of revenue under this transaction was recognized in a previous fiscal year and also should have been deferred.

Effect: Revenues were overstated by about \$7.4 million in the aggregate for the current and previous fiscal years. As a result, an adjustment was proposed and recorded by management in the current year to record deferred inflows of resources and properly state revenue.

Cause: The City improperly recorded a long-term funding agreement as a grant and as such applied the inappropriate revenue recognition policy to the transaction. This City's grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. However, as the transaction was not a grant, the revenue should be considered measurable and available when the cash is collected.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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Recommendation: We recommend that employees working with contracts and grants management receive further training to better identify grants versus other types of contracts and to help ensure that all such contracts are recorded correctly.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The agreement in question was a complex transaction that involved multiple contracts, each which were unusual in nature. In the future, Public Works and the Controller's office will perform a more comprehensive review of each transaction at the inception of the agreement to ensure that all terms are understood and properly recorded.

Person responsible for implementing: Don Andriese, Department Controller, Public Works.

Implementation date: June 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
2014-004	<p>Finding: Municipal Airport System - Financial Statement Report Preparation</p> <p>Criteria or Specific Requirement: Documented accounting policies and procedures should be available to all employees which 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. Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition: During the 2014 audit fieldwork procedures, we encountered numerous issues with accuracy of the information provided which led to several adjusting journal entries being recorded. The following conditions were noted:</p> <ul style="list-style-type: none">• Annual bond premium was over-amortized in 2014• Deferred loss on refunding on 2014A Bond transaction was not calculated and recorded• Grants receivable were recorded twice• Prepaid asset amounts were not amortized during 2014• Interest rate swap activity was not recorded• Reclassify current and long-term portion of bonds payable for 2014 bond restructuring transaction to extend maturity of certain bond series <p>Effect: Without having documented procedures or formal training, employees can be unaware of their responsibilities or others responsibilities, which can create a situation where errors occur and go undetected.</p> <p>Cause: The Airport System has not updated formal accounting policies for several years and does not have documented procedures for audit workpaper and annual financial statement preparation. During 2014, there were errors and omissions throughout the year which caused the year-end adjusting entries to be recorded. During and subsequent to year-end, there was also unexpected turnover in the CFO and Controller positions. Without documented procedures and a lack of cross-training of other accounting personnel, there was little guidance for the accounting staff to follow to prepare accurate financial statement workpapers.</p> <p>Recommendation: We recommend that the Airport System develop written policies and procedures documenting all accounting employees' roles and responsibilities in relation to audit workpaper and financial information preparation. Additionally, we recommend the Airport System implement a training program to cross-train employees on the overall financial information preparation process in accordance with the documented policies. We recommend the Airport System hire a Controller and Chief Financial Officer with a CPA and governmental accounting background to provide the oversight expertise needed with financial accounting and reporting within the accounting department.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Airport has launched a comprehensive review of roles and responsibilities within the accounting department to establish a baseline from which to implement a training program that will address existing weaknesses in both the structure of the department and its current policies and procedures related to audit workpaper and financial information preparation. A cross-training program will be implemented as the Airport recruits an experienced Accounting Director with governmental accounting experience and licensure as a CPA. Finally, the Airport recently announced the appointment of a new CFO with extensive governmental and airport accounting experience and is also a licensed CPA.

Person(s) responsible for implementing: Airport Accounting Director (currently under recruitment) and Gisela Shanahan, Chief Financial Officer.

Implementation date: In progress with completion planned by December 31, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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2014-005 Finding: Deferred Compensation Plans - Controls Over Participant Deferral Elections

Criteria: In 2007, the City and County of Denver established a control procedure by which a City Human Resources employee would initial and date all Deferred Compensation Plan participant election forms to document review of manual input of deferral elections into the PeopleSoft Human Resources system. In accordance with the City and County of Denver Retention Policy, these forms shall be maintained for seven years.

Condition: We selected a sample of participants to compare the deferral form the participant completed to the Human Resources system and identified 10 participants for which an enrollment form could not be located by the plan sponsor nor the plan administrator. For these participants the elections were made within the last seven years, and therefore should still be available under City policy. All participants where the forms could not be provided were members of Denver Fire or Denver Police.

Effect: There exists a risk of misstatement of participant contribution amounts due to the lack of verifying that deferral requests are properly input into the Human Resources system and lack of proper document retention within the parameters of the plan sponsors retention policies.

Cause: Election forms were not maintained as required by City policy for Denver Fire and Denver Police.

Recommendation: We recommend that the City ensure that the control procedure in place to manually review and document all participant deferral elections be combined with the review of contribution eligibility determinations and also be strictly and consistently followed and that compliance with the procedure be monitored for all agencies. We further recommend that all deferral election documentation be maintained consistently and in accordance with the formal retention policy.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. As recommended by the audit, Denver Fire and Denver Police shall maintain deferral election documentation in accordance with the City's formal retention policy. Secondly, Denver Fire and Denver Police will run quarterly reports to ensure that the documents are being maintained and the election is entered correctly.

Person responsible for implementing: Myra Simmons, Safety Human Resources Supervisor.

Implementation date: July 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2014-006	<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 2014</p> <p>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 and that the related forms are initialed by a supervisor. At least two people who do not have card issuance access shall destroy the cards and sign the destruction log within one business day of cards being received. In response to the State requirements, Denver Department of Human Services (DDHS) has implemented policy 0801-024 which was superseded by 0801-024v2 during the year.</p> <p>Condition: EBT cards were not destroyed in accordance with state and DDHS policies as follows:</p> <ol style="list-style-type: none"> 1. Four instances of the 33 weeks tested in which the card destruction was not performed within one business day or 24 hours of when the card was received. In these instances the time lag in destruction ranged from 2 to 7 days late. 2. One instance of the 33 weeks tested in which the EBT destruction logs were not initialed by the EBT Supervisor as required by DDHS policy. 3. One instance of the 33 weeks tested in which the destroyer for the card destruction had the ability to issue benefits. 4. Fifteen weeks of the 33 weeks tested in which no log or support was provided indicating no cards were destroyed. <p>Questioned Costs: None.</p> <p>Context: We tested 11 weeks of destruction logs from each of the three DDHS locations where EBT cards are issued and noted the issues described above.</p> <p>Effect: DDHS is 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>Cause: Controls over EBT Card Security were not sufficiently operating during the year. Additionally, DDHS staff and supervisors involved with the EBT card destruction did not receive formal training prior to starting their position or refresher training throughout the year. Additionally, DDHS has a limited number of witnesses available to participate in the EBT destruction process.</p> <p>Recommendation: We recommend that DDHS train all employees on the updated policies and procedures which were revised in May 2014. DDHS should also ensure that periodic training be provided throughout the year and whenever there is staff turnover impacting EBT card security. We further recommend all three locations conduct their practices consistently which would include utilizing the same forms, submitting one form per location and standardizing the process for when no cards are turned in for destruction. In addition, we recommend that additional employees be added to the destruction team listing of available back-ups to help when a member of the team is unavailable to participate in the destruction process.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding. We have met with our Financial Services Division (FSD) and Performance Improvement and Accountability Division (PIAD) and in collaboration we will modify our EBT card destruction process. Current EBT Policy 0801-024 has been updated to reflect the new changes for EBT card destruction and EBT card quarterly auditing. We will be implementing the following controls starting May 1, 2015: standardize the EBT destruction logs, standard deadline for the forms to be sent to FSD, and follow new training guidelines. FSD will assist the Family and Adult Division (FAAD) with training of their employees charged with EBT card destruction. FAAD will notify FSD of any staffing changes as related to EBT card destruction duties and will ensure that employees new to those duties attend the required annual training. Destruction logs will be reviewed weekly by FSD to ensure that we have one log per office per business day. Returned cards will be disabled immediately by cutting through the magnetic strip and delivering them to the EBT issuance office. EBT card destruction will occur daily at approximately 3:30 PM at each office and logs will be completed daily. A log will be completed even when EBT card destruction was not performed each business day. EBT cards received after the destruction time will be securely stored until the following business day's destruction.

FAAD will reinstate the Quarterly EBT User Group that will include FAAD, FSD, and PIAD. The purpose of this meeting will be to review policy and rule updates, plan and train staff on changes, and monitor the current process.

FAAD and PIAD have reviewed the security status of individuals who have access to EBT card issuance. We have added controls within the policy that will enable security changes to be made within 48 hours of a staffing assignment change as per the required notification policy.

The Castro Office acknowledges that there were 15 weeks where no destruction log was sent up to FSD. We are committed to continuing the quarterly trainings to review the proper procedure for the destruction of cards and the EBT supervisor will review the log daily to ensure that a log is being sent up to FSD. The manager will monitor this process to ensure that there is no lapse in the logs.

Person responsible for implementing: Monica Gomez, Operations Manager for the Castro Customer Service teams; Sundanz Washington, Operational Supervisor II; Pamela Flowers, Operational Supervisor II; and Maurice Stenberg, Deputy Division Director of Financial Services Division.

Implementation date: May 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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2014-007 Finding: Eligibility and Reporting

CFDA No. 93.558 - TANF Cluster
Department of Health and Human Services, Award Number - None Provided, Award Year 2014

Passed-through Colorado Department of Human Services

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 accurately 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.

Condition: We noted the following issues in the 60 items test (some items in sample have multiple items listed) the dollar effect, if any, is listed after each type of item:

1. One instance in which an eligible member of the assistance unit included on the redetermination was not included within CBMS resulting in an underpayment of benefits (-\$507).
2. Five instances in which documentation of the initial application or initial case interview could not be provided (\$3,798).
3. Three instances in which the TANF monthly clock did not count for benefits paid or counted incorrectly on a child-only case (\$0).
4. Two instances in which either the Initial Assessment or Individual Responsibility Contract (IRC) were not completed timely (\$0).
5. Three instances in which there was no documentation that the participant completed an Initial Assessment (\$8,739).
6. Seven instances in which there was no documentation that the client was participating in an eligible work activity (\$2,067).
7. Three instances in which either the application, change report or redetermination were not completed timely or documentation of processing could not be provided (\$0).
8. One instance in which supporting documentation could not be provided indicating why an individual was included within the assistance unit and therefore, no conclusion could be made to support proper determination of individual eligibility (unable to determine).
9. One instance in which an invalid recovery claim was issued due to worker error, resulting in an underpayment of benefits (-\$966).
10. Two instances in which client benefits continued after closure was requested (\$422) or worker incorrectly closed case (unable to determine).
11. One instance in which a client was determined not to be eligible for previously issued benefits, however, no claim was issued (questioned costs included in number 5 above).
12. One instance in which the client was eligible and scheduled to receive kinship supplemental payments but did not receive them resulting in an underpayment of benefits (-\$648).
13. One instance in which the client incorrectly received supplemental payments (\$180).
14. One instance in which the clients income was incorrectly removed from CBMS resulting in an overpayment of benefits (unable to determine).
15. Nineteen instances in which supporting documentation in the case file did not agree to information reported within CBMS (\$0).

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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Questioned Costs: Overpayments of \$15,206 and underpayment of \$2,121.

Context: We tested 60 individuals who received TANF assistance for the year ended December 31, 2014 and noted the issues described above. The tested population covered benefits issued of \$134,845. The total population included benefits issued of approximately \$16.4 million to just over 7,000 individuals.

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.

Cause: Controls over eligibility and reporting were not sufficiently operating during the year. Additionally, during 2014 DDHS continued to develop its processes and procedures relating to its workflow management system (WMS) for case reviews and electronic processing of cases.

Recommendation: We recommend that DDHS continue to refine WMS and oversight to help improve the timely and accurate processing of applications and redeterminations. 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. Management should ensure that case reviews adequately include accuracy questions specific to DDHS errors to help ensure that the information in CBMS is accurate. This should be updated as areas of concern are identified by management. 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.

Views of responsible officials and planned corrective actions:

Response: We agree with the finding. DDHS has implemented a new case comment template which will document initial case interviews and the required verifications performed by DDHS and provided by clients. It will also indicate if an Application, Change Report or Redetermination Recertification Reassessment Packet (RRR) was not completed timely. This includes supporting documentation. The case comment template captures all household members in the home. The case comment template is designed to rectify the issue noted by capturing documentation regarding interfaces, demographics, resources, medical information, income, and expenses that allows DDHS to match case file information reported within the Colorado Benefit Management System (CBMS). Implementation was April 2015.

Additionally, DDHS will begin working the TANF Clock Report, provided by the Colorado Department of Human Services (CDHS), on a monthly basis starting June 2015. CDHS will provide the report at the beginning of each month once they have all the data they require from CBMS. DDHS has partnered with CDHS to develop a system to identify and maintain compliance with applications and RRR. A weekly report from CDHS will be sent to the Division related to applications and RRR's. The following Thursday of every week those applications and RRR's in need of immediate attention will be addressed. An internal database utilizing a dynamic report from WMS allows the program area to identify cases recently that have been approved, have received payment, and need to attend Connections (formally known as COMPASS).

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Response (continued): Connections is an orientation to the TANF Workforce side and it is the first chance to meet with the customer, share the intent of the program, and start the process of developing employment goals. In addition, Office of Economic Development (OED) workers have been directed to utilize monthly COGNOS reports such as the interim and final reports to ensure customers are in a work activity. A standard caseload spreadsheet has been put in place that will indicate to staff when an IRC is expiring.

Person responsible for implementing: Lorraine Archuleta, Division Director Family and Adult Assistance Division; Elizabeth Foster, Operations Manager; Curt Pesicka, Manager of Operations; and Tammy Hoffman, Training Manager.

Implementation date: June 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
2014-008	<p>Finding: Special Tests and Provisions - 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 2014</p> <p>Passed-through Colorado Department of Human Services</p> <p>Criteria: DDHS is responsible for ensuring that all TANF cases selected by the Colorado Department of Human Services (CDHS) for Work Verification Rate review are properly reviewed in accordance with CDHS Agency Letter TCW-07-05-P and 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. 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>Condition: 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">1. Five instances in which there was no evidence of the review having been completed by DDHS or OED.2. Five instances in which the review was not completed timely by DDHS or OED. <p>Questioned Costs: None.</p> <p>Context: We tested 60 file reviews of the approximately 1,050 identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2014 and noted the issues described above.</p> <p>Effect: The City may be out of compliance with state and federal compliance requirements.</p> <p>Cause: 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 workflow management system (WMS) and assigned a due date, there are limited controls in place ensuring the reviews are completed timely. Additionally, DDHS and OED are not tracking the completion of the workforce questions for refugee clients. 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>Recommendation: We recommend that DDHS implement monitoring procedures prior to month-end to ensure that the review of all cases selected for Work Participation Rate review occurs timely. Furthermore, DDHS should create a new case review tool for refugee cases which includes workforce questions to help ensure all portions of the review are completed. 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, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. DDHS has collaborated with the Change in Innovation Agency (CIA) to improve our processes and procedures. One area of focus was increasing the quality and timeliness of eligibility determinations. FAAD has worked with the Performance Improvement and Accountability Division (PIAD) to get the reviews assigned on the 7th day of each month to alleviate the late reviews. DDHS has also implemented a pilot program to be able to provide real time reviews in the form of a pre-authorization which went into effect April 1, 2015. This process allows for a full case review to be completed with any errors identified being corrected on a case prior to the benefits being authorized. Currently DDHS is capturing 5% of all work processed. The Office of Economic Development (OED) also concurs with the findings as cited. The OED Quality Assurance (QA) team continues to identify and implement changes in their tracking and reporting processes. For example, the implementation of Checkpoint data reports is monitored on a weekly basis to ensure that reviews are completed timely. Reports were developed from Checkpoint that include monthly QA management reports which show the timeliness of the reviews and any areas of concern to help identify training needs. In 2013, DDHS had 29 findings where the reviews were not completed timely by DDHS or OED and we have reduced the number of findings to five. We have made great improvement in this area and will continue to make improvements, updates, and changes with our goal being 100% of all reviews being completed timely.

Person responsible for implementing: Lorraine Archuleta, Division Director Family and Adult Assistance Division; Elizabeth Foster, Operations Manager; Curt Pesicka, Manager of Operations; Aaron Gabler, Data & Technology Manager; and Tammy Hoffman, Training Manager.

Implementation date: April 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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2014-009 Finding: Activities Allowed and Allowable Costs

CFDA No. 93.575 & 93.576 - CCDF Cluster
Department of Health and Human Services, Award Number - None Provided, Award Year 2014

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 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.

Additionally, according to State Rule 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. One instance in which payment was made for child care services during unauthorized or ineligible periods (\$22).
2. One instance in which provider payments were made using an improper rate (\$66).
3. One instance in which a provider was paid twice for the same period of care (\$545).

Questioned Costs: \$633.

Context: We tested 60 case files of individuals receiving \$134,137 in Child Care assistance for the year ended December 31, 2014 and noted the issues above. Assistance payments issued during the year totaled approximately \$13,232,000 to just over 5,300 individuals.

Cause: Controls over the processing of benefits were not operating effectively during the year. Data entry input errors into CHATS by DDHS personnel caused payments to be made during unauthorized periods and for incorrect amounts. Additionally, there were two manual bills for the same care dates submitted and processed in CHATS within the same payment window. As payment was not previously issued from CHATS, the system did not indicate a duplicate payment error. To identify instances of duplicate payments, DDHS relies on the PayrollX reports provided by the State. In 2014, there were significant delays in receipt of these reports which prevented DDHS from identifying this error in a timely manner. In addition, DDHS discontinued the performance of case reviews in July 2014.

Effect: The inaccuracy of input of authorization dates in CHATS resulted in unauthorized automatic payments to providers and payments being made using the incorrect rate. Additionally, one provider was paid twice for the same period of care.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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Recommendation: We recommend DDHS take additional steps to improve the accuracy of data entered into CHATS through training sessions and team meetings that emphasize the importance of entering data accurately. We also recommend DDHS reimplement the performance of case reviews. In addition, if there continues to be a significant delay in receiving the Payroll reports as noted above, we recommend DDHS consider reviewing internal controls over manual payments and implementing a process that identifies duplicate payments more promptly.

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. With the implementation of House Bill 14-1317, the risk of payment occurring for an unauthorized or ineligible period will be largely reduced as the bill allows for families to choose what time periods they will access care based on allowable authorized weekly hours rather than being linked to a specific scheduled time. The Financial Services Division (FSD) implemented a 100% rate calculation review in June 2014 in response to a 2013 audit finding related to the provider rate that was paid. The finding in 2014 occurred before the 100% review process was implemented. There have been no findings for any rate adjustments after June 2014. Currently, the CHATS system neither has the capability to alert fiscal staff if a duplicate payment is authorized in the system nor are there any preliminary payment reports that staff can run to identify duplicates before payments are issued. The FSD has a procedure in place that will identify these errors and recoup any incorrect payment amounts through review of PayrollX data that the State provides. In 2014, the State did not release the data sets to us in a timely manner (the June - October 2014 data sets were not available to us until December 2014). The duplicate payment occurred during November 2014 and while November 2014 PayrollX report was available in mid-January 2015, we were unable to complete the current verification process prior to the audit as the backlog of previous months' reports had to be completed as well. As of February 1, 2015, the FSD implemented a log to track manual invoices to help identify multiple payment requests submitted by the same provider. The lead worker will mark the possible duplicate request and give that request to the worker who processed the original manual payment request for the month in question to research and resolve. The FSD has also requested a duplicate payment report from the State in August of 2014 but the report has not yet been created.

Person(s) responsible for implementing: Andie Garnand, Operations Manager; Camille Whisler, ET Supervisor; Chris Lucero, Operational Supervisor I; and Lisa Hoskins, Accounting Technician.

Implementation date: HB14-1317 was effective December 1, 2014. 100% rate calculation review was implemented June 1, 2014. Duplicate payment review was implemented September 1, 2014 for post check using PayrollX reports and February 1, 2015 for front end verification.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
2014-010	<p>Finding: Eligibility</p> <p>CFDA No. 93.575 & 93.576 - CCDF Cluster Department of Health and Human Services, Award Number - None Provided, Award Year 2014</p> <p>Passed-through Colorado Department of Human Services</p> <p>Criteria or Specific Requirement: In accordance with the State Rule 3.913 D, the county has 15 calendar days to make a decision on whether to approve or deny a low-income application. Additionally, per Section 3.913 E, the county shall act on any reported change within 10 calendar days of receiving the information and all required verification. The county has five business days to process any referrals from Colorado Works per State Rule 3.913 JJ.</p> <p>Condition: We noted the following issues:</p> <ol style="list-style-type: none">1. Sixteen instances in which TANF Child Care Referrals were processed outside the allowed five business days. The delay for completion ranged from one day to 15 days late. Two of these were instances where timeliness was unable to be determined as the TANF referrals included within the child's paper file had not been entered into CHATS as of the date testing which was performed in January 2015.2. Twenty-one instances in which low income applications, or related missing or additional information, were processed outside the allowed 15 calendar days for the applications or 10 calendar days for related missing or additional information. The delay for completion in our testing ranged from one to 32 days late. <p>Questioned Costs: None.</p> <p>Context: We tested 60 case files of individuals receiving \$134,137 in child care assistance for the year ended December 31, 2014 and noted the issues above. Assistance payments issued during the year totaled approximately \$13,232,000 to just over 5,300 individuals.</p> <p>Cause: There was significant staff turnover in the child care program during 2014. Additionally, DDHS discontinued the performance of case reviews in July 2014. DDHS also does not have a tracking mechanism in place to monitor that referrals, applications and redeterminations are processed timely.</p> <p>Effect: TANF referral and Low Income Application/Redetermination participants may lose or experience a gap in benefits as a result of their case not being processed timely.</p> <p>Recommendation: We recommend DDHS continue to refine the eligibility intake procedures and oversight, including a tracking mechanism, similar to the Work Management System (WMS) to help improve the timely processing of applications, redeterminations, and referrals. Additionally, we recommend DDHS reimplement the performance of case reviews.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. We review timeliness daily and also have clear performance expectations in place for all team members who process CCAP Applications. The Child Care Assistance Program Area (CCAP) has already implemented a 100% review of all TANF Child Care Referrals and Child Care Assistance Applications to ensure that they are being acted on within the allowable timeframes. Additionally, we met with our internal partners in the Office of Economic Development to ensure that we were aligned regarding both sides of the referral path and we will be meeting with both sets of teams in May 2015 to finalize the referral process and confirm understanding.

Person(s) responsible for implementing: Andie Garnand, Operations Manager and Camille Whisler, ET Supervisor.

Implementation date: January 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
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2014-011 Finding: Reporting

CFDA No. 93.575 & 93.576 - CCDF Cluster
Department of Health and Human Services, Award Number - None Provided, Award Year 2014

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 CHATS and agree to supporting documentation include in the case file. Additionally, any changes made within the provider section of CHATS should be properly modified in the child section, as necessary.

Condition: We noted the following issues:

1. Ten instances in which information related to the client household within CHATS did not agree to the case file.
2. Four instances in which the provider rate input into CHATS did not agree to the fiscal agreement. This error did not impact the current rate being paid for individuals tested so no questioned costs.
3. Three instances in which there were inaccuracies between provider tiers in CHATS and child rate authorizations for the provider. These inaccuracies impacted CHATS ability to pay providers properly. Per State Rule 3.911 L and 3.911 M, providers have 60 days from the end of a month to submit a manual bill for unpaid days or they forfeit payment for the care provided so no questioned costs.

Questioned Costs: None.

Context: We tested 60 case files of individuals receiving \$134,137 in child care assistance for the year ended December 31, 2014 and noted the issues above. Assistance payments issued during the year totaled approximately \$13,232,000 to just over 5,300 individuals.

Cause: There was significant employee turnover within the child care program during the year. DHS CCAP program division eliminated performing case reviews in July of 2014 and began processing all requests from the financial services team through a generalized inbox rather than directed to specific case workers, which created the opportunity for the errors noted to go undetected and uncorrected.

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.

Recommendation: We recommend that continued training be provided emphasizing the importance of ensuring information entered into CHATS agrees with the case file. In addition, we recommended reimplementing the performance of case reviews and utilizing a tracking mechanism to help ensure each case worker (both new and experienced) is getting the required number of reviews. Finally, we recommend the CCAP program division and financial services team develop a more streamlined process to ensure all individuals have access to information necessary to ensure the proper authorizations are active in CHATS.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We agree with the finding. The Child Care Assistance Program Area (CCAP) has already implemented a 100% review of all new Eligibility Technicians processing CCAP cases which requires new workers to obtain a 95% accuracy rating before they join the other team members' review procedures. All team members receive a comprehensive case review of four randomly selected cases per month. It is the expectation that all Eligibility Technicians maintain a 95% accuracy rating. Additionally, the team's leadership conducts targeted program training every Friday, as appropriate, for an hour which focuses on areas of opportunity identified from the case review trends. It is expected this will decrease to once a month as training strengthens the overall knowledge of eligibility technicians. The Financial Services Division (FSD) has already implemented a 100% rate calculation review as of June 2014 as part of our 2013 audit finding response. The items identified in condition two above were for rate adjustments that were created before the 100% review process was implemented. There have been no findings for any rate adjustments after June 2014. Regarding condition number three, the Child Care Assistance Program Area and the Business Office of Child Care will conduct regularly scheduled joint meetings to ensure that tier changes are being processed timely. While the program area will make every effort to ensure that these changes are processed as quickly as possible, the provider is ultimately responsible for submitting manual bills to address accurate payment per policy.

Person(s) responsible for implementing: Andie Garnand, Operations Manager; Camille Whisler, ET Supervisor; Chris Lucero, Operational Supervisor I; and Lisa Hoskins, Accounting Technician.

Implementation date: Case reviews and training by February 1, 2015; 100% rate calculation review was implemented June 1, 2014, and referral tier changes by May 1, 2015.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Reference Number	Finding
2014-012	<p>Finding: Subrecipient Monitoring</p> <p>CFDA No. 93.914 - HIV Emergency Relief Project Grants Department of Health and Human Services, Award Number - 2 H89HA00027-21-00, Award Year - 2014 Department of Health and Human Services, Award Number - 2 H89HA00027-20-00, Award Year - 2013</p> <p>Criteria: OMB Circular A-133 Subpart C. Section .300(b) requires that nonfederal entities receiving Federal awards maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.</p> <p>Condition: The Denver Office of HIV Resources (DOHR) had a lapse in the effectiveness of the process surrounding the review of subrecipient reimbursement requests. These processes are in place in order to ensure that subrecipients are only reimbursed for costs allowed under the terms of the subaward between the Office and the subrecipient. In one case, the subrecipient costs reimbursed appear to be allowable under the terms of the Office's contract; however, they appeared to be outside the terms of the subaward. In another case, there was insufficient detail to determine if costs were allowable or not (amounts immaterial).</p> <p>Questioned Costs: None.</p> <p>Context: Out of 25 subrecipient invoices tested, we noted three invoices (from two subrecipients) that included the items noted above.</p> <p>Effect: The Office reimbursed certain subrecipients for costs that were not allowable under the contract between the subrecipient and the Office. In addition, there is a risk that costs that are unallowable under the various subawards could be incurred.</p> <p>Cause: The Denver Office of HIV Resources had some staff turnover during the year that resulted in less time to be spent reviewing subrecipient invoices than had been spent in the past.</p> <p>Recommendation: We recommend that the Denver Office of HIV Resources review its policies and procedures related to approving subrecipient invoices for payment. Specifically, we recommend that invoice approvers specifically compare the reimbursement invoice to the approved budget for the program. In addition, the Office should instruct subrecipients to submit budget amendments if the subrecipient is going to incur costs not originally contemplated under the contract.</p> <p>Views of responsible officials and planned corrective actions:</p> <p><i>Response:</i> We agree with the finding. The Denver Office of HIV Resources (DOHR) will review its policies and procedures related to the approval of subrecipient invoices for payment. A thorough review will be completed within thirty (30) days (June 2015).</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Response (continued): DOHR agrees that the staff responsible for approving invoices should specifically compare the reimbursement invoice to the approved budget for the program. The Contract Administrator position, which is the staff responsible for approving invoices, was vacant for nine months during 2014. DOHR filled the position in December 2014 which will continue to alleviate the discrepancy during invoice review. The reimbursement request and review process has been reviewed and strengthened. This process change has been implemented as of January 2015.

DOHR will ensure subrecipients submit budget amendments if costs not included in the original, approved budget will be incurred. This process change has been implemented as of January 2015.

Person responsible for implementing: Terra Haseman Swazer, Contract Administrator.

Implementation date: January 1, 2015 and June 10, 2015.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
2013-001	<i>Donated Capital Assets</i> - 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.	Implemented
2013-002	<i>Municipal Airport System - Accounting for Capitalized Interest</i> - 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.	Implemented
2013-003	<i>SNAP - Special Tests and Provisions</i> - 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.	Not implemented. See current year finding at 2014-006.
2013-004	<i>TANF - Eligibility, Reporting and Special Tests and Provisions</i> - 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.	Partially Implemented: Special Tests & Provisions - Implemented, Eligibility and Reporting - Not implemented. See current year finding at 2014-007.

City and County of Denver
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
2013-005	<i>TANF - Special Tests and Provisions</i> - We recommend that DDHS implement monitoring procedures for the 15th 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.	Not implemented. See current year finding at 2014-008.
2013-006	<i>Child Care: Activities Allowed, Allowable Costs</i> - 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.	Not implemented. See current year finding at 2014-009.
2013-007	<i>Child Care: Reporting</i> - 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.	Not implemented. See current year finding at 2014-011.
2013-008	<i>Head Start: Activities Allowed, Allowable Costs</i> - We recommend the agency implement a system for tracking and allocating time to federal programs to ensure compliance with OMB Circular A-87.	Implemented
2013-009	<i>Foster Care - Eligibility</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. In addition, we recommend management be advised monthly of all 90-day reviews not completed timely and all overdue 90-day reviews.	Implemented

City and County of Denver
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
2013-010	<i>HIV Emergency Relief Project Grants - Level of Effort - Maintenance of Effort</i> - 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.	Implemented
2013-011	<i>HIV Emergency Relief Project Grants - Reporting</i> - 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.	Implemented