

City and County of Denver

Single Audit Reports

Year Ended December 31, 2015

City and County of Denver
Year Ended December 31, 2015

Contents

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards.....	7
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 <i>Government Auditing Standards</i>	11
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	14
Schedule of Findings and Questioned Costs.....	18
Status of Prior Audit Findings	30

City and County of Denver
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Agriculture					
Child and Adult Care Food Program	Colorado Department of Public Health	CFP000001	10.558	\$ 178,476	\$ -
Child Nutrition Cluster					
Summer Food Service Program for Children	Colorado Department of Education	None Provided	10.559	173,939	-
Subtotal Child Nutrition Cluster				<u>173,939</u>	<u>-</u>
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	6,079,425	-
Subtotal SNAP Cluster				<u>6,079,425</u>	<u>-</u>
Urban and Community Forestry Program	Colorado State Forest Service	None Provided	10.675	50,442	-
Total Department of Agriculture				<u>6,482,282</u>	<u>-</u>
Department of Commerce					
Economic Development Cluster					
Economic Adjustment Assistance			11.307	757,238	-
Subtotal Economic Development Cluster				<u>757,238</u>	<u>-</u>
Total Department of Commerce				<u>757,238</u>	<u>-</u>
Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants			14.218	15,299,050	2,809,782
Emergency Solutions Grant Program			14.231	589,450	578,751
Home Investment Partnerships Program			14.239	4,304,750	604,550
Housing Opportunities for Persons with AIDS			14.241	1,245,284	1,200,365
Continuum of Care Program			14.267	3,500,718	3,450,477
Education and Outreach Initiatives			14.416	5,000	-
Total Department of Housing and Urban Development				<u>24,944,252</u>	<u>8,643,925</u>
Department of Interior					
Migratory Bird Monitoring, Assessment and Conservation			15.655	16,721	-
Total Department of Interior				<u>16,721</u>	<u>-</u>
Department of Justice					
Community-Based Violence Prevention Program			16.123	216,692	76,102
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	133,792	-

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Justice (continued)					
Crime Victim Assistance	Colorado Division of Criminal Justice	2014-VU-14-003359-02	16.575	61,245	-
Crime Victim Compensation	Colorado Division of Criminal Justice	13-VC-2	16.576	1,180,000	-
Crime Victim Assistance/Discretionary Grants	Rocky Mountain Victim Law Center	None Provided	16.582	18,000	-
Violence Against Women Formula Grants	Colorado Division of Criminal Justice	2013-VW-2-8; 2014-VW-14-003358-02; 2013-VW-14-003137-02	16.588	212,206	-
State Criminal Alien Assistance Program			16.606	500,000	-
Project Safe Neighborhoods			16.609	174,846	56,708
Edward Byrne Memorial Justice Assistance Grant Program			16.738	337,477	-
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice Colorado Department of Public Safety	2014-DJ-14-003266-06-1 2014-DJ-15-008754-01- 2014-DJ-14-003374-03-1 2015-DJ-15-008689-03-2 2014-DJ-14-003421-06-1 2015-DJ-15-008702-03-2 2015-DJ-15-008602-06-2 2014-DJ-14-003394-03-1 2014-DJ-14-003383-07-1 2015-DJ-15-008651-07-	16.738	330,631	-
Total 16.738				<u>668,108</u>	-
DNA Backlog Reduction Program			16.741	188,527	-
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	1,062	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	14-DN-01-11-2	16.742	25,883	-
Total 16.742				<u>26,945</u>	-
Criminal and Juvenile Justice and Mental Health Collaboration Program			16.745	102,335	102,336
Edward Byrne Memorial Competitive Grant Program			16.751	85,367	-
Second Chance Act Reentry Initiative			16.812	257,202	257,202
Byrne Criminal Justice Innovation Program			16.817	76,815	67,138
Justice Reinvestment Initiative			16.827	299,092	299,092
Equitable Sharing Program			16.922	1,169,572	-
Total Department of Justice				<u>5,370,744</u>	<u>858,578</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Labor					
Employment Services Cluster					
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	CMS#38154 CMS#54595	17.207	1,628,867	-
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	CMS#54595	17.801	18,792	-
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	CMS#54595	17.804	2,194	-
Subtotal Employment Services Cluster				1,649,853	-
Veterans' Employment Program	Colorado Department of Labor and Employment	CMS#54595	17.802	19,088	-
Homeless Veterans Reintegration Project			17.805	79,522	-
WIA Cluster					
WIA/WIOA Adult Program	Colorado Department of Labor and Employment	CMS#38154 CMS#54595	17.258	1,873,456	-
WIA/WIOA Youth Activities	Colorado Department of Labor and Employment	CMS#38154 CMS#54595	17.259	1,750,140	523,364
WIA/WIOA Dislocated Worker Formula Grants	Colorado Department of Labor and Employment	CMS#38154 CMS#54595	17.278	831,961	-
Subtotal WIA Cluster				4,455,557	523,364
Trade Adjustment Assistance	Colorado Department of Labor and Employment	CMS#38154	17.245	2,899	-
H-1B Job Training Grants			17.268	549,208	158,188
H-1B Job Training Grants	Colorado Department of Labor and Employment	CMS#38154	17.268	129,696	-
Total 17.268				678,904	158,188
Reintegration of Ex-Offenders			17.270	726,054	-
Total Department of Labor				7,611,877	681,552
Department of Transportation					
Airport Improvement Program			20.106	19,332,537	-
Airport Improvement Program	Colorado Department of Transportation	None Provided	20.106	537,404	-
Total 20.106				19,869,941	-
Highway Planning and Construction Cluster					
Highway Planning and Construction	Colorado Department of Transportation Regional Transportation District Regional Air Quality Control DRCOG	ITS C010-084 (16587); STE 0252-411 (17954); STE C010-109 (18566); AQC M320-076 (18535); STU C010-108 (18529); NHPP C010-114 (20414); ACQ M320-081 (19120); AQC M320-078 (18873); STE C010-110 (18700); SHE M320-080 (19118); AQC M320-082 (19320); M320-085 (19634); SHE C010-112 (19726); M320-087 (19978); SHE320-089 (19980); NHPP 2873-12 (19957); AQC M320-086 (19977); AQC M320-092 (20303); SHE030A-031 (20057); NHPP C010-114 (20414) 543013; PO291000791; PO 411001636; PO843	20.205	8,148,608	-
Subtotal Highway Planning and Construction Cluster				8,148,608	-

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Transportation (continued)					
Federal Transit Cluster				2,650,000	-
Federal Transit_Capital Investment Grants	Regional Transportation District	None Provided	20.500	2,650,000	-
Subtotal Federal Transit Cluster				2,650,000	-
Highway Safety Cluster					
State and Community Highway Safety	Colorado Department of Transportation	PO411003137; PO411003133; PO411003142 PO411007051; PO411007047; PO411007128	20.600	195,560	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	Colorado Department of Transportation	PO491000668	20.601	302,856	-
National Priority Safety Programs	Colorado Department of Transportation	PO411003146; PO411005175; PO411005941; PO411007046	20.616	283,009	-
Subtotal Highway Safety Cluster				781,425	-
Alternatives Analysis	Regional Transportation District	None Provided	20.522	201,533	-
Total Department of Transportation				31,651,507	-
National Foundation on the Arts and the Humanities					
Promotion of the Arts_Grants to Organizations and Individuals			45.024	22,000	-
Grants to States	Colorado State Library	FY14-013	45.310	18,825	-
National Leadership Grants	Colorado State Library	201510521	45.312	1,948	-
Total National Foundation on the Arts and the Humanities				42,773	-
Veterans Health Administration, Department of Veterans Affairs					
VA Homeless Providers Grant and Per Diem Program			64.024	108,647	97,782
Total Veterans Health Administration, Department of Veterans Affairs				108,647	97,782
Environmental Protection Agency					
Urban Waters Small Grants			66.440	54,466	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	1,498	-
Brownfields Assessment and Cleanup Cooperative Agreements			66.818	78,448	-
Total Environmental Protection Agency				134,412	-
Office of Energy Efficiency and Renewable Energy, Department of Energy					
Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office	None Provided	81.128	470,755	-
Total Office of Energy Efficiency and Renewable Energy, Department of Energy				470,755	-

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Health and Human Services					
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO FJA EPR 1341886	93.069	77,537	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	PO#FAA000000000002	93.074	11,136	-
Guardianship Assistance	Colorado Department of Human Services	None Provided	93.090	72,769	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services	15 IHA59233; 16 IHGA 83244	93.092	146,170	-
Substance Abuse and Mental Health Services_Protocols of Regional and National Significance	Colorado Department of Justice	1H79TI025036	93.243	88,560	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Colorado Department of Public Health and Environment	None Provided	93.283	2,953	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Connect for Health Colorado	None Provided	93.525	89,033	-
Promoting Safe and Stable Families	Colorado Department of Human Services	None Provided	93.556	360,722	-
TANF Cluster					
Temporary Assistance for Needy Families	Colorado Department of Human Services	None Provided	93.558	24,412,003	-
Subtotal TANF Cluster				24,412,003	-
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	7,878,361	-
Child Support Enforcement Research	Colorado Department of Human Services	None Provided	93.564	443	-
Refugee and Entrant Assistance_State Administered Programs	Lutheran Family Services	None Provided	93.566	147,234	-
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	4,978,228	-
Community Services Block Grant	Colorado Department of Local Affairs	L14CSBG13 L15CSBG14	93.569	834,126	736,161
CCDF Cluster					
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	783,142	-
Child Care Mandatory and Matching Funds of the Child Care	Colorado Department of Human Services	None Provided	93.596	8,208,896	-
Subtotal Child Care and Development Cluster				8,992,038	-
Head Start			93.600	9,681,555	7,822,609
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	509,549	-
Adoption Opportunities	CO Kempe Foundation, University of Colorado	90CO1059-04	93.652	128,846	-
Foster Care_Title IV-E	Colorado Department of Human Services	None Provided	93.658	9,835,467	-
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,477,874	-
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	2,094,333	-

City and County of Denver
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

Federal Agency Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount	Amount Provided Sub- Recipient
Department of Health and Human Services (continued)					
Child Abuse and Neglect Discretionary Activities	Colorado Department of Human Services	None Provided	93.670	2,067	-
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	244,158	-
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	Colorado Department of Public Health and Environment	20160000000000000001394	93.753	5,618	-
Medicaid Cluster					
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	8,109,225	-
Subtotal Medicaid Cluster				<u>8,109,225</u>	-
HIV Emergency Relief Project Grants			93.914	8,529,459	7,409,916
Block Grants for Community Mental Health Services	Colorado Department of Human Services	PO IHEA 73080	93.958	24,003	-
Block Grants for Prevention and Treatment of Substance Abuse	SSAMSA/CO Office of Behavioral Health	IHJA2015000213	93.959	13,233	-
Total Department of Health and Human Services				<u>90,746,700</u>	<u>15,968,686</u>
Corporation for National & Community Services					
AmeriCorps	Colorado Governor's Commission on Community Service	14AC133177	94.006	168,171	-
Total Corporation for National & Community Services				<u>168,171</u>	-
Executive Office of the President					
High Intensity Drug Trafficking Areas Program			95.001	817,633	-
Total Executive Office of the President				<u>817,633</u>	-
Department of Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Colorado Division of Homeland Security and Emergency Management	FEMA-DR-4145-CO: 14-L4145-064	97.036	2,328,923	-
Emergency Management Performance Grants	Colorado Division of Homeland Security and Emergency Management	12EM-13 -17; 13EM-13-17	97.042	125,438	-
Pre-Disaster Mitigation	Colorado Department of Safety	2013PDM13PDM15DMP	97.047	249,583	-
Homeland Security Grant Program	Colorado Division of Homeland Security and Emergency Management	13UASI14DEN; 14UASI15DEN	97.067	2,217,871	-
Transportation Security Administration			97.UNKNOWN	1,235,744	-
Total Department of Homeland Security				<u>6,157,559</u>	-
Total Federal Expenditures				<u>\$ 175,481,271</u>	<u>\$ 26,250,523</u>

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the primary government of the City and County of Denver (the City). The City's reporting entity is defined in Note 1 in the City's basic financial statements for the year ended December 31, 2015.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA) and Denver Urban Renewal Authority (DURA), discretely presented component units, which received \$312,000,801 and \$977,575, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2015.

(2) Basis of Accounting

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

SNAP Cluster	10.561
Guardianship Assistance	93.090
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families Cluster	93.558
Child Support Enforcement	93.563
Child Support Enforcement Research	93.564
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
Stephanie Tubbs Jones Child Welfare Services Program	93.645
Foster Care_Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Child Abuse and Neglect Discretionary Activities	93.670
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

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

(3) Human Service Programs

The City's Department of Human Services operates several federally funded human services programs where benefits are provided to qualified citizens. The benefit distribution method consists of participants receiving benefits using a state-maintained electronic banking card (EBT) instead of the City's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the City, in the amount of \$97,382,177, of which \$32,854,737 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, 2015

(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	\$ 13,110,642
Total Neighborhood Development Loans	13,110,642
Economic Development Loans:	
14.Unknown	4,922,879
14.218 - Community Development Block Grants/Entitlement Grants	19,224,269
14.253 - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	1,436,235
Total Economic Development Loans	25,583,383
Section 108 Loans:	
14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	8,539,181
Total Section 108 Loans	8,539,181
Housing Development Loans:	
14.Unknown	28,946,273
14.218 - Community Development Block Grants/Entitlement Grants	8,061,196
14.239 - HOME Investment Partnerships Program	48,624,997
14.241 - Housing Opportunities for Persons with AIDS	2,464,484
14.256 - ARRA - Neighborhood Stabilization Program	13,542,898
Total Housing Development Loans	101,639,848
Total Office of Economic Development Loans	148,873,054
Less Allowances:	
Delinquent Loans	(13,993,484)
Forgivable Loans	(73,871,850)
Note Receivable, Net	\$ 61,007,720

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015

(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, 2015. There were no new loans during 2015; 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, 2015 was \$441,291 and the cash and investment balance in the loan revolving fund was \$292,339. The 2015 expenditures for administrative costs were \$698. There were \$22,910 of loan write-offs in 2015. There are no City match requirements.

(7) Indirect Costs

The City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, except for the following CFDA's (17.801, 17.804, 17.207, 17.257, 17.258, 17.268, 17.270, 17.278 and 93.558) which elected to use a rate agreed on through the grant agreement or interagency agreement.

(8) Recognition of Prior Expenditures

The City received a pass through FEMA grant from the Colorado Department of Public Safety; Division of Homeland Security and Emergency Management for the 2013 Colorado Floods. The City incurred expenditures of \$155,027 in 2013 and \$2,950,204 in 2014. The total federal portion of these expenditures is presented in the 2015 schedule of expenditures of federal awards and amounts to \$2,328,923. There are State and City match requirement of 12.5% each.

**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 27, 2016, which contained an emphasis of matter paragraph regarding a change in accounting principles. Our report includes a reference to other auditors who audited the financial statements of the Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Denver Union Station Project Authority and Denver Preschool Program, Inc., presented as discretely presented component units, Gateway Village General Improvement District and the Fourteenth Street General Improvement District, included as blended 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 of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Audit Committee
City and County of Denver

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 2015-001 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 item 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

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

We also noted certain matters that we reported to the City's management in a separate letter dated May 27, 2016.

Audit Committee
City and County of Denver

Purpose of this Report

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

BKD, LLP

Denver, Colorado
May 27, 2016

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

Audit Committee
City and County of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited City and County of Denver's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Denver Union Station Project Authority (DUSPA) and Denver Urban Renewal Authority (DURA), discretely presented component units, which received \$512,000,801 and \$977,575, respectively, in federal awards which are not included in the schedule during the year ended December 31, 2015. Our audit below did not include the operations of DUSPA and DURA because DUSPA and DURA obtained separate audits in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Audit Committee
City and County of Denver

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on TANF Cluster

As described in item 2015-004 in the accompanying schedule of findings and questioned costs, the City did not comply with eligibility requirements for its TANF Cluster program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Qualified Opinion on TANF Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended December 31, 2015.

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, 2015.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-005, 2015-006 and 2015-007. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-005, 2015-006 and 2015-007 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 27, 2016, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter paragraph regarding a change in accounting principles. 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the

Audit Committee
City and County of Denver

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 13, 2016

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

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

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

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

Federal Awards

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

5. The opinion expressed in the independent auditor’s report on compliance for major federal award program was:
 Unmodified Qualified Adverse Disclaimer

Unmodified for all major programs except for TANF Cluster which is qualified.

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

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.561	SNAP Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.267	Continuum of Care Program
93.558	TANF Cluster
93.563	Child Support Enforcement
93.575, 93.596	CCDF Cluster
93.659	Adoption Assistance
93.667	Social Services Block Grant

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

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

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

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

Reference Number	Finding
2015-001	<p>Finding: Accounting for Capital Assets</p> <p>Criteria or Specific Requirement: Under accounting principles generally accepted in the United States of America (US GAAP), capital assets should be accounted for at their historical cost and in the period in which the asset is acquired. Accounting guidance that addresses the proper recognition and accounting of capital assets includes Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments and various implementation guidance issued by the GASB.</p> <p>Condition: The Municipal Airport System over-capitalized \$41.8 million costs of projects within the Hotel and Transit Center and Other Capital Improvement Projects program.</p> <p>Effect: Audit adjustments were proposed and recorded to:</p> <ul style="list-style-type: none">\$39.7 million to reduce capital assets and increase construction-in-progress.\$2.1 million to reduce the allocation of capitalized interest to the associated discrete assets capitalized. <p>Cause: Due to the tracking and allocation of expenses among the multiple assets being performed by an external consultant under contract with the City Department of Finance, management collaborated with the consultant working with the Hotel and Transit Center project management team, who were tracking costs incurred through out the life of the project. Significant work was performed by management and the external consultant in 2015 to categorize construction-in-progress costs into meaningful discrete assets that could be capitalized and depreciated over estimated useful lives. Amounts provided by the external consultant included total project-to-date costs, which included \$39.7 million of costs written off in previous years, notably 2010 and 2011. The over-capitalization occurred due to the lack of support from the time the decision was made in 2010 and 2011 to write off costs.</p> <p>Additionally, the over-allocation of costs from construction-in-progress to capital assets resulted in an over-allocation of \$2.1 million of capitalized interest to associated assets capitalized.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

**Reference
Number**

Finding

Identification as a repeat finding: Not applicable.

Recommendation: As the remainder of the Hotel and Transit Center project is placed into service in 2016 and additional costs are incurred in completion of the project, we recommend management continue to challenge the costs assigned to the discrete assets are proper. As the Airport System enters into future high-profile projects which involve multiple assets being constructed from multiple funding sources and multiple contractors, we recommend Airport System accounting personnel work with project management teams from inception to develop tracking mechanisms, which are useful for both program financial assurance and financial reporting. As significant decisions are made by management, in these future projects, we recommend documentation be maintained of those decisions. This may prevent significant work on the back end of the project in segregating individual assets, as well as help to ensure that assets are reported using an appropriate level of detail in the future.

Additionally, we recommend the Municipal Airport System continue to update its written policies and procedures for activity related to construction projects. Such updated policies and procedures will also help the Municipal Airport System continue to be accountable to public, to make sure that transactions are processed consistently and to identify potential conflicts of interest.

Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

Reference Number	Finding
2015-002	<p>Finding: Accounting and Financial Reporting for Capital Assets</p> <p>Criteria or Specific Requirement: Accounting principles generally accepted in the United States of America (US GAAP) that addresses the proper recognition and accounting of capital assets</p> <ul style="list-style-type: none"> • Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i> (GASB 34) • Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34</i> (GASB 37) • Governmental Accounting Standards Board Statement No. 51, <i>Accounting and Financial Reporting for Intangible Assets</i> (GASB 51) • Governmental Accounting Standards Board Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i> (GASB 62) • Various implementation guidance issued by GASB <p>In accordance with this guidance, and specifically GASB 34 and GASB 51, capital assets, including intangible assets, should be reported at their historical cost at the date of acquisition, reported within the appropriate asset classification, and removed from accounting records when disposed. Controls must be in place over the various tracking mechanisms (tracking spreadsheets, Asset Manager, etc.) to ensure information is properly captured and recorded in the general ledger.</p> <p>Condition: The following conditions are noted:</p> <ul style="list-style-type: none"> • Management discovered that approximately \$19 million of intangibles were improperly recorded under the classification of furniture and major office equipment in previous years. Management posted an entry to reclassify the assets as intangibles. The net book value was immaterial and there was not a change in total capital asset after this reclass was made. • A capital asset addition was correctly recorded as an addition to infrastructure, but the related item in construction-in-progress was not removed from construction-in-progress at year-end, causing ending capital assets to be overstated by approximately \$3 million. Management posted an adjustment to correct this error. • The City recorded an addition to land as both a land addition and building addition while simultaneously recording a building deletion. The amount of the transaction was approximately \$1 million dollars. This error resulted in overstatement by that amount in both building additions and building deletions although the ending capital asset ending balance was properly stated. Management posted a proposed audit adjustment to correct the amounts of building additions and deletions. • Depreciation expense for Library Books was understated by approximately \$1.3 million. Management posted a proposed audit adjustment to correct this error.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

Reference Number	Finding
	<ul style="list-style-type: none">• When recording capital asset additions for traffic signals built by outside contractors, the City’s practice is to capitalize the average amount for each signal outlined in the contractor’s bid document, rather than the actual cost of the individual traffic signal. Furthermore, the City uses a “first in, first out” approach when disposing of traffic signals. Instead of writing off the actual item that was disposed or replaced, the City removes the oldest remaining traffic signal from its capital asset inventory. The net result of this procedure is not material and did not result in adjustment, but could potentially lead to material errors. <p>Effect: The conditions noted above resulted in several adjustments being made to capital asset and depreciation balances, as well as several modifications to the City’s capital asset rollforward during the audit process. In addition, insufficient or ineffective controls over financial reporting could lead to significant reporting inaccuracies in the City’s Comprehensive Annual Financial Report.</p> <p>Cause: Established internal controls were not effective in preventing or detecting and correcting clerical errors in the recording and recognition of capital assets in a timely manner.</p> <p>Identification as a repeat finding: See 2014-002.</p> <p>Recommendation: We recommend that management review both new capital asset classification and the classification on existing capital asset inventories to ensure that all capital assets are recorded in the most appropriate category.</p> <p>In addition, we recommend that management review controls over how construction-in-progress is recorded, monitored, and removed from the construction-in-progress ledger as items are placed into service. Management should also review controls over recording capital assets in general, including a robust review of capital asset-related journal entries and key spreadsheets. Finally, we recommend additional training be provided to relevant staff in order to ensure that all capital assets are recorded in accordance with City policies.</p> <p>Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

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

Reference Number	Finding
------------------	---------

2015-003 Finding: Subrecipient Monitoring

CFDA No. 14.267 Continuum of Care Program

Department of Housing and Urban Development, Award Number - CO0026L8T031407, Award Year 2015
Department of Housing and Urban Development, Award Number - CO0056L8T031407, Award Year 2015
Department of Housing and Urban Development, Award Number - CO0026L8T031306, Award Year 2014
Department of Housing and Urban Development, Award Number - CO0056L8T031306, Award Year 2014

Criteria: In accordance with OMB Circular A-133 (§ ____.225, § ____.310(d)(5), and § ____.400(d)) and 31 USC 7502(f)(2)(B) the pass-through entity must ensure required audits are performed, issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and ensure that the subrecipient took timely and appropriate corrective action on all audit findings. In addition, in accordance with 2 CFR section 200.331(d)(2) the pass-through entity must ensure that the subrecipient takes timely and appropriate action on deficiencies detected through audits.

Condition: We noted one instance in which DDHS did not issue a management decision on audit findings within six months and did not follow up to ensure the subrecipient took timely and appropriate action on deficiencies detected through audits.

Questioned costs: None.

Context: We tested two subrecipients receiving \$442,987 in subrecipient awards for the year ended December 31, 2015 and noted the issue above. Subrecipient awards issued under this program totaled approximately \$7.1 million to seven subrecipients. A non-statistical sampling methodology was used to select the sample.

Effect: DDHS did not review the single audit report and while the finding was not directly related to the subaward program, failure to review such reports and take appropriate action could result in non-compliance by the subrecipient continuing for an inappropriate length of time.

Cause: DDHS did not review the single audit report provided by the subrecipient and thus was not aware the subrecipient had a single audit finding included in the report.

Identification as a repeat finding: Not applicable.

Recommendation: We recommend that DDHS develop a process to track and review single audit reports received by subrecipients to ensure that findings are identified timely, that management decisions are issued and that follow up occurs to determine that appropriate action was taken.

Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

Reference Number	Finding
---------------------	---------

2015-004 Finding: Eligibility

CFDA No. 93.558 - TANF Cluster
Department of Health and Human Services, Award Number - None Provided, Award Year 2015
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.

Condition: We noted the following issues in the 40 cases tested (some items in sample have multiple items listed). The dollar effect, if any, is listed after each item.

1. Two instances in which either the application was not processed timely or documentation of timely processing could not be provided (\$0).
2. Three instances in which no documentation could be provided to support that Department of Labor and Employment and Unemployment Insurance Benefits were checked at the initial application (\$4,602).
3. Two instances in which the TANF monthly clock did not include benefits paid in another state. Under federal requirements a client may not receive federal TANF funds for more than 60 months (unable to determine).
4. One instance in which eligible member of assistance unit was not included within CBMS (-\$244).
5. One instance in which client benefits were incorrectly terminated (-\$936).
6. One instance in which DDHS entered information correctly into CBMS however CBMS incorrectly issued supplemental payment (\$50).
7. Five instances in which discrepancies were not researched timely (unable to determine).
8. Two instances in which either the Initial Assessment or Individual Responsibility Contract (IRC) were not completed timely (\$0).
9. One instance in which there was no documentation that the participant completed an Initial Assessment (questioned costs included in number 6 above).
10. Six instances in which there was no documentation that the client was participating in an eligible work activity (\$6,272).

Questioned costs: Overpayments of \$10,924 and underpayment of \$1,180. Questioned costs were determined by reviewing the 2015 payments that occurred for the periods effected by the above issues.

Context: We tested 40 individuals who received TANF assistance for the year ended December 31, 2015 and noted the issues described above. The tested population covered benefits issued of \$93,633. The total population included benefits issued of approximately \$15.1 million to just over 7,000 individuals. A non-statistical sampling methodology was used to select the sample.

Effect: The state's CBMS system may be determining eligibility and allocating benefits based on incorrect, incomplete, or outdated data.

Cause: Case reviews did not identify and resolve issues noted above in conditions 1 - 7. In addition, lack of communication between DDHS and Office of Economic Development (OED) resulted in clients not being successfully transitioned between eligibility and workforce teams and issues noted in conditions 8 - 10 above.

Identification as a repeat finding: See 2014-007.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

**Reference
Number**

Finding

Recommendation: We recommend that DDHS continue striving for 100% completion and timeliness related to case reviews. This could be accomplished through the establishment of specific days each month for supervisor completion of required case review days and monitoring of results within the Work Management System (WMS). In addition, with the changes in structure related to the OED portion of the program, we recommend that DDHS add specific compliance and oversight requirements into the contract with the new third-party-administrator performing assistance with the workforce requirements of Colorado Works. This contract should specify the responsibilities of the third-party-administrator and detail if they will be held responsible for compliance and timeliness requirements. In addition, we recommend that DDHS streamline the intake interview and workforce assessment into back to back appointments rather than requiring the client to come to the office on multiple visits, as this will help ensure clients are able to attend all required appointments and participate in eligible work activities.

Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

**Reference
Number**

Finding

2015-005 Finding: Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan

CFDA No. 93.558 TANF Cluster

Department of Health and Human Services, Award Number - None Provided, Award Year 2015

Passed-through Colorado Department of Human Services

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).

Condition: Eight instances in which the case reviews were not completed timely in compliance with county and state policies.

Questioned costs: None.

Context: We tested 60 case file reviews of the approximately 1,100 identified by CDHS as requiring a Work Verification Rate review for the year ended December 31, 2015 and noted the issues described above. A non-statistical sampling methodology was used to select the sample.

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

Cause: In order to ensure all review requirements are met, reviews must be completed by both DDHS and OED for all selected cases. DDHS reviews are tasked to supervisors within the Work Management System (WMS) and assigned a due date. During the year, it was discovered that non-TANF supervisors were being assigned case reviews which resulted in incomplete and/or late reviews. In October 2015, DDHS changed this process to allow only TANF supervisors to be assigned case reviews. A clean-up of all outstanding case reviews was performed at that point.

Identification as a repeat finding: See 2014-008.

Recommendation: We recommend that DDHS continue to monitor case reviews on a weekly and monthly basis prior to month-end to ensure that the review of all cases selected for Work Participation Rate review occurs timely.

Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

Reference Number	Finding
2015-006	<p>Finding: Reporting</p> <p>CFDA No. 93.575 & 93.596 - CCDF Cluster Department of Health and Human Services, Award Number - None Provided, Award Year 2015 Passed-through Colorado Department of Human Services</p> <p>Criteria: Information provided to the state for the processing of benefits should be accurately input into CHATS and agree to supporting documentation included in the case file.</p> <p>Condition: We noted four instances in which information related to the client household within CHATS did not agree to the case file.</p> <p>Questioned costs: None.</p> <p>Context: We tested 40 case files of clients receiving \$128,493 in child care assistance payments for the year ended December 31, 2015 and noted the issue above. Child care assistance payments issued during the year totaled approximately \$14.9 million to just over 4,900 individuals. A non-statistical sampling methodology was used to select the sample.</p> <p>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. In addition, as a result of incorrect data entry, child care could be provided to ineligible applicants or denied to eligible applicants.</p> <p>Cause: While DDHS implemented case reviews for the child care program during 2015 which were effective in identifying data entry inaccuracies on cases selected for review, these issues noted above related to cases that had not been subjected to review.</p> <p>Identification as a repeat finding: 2014-011.</p> <p>Recommendation: We recommend DDHS continue to perform case reviews on a monthly basis and analyze trends from the results to identify areas of concern. In addition, we recommend DDHS continue on-going training for case workers that emphasizes the importance of accuracy of information between case files and CHATS.</p> <p>Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015

Reference Number	Finding
2015-007	<p>Finding: Special Tests and Provisions</p> <p>CFDA No. 93.659 Adoption Assistance - Title IV-E Department of Health and Human Services, Award Number - None Provided, Award Year 2015 Passed-through Colorado Department of Human Services</p> <p>Criteria: In accordance with state plan, Section 7.306.41 E-12, the county is required to review the adoption agreement every three years from the date of the initial agreement.</p> <p>Condition: We noted three instances where the required three-year review was not performed.</p> <p>Questioned costs: None.</p> <p>Context: We tested 28 case files of continuing clients receiving \$135,994 in Adoption Assistance subsidy payments for the year ended December 31, 2015 and noted the issue above. Adoption Assistance subsidy payments issued during the year totaled approximately \$7.8 million to just over 1,100 individuals. A non-statistical sampling methodology was used to select the sample.</p> <p>Effect: While any change to the adoption assistance agreement must be reviewed by all parties, by not completing the three-year review, modifications may be required and not identified resulting in overpayments or underpayments to providers.</p> <p>Cause: Case workers are required to document the required renewal date in TRAILS. This date is utilized to run a report that identifies those cases requiring review. However, there appears to be a system error within TRAILS which causes some cases not to be included on the report even though a renewal date has been entered. In addition, the TRAILS report being utilized to determine renewals was from 2011 and therefore it did not include any agreements from 2012 that should have been renewed in 2015. Very lengthy monthly subsidy payroll reports were being utilized in an attempt to fill the gap.</p> <p>Identification as a repeat finding: Not applicable.</p> <p>Recommendation: We recommend that DDHS work to develop a report using Work Management System (WMS) or other internal resources to pull the listing of required renewals to be completed until the state can correct reporting issues related to the TRAILS report. We also recommend the TRAILS report be pulled, at a minimum, once a year to help ensure all cases requiring renewal are captured, once the report is determined to be reliable.</p> <p>Views of responsible officials: The City agrees with the finding. See separate auditee document for planned corrective actions.</p>

City and County of Denver

Status of Prior Audit Findings

Year Ended December 31, 2015

Reference Number	Summary of Finding	Status
2014-001	<i>Municipal Airport System - Monthly Cash Reconciliation</i> - 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.	Implemented
2014-002	<i>Capital Assets</i> - 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.	Partially Implemented. See current year finding at 2015-002. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2014-003	<i>Public Works Contract Revenue Recognition</i> - 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.	Implemented
2014-004	<i>Municipal Airport System - Financial Statement Report Preparation</i> - 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.	Implemented
2014-005	<i>Deferred Compensation Plans - Controls Over Participant Deferral Elections</i> - 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.	Implemented
2014-006	<i>SNAP Special Tests and Provisions - EBT Card Security</i> - 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.	Implemented

City and County of Denver

Status of Prior Audit Findings (Continued)

Year Ended December 31, 2015

Reference Number	Summary of Finding	Status
2014-007	<i>TANF Eligibility and Reporting</i> - 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.	Partially Implemented. See current year finding at 2015-004. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2014-008	<i>TANF Special Tests and Provisions - Failure to Comply with Work Verification Plan</i> - 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.	Partially Implemented. See current year finding at 2015-005. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2014-009	<i>CCDF Activities Allowed and Allowable Costs</i> - 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.	Implemented
2014-010	<i>CCDF Eligibility</i> - We recommend DDHS continue to refine the eligibility intake procedures and oversight, including a tracking mechanism, similar to the Work Management System (WMS) to help improve the timely processing of applications, redeterminations, and referrals. Additionally, we recommend DDHS reimplement the performance of case reviews.	Implemented
2014-011	<i>CCDF 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, 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.	Partially Implemented. See current year finding at 2015-006. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2014-012	<i>HIV Emergency Relief Project Grants Subrecipient Monitoring</i> - 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.	Implemented