

# **City and County of Denver**

Single Audit Reports

Year Ended December 31, 2017

**City and County of Denver**  
**Year Ended December 31, 2017**

**Contents**

<b>Schedule of Expenditures of Federal Awards .....</b>	<b>1</b>
<b>Notes to Schedule of Expenditures of Federal Awards.....</b>	<b>8</b>
<b>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> .....</b>	<b>12</b>
<b>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 .....</b>	<b>15</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>19</b>
<b>Status of Prior Audit Findings .....</b>	<b>31</b>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Agriculture</b>					
Child and Adult Care Food Program	Colorado Department of Public Health and Environment	13 FLA 50639	10.558	\$ 285,312	\$ -
Child Nutrition Cluster					
Summer Food Service Program for Children	Colorado Department of Education	16-78686	10.559	180,845	-
Subtotal Child Nutrition Cluster				<u>180,845</u>	<u>-</u>
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	9,026,650	-
Subtotal SNAP Cluster				<u>9,026,650</u>	<u>-</u>
<b>Total Department of Agriculture</b>				<u>9,492,807</u>	<u>-</u>
<b>Department of Commerce</b>					
Economic Development Cluster					
Economic Adjustment Assistance			11.307	498,815	-
Subtotal Economic Development Cluster				<u>498,815</u>	<u>-</u>
<b>Total Department of Commerce</b>				<u>498,815</u>	<u>-</u>
<b>Department of Housing and Urban Development</b>					
CDBG - Entitlement Cluster					
Community Development Block Grants/Entitlement Grants			14.218	10,823,743	3,373,789
Subtotal CDBG - Entitlement Cluster				<u>10,823,743</u>	<u>3,373,789</u>
Emergency Solutions Grant Program			14.231	493,652	406,130
HOME Investment Partnerships Program			14.239	3,153,230	1,047,817
Housing Opportunities for Persons with AIDS			14.241	1,389,189	1,389,189
Continuum of Care Program			14.267	4,182,805	4,159,412
<b>Total Department of Housing and Urban Development</b>				<u>20,042,619</u>	<u>10,376,337</u>
<b>Department of Interior</b>					
Migratory Bird Monitoring, Assessment and Conservation			15.655	67,380	-
Migratory Bird Monitoring, Assessment and Conservation	National Fish and Wildlife Foundation	1301.16.051767	15.655	50,000	-
Subtotal CFDA 15.655				<u>117,380</u>	<u>-</u>
Historic Preservation Fund Grants-In-Aid	History Colorado	CO-16-016	15.904	7,905	-
<b>Total Department of Interior</b>				<u>125,285</u>	<u>-</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Justice</b>					
Community-Based Violence Prevention Program			16.123	339,429	124,226
Youth Gang Prevention			16.544	88,599	29,112
National Institute of Justice Research, Evaluation, and Development			16.560		
Project Grants				107,059	19,688
National Institute of Justice Research, Evaluation, and Development					
Project Grants	University of Denver	2013-MU-CX-0032	16.560	3,250	-
Subtotal CFDA 16.560				110,309	19,688
Crime Victim Assistance	Colorado Division of Criminal Justice	2015-VA-16-013774-02 2015-VA-16-013801-02 2015-VX-15-009546-02 2015-VA-013787-02	16.575		
				296,273	-
Crime Victim Compensation	Colorado Division of Criminal Justice	14-VC-2 16-VC-2	16.576	1,080,000	-
Crime Victim Assistance/Discretionary Grants	Rocky Mountain Victim Law Center	None Provided	16.582	10,500	-
Violence Against Women Formula Grant	Colorado Division of Criminal Justice	2015-VW-14-009002-02 2016-VU-16-013802-02 2015-VW-16-013758-02	16.588		
				309,919	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	Colorado Division of Criminal Justice	2015-WE-AX-0034	16.590	241,189	-
Community Capacity Development Office	Colorado Division of Criminal Justice	PA# 47196-0002	16.595	978	-
Project Safe Neighborhoods			16.609	154,881	20,211
Public Safety Partnership and Community Policing Grants			16.710	29,843	-
Edward Byrne Memorial Justice Assistance Grant Program			16.738	410,635	92,168
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Department of Public Safety Division of Criminal Justice	2016-DJ-16-013928-03 2016-DJ-16-013512-03-2 2016-DJ-16-013565-03-1 2015-DJ-15-008602-06	16.738		
				191,952	-
Subtotal CFDA 16.738				602,587	92,168
DNA Backlog Reduction Program			16.741	146,586	-
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	20,895	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Division of Criminal Justice	2016-DN-16-010683	16.742	20,807	-
Subtotal CFDA 16.742				41,702	-
Edward Byrne Memorial Competitive Grant Program			16.751	97,916	-
Innovations in Community-Based Crime Reduction			16.817	327,891	45,310
Justice Reinvestment Initiative			16.827	85,441	85,441
Body Worn Camera Policy and Implementation			16.835	33,159	-
Equitable Sharing Program			16.922	940,071	-
<b>Total Department of Justice</b>				4,937,273	416,156

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Labor</b>					
Unemployment Insurance	Colorado Department of Labor and Employment	DE15-101, DE16-07 RESEA	17.225	21,765	21,765
Employment Service Cluster					
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	DE16-04, DE16-01, DE16-08	17.207	582,127	-
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	DE16-05	17.801	21,000	-
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	DE16-05	17.804	7,000	-
Subtotal Employment Services Cluster				610,127	-
WIA Cluster					
WIA/WIOA Adult Program	Colorado Department of Labor and Employment	DE15-03/04, DE16-08 WBL, DE16-03 DE17-02/08, DE17-02	17.258		
				1,519,924	1,301,761
WIA/WIOA Youth Activities	Colorado Department of Labor and Employment	DE16-03/04, DE16-01, DE17-02	17.259	798,582	706,852
WIA/WIOA Dislocated Worker Formula Grants	Colorado Department of Labor & Employment	DE16-10, DE16-09, DE16-03/04, DE16-01, DE15-103, DE17-02/08, DE17-03(SpC), DE17-02/08	17.278		
				624,204	257,160
Subtotal WIA Cluster				2,942,710	2,265,773
Trade Adjustment Assistance	Colorado Department of Labor & Employment	DE16-07 TAA	17.245	24,299	-
WIA Pilots, Demonstrations, and Research Projects			17.261	18,625	-
H-1B Job Training Grants			17.268	1,907,043	896,555
WIOA Dislocated Worker National Reserve Technical Assistance and Training	Colorado Department of Labor & Employment	DE17-05(SS)	17.281	5,252	-
Apprenticeship USA Grants	Colorado Department of Labor & Employment	DE16-0Apprent	17.285	26,437	-
<b>Total Department of Labor</b>				5,556,258	3,184,093

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Transportation</b>					
Airport Improvement Program			20.106	14,904,514	-
Highway Planning and Construction Cluster					
Highway Planning and Construction	Colorado Department of Transportation Regional Transportation District Regional Air Quality Control DRCOG	471000918, 491001217, ITS C010-084 (16587), STE C010- 109 (18566), AQC M320-076 (18535), STU C010-108 (18529), STU M320-074 (18453), M320-085 (19634), SHE M320-088 (19979), NHPP 2873-12 (19957), AQC M320- 086 (19977), SHE030A-031 (20057), BRO-M320-093 (20556), AQC M320-090 (20235), ACQ M320-091 (20300), STU M320-101 (21120), STU M320-098 (21118), AQC M320-105 (21124), TAP M320-102 (21119), ITS M320-104 (21226), AQC M320-103 (21127)	20.205		
				9,283,725	-
				9,283,725	-
Subtotal Highway Planning and Construction Cluster					
Federal Transit Cluster					
Federal Transit Formula Grants	Regional Transportation District	None Provided	20.507	264,930	-
Subtotal Federal Transit Cluster				264,930	-
Highway Safety Cluster					
State And Community Highway Safety	Colorado Department of Transportation	PO 411010546 PO 411010666 PO 411010603 PO 411014675 PO 411014773 PO 411014774	20.600		
				184,832	-
National Priority Safety Programs	Colorado Department of Transportation	PO 471001001 PO 411012725 PO 471001183	20.616		
				285,204	-
				470,036	-
Subtotal Highway Safety Cluster					
Alternatives Analysis	Regional Transportation District	None Provided	20.522	84,156	-
<b>Total Department of Transportation</b>				25,007,361	-

See accompanying notes to Schedule of Expenditures of Federal Awards

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of the Treasury</b>					
Equitable Sharing Program			21.016	63,478	-
<b>Total Department of the Treasury</b>				63,478	-
<b>National Foundation on the Arts and the Humanities</b>					
National Leadership Grants			45.312	23,851	-
<b>Total National Foundation on the Arts and the Humanities</b>				23,851	-
<b>Veterans Health Administration, Department Of Veterans Affairs</b>					
VA Homeless Providers Grant And Per Diem Program			64.024	97,403	82,855
<b>Total Veterans Health Administration, Department Of Veterans Affairs</b>				97,403	82,855
<b>Environmental Protection Agency</b>					
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			66.034	103,878	-
Urban Waters Small Grants			66.440	58,380	-
Performance Partnership Grants			66.605	10,170	-
Brownfields Assessment And Cleanup Cooperative Agreements			66.818	72,687	-
<b>Total Environmental Protection Agency</b>				245,115	-
<b>Office Of Energy Efficiency And Renewable Energy, Department Of Energy</b>					
Energy Efficiency and Conservation Block Grant Program (EECBG)	Boulder County & Governor's Energy Office		DE-EE0003554	81.128	-
<b>Total Office Of Energy Efficiency and Renewable Energy, Department of Energy</b>				413,021	-
<b>Department of Health and Human Services</b>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Colorado Department of Public Health and Environment		FAAA 20180000523 17 FHJA 93945	93.074	-
Guardianship Assistance	Colorado Department of Human Services		None Provided	93.090	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Colorado Department of Human Services		None Provided	93.092	-
Injury Prevention and Control Research and State and Community Based Programs	Colorado Department of Public Health and Environment		None Provided	93.136	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance				93.243	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Colorado Department of Justice Larimer County	1H79TI025036 MOU 8/22/17		93.243	-
Promoting Safe and Stable Families	Colorado Department of Human Services		None Provided	93.556	-

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Health and Human Services (continued)</b>					
TANF Cluster					
Temporary Assistance for Needy Families	Colorado Department of Human Services	None Provided	93.558	22,883,489	-
Subtotal TANF Cluster				<u>22,883,489</u>	<u>-</u>
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	8,704,326	-
Child Support Enforcement Research	Colorado Department of Human Services	None Provided	93.564	27,696	-
Refugee and Entrant Assistance-State Administered Programs	Lutheran Family Services	MOU 9/29/16, MOU 10/18/17	93.566	175,241	-
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	2,965,154	-
Community Services Block Grant	Colorado Department of Local Affairs	L15CSBG13-02, L15CSBG13-	93.569	1,183,632	656,241
CCDF Cluster					
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	6,816,426	-
Child Care Mandatory and Matching Funds of The Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	4,577,418	-
Subtotal Child Care and Development Cluster				<u>11,393,844</u>	<u>-</u>
Head Start					
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	707,675	-
Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	12,299,559	-
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,385,051	-
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	4,616,429	-
Child Abuse and Neglect Discretionary Activities	Colorado Department of Human Services	None Provided	93.670	70,617	-
Chafee Foster Care Independence Program	Colorado Department of Human Services	None Provided	93.674	182,735	-
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	Colorado Department of Public Health and Environment	17 FHHA 93317	93.753	25,481	-
Medicaid Cluster					
Medical Assistance Program	Colorado Department of Human Services	None Provided	93.778	10,667,872	-
Subtotal Medicaid Cluster				<u>10,667,872</u>	<u>-</u>
HIV Emergency Relief Project Grants					
Block Grants for Community Mental Health Services	Colorado Department of Human Services	PO IHEA 73080	93.958	6,942	-
Block Grants for Prevention and Treatment of Substance Abuse	Colorado Department of Human Services	18IHJA97881	93.959	28,897	27,638
<b>Total Department of Health and Human Services</b>				<u>96,467,960</u>	<u>13,812,965</u>



**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number If Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Executive Office of the President</b>					
High Intensity Drug Trafficking Areas Program			95.001	781,592	-
<b>Total Executive Office of the President</b>				<u>781,592</u>	<u>-</u>
<b>Department of Homeland Security</b>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			97.036	(38,749)	-
Hazard Mitigation Grant	Colorado Department of Public Safety	MG4145075098	97.039	27,416	-
Emergency Management Performance Grants	Colorado Division of Homeland Security and Emergency Management	EMPG13_14 14 EM-15-17 15 EM-16-17 16 EM -17-17	97.042	134,748	-
Assistance to Firefighters Grant			97.044	88,395	-
Homeland Security Grant Program	Colorado Division of Homeland Security and Emergency Management	15UASI16DEN 16UASI17DEN	97.067	1,731,071	-
<b>Total Department of Homeland Security</b>				<u>1,942,881</u>	<u>-</u>
<b>Total Federal Expenditures</b>				<u>\$ 165,695,719</u>	<u>\$ 27,872,406</u>

# City and County of Denver

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended December 31, 2017

**(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, 2017.

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 Urban Renewal Authority (DURA), a discretely presented component unit, which received \$919,512, in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2017.

**(2) Basis of Accounting**

The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements. 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, 2017**

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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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 \$90,576,745, of which \$36,835,379 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, 2017**

**(5) Revolving Loan Funds – Not Subject to Compliance**

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

Neighborhood Development Loans:

14.218 - Community Development Block Grants/Entitlement Grants	\$ 17,791,843
	<u>17,791,843</u>
Total Neighborhood Development Loans	<u>17,791,843</u>

Economic Development Loans:

14. - Unknown	4,668,120
14.218 - Community Development Block Grants/Entitlement Grants	12,658,482
14.253 - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	<u>716,827</u>
Total Economic Development Loans	<u>18,043,429</u>

Section 108 Loans:

14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	<u>7,900,181</u>
Total Section 108 Loans	<u>7,900,181</u>

Housing Development Loans:

14.- Unknown	32,352,368
14.218 - Community Development Block Grants/Entitlement Grants	7,964,200
14.239 - HOME Investment Partnerships Program	48,042,474
14.241 - Housing Opportunities for Persons with AIDS	1,671,604
14.256 - ARRA - Neighborhood Stabilization Program	<u>13,534,377</u>
Total Housing Development Loans	<u>103,565,023</u>

Total Office of Economic Development Loans	<u>147,300,476</u>
--	--------------------

Less Allowances:

Delinquent Loans	(13,400,432)
Forgivable Loans	<u>(78,600,819)</u>

Note Receivable, Net	<u>\$ 55,299,225</u>
----------------------	----------------------

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2017**

**(6) Revolving Loan Funds – Subject to Further Compliance**

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the Community Development Block Grant\_Section 108 Loan Guarantees program (CFDA 14.248) which are subject to continuing compliance requirements until project completion and acceptance. There were no outstanding balances subject to continuing compliance at December 31, 2017. There were no new loans during 2017; 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, 2017 was \$131,162 and the cash and investment balance in the loan revolving fund was \$367,653. There were no expenditures for 2017 administrative costs. There were no loan write-offs in 2017. 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 (14.267, 16.738, 17.801, 17.207, 17.258, 17.259, 17.268, 17.278, 66.034, 81.128, 93.092, 93.243, 93.556, 93.566, 93.569, 93.670, 93.914) which elected to use a rate agreed on through the grant agreement or interagency agreement.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Audit Committee  
City and County of Denver  
Denver, Colorado

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 City and County of Denver (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of 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, the RINO General Improvement District, and the 14<sup>th</sup> Street General Improvement District, which are included as blended component units, and the Denver Employee Retirement Plan, a fiduciary component unit and the Deferred Compensation Plan, a fiduciary fund of the City. We also did not audit the financial statements of the Wastewater Management Enterprise Fund, which is included in the business-type activities and as a major enterprise fund. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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., component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with 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.. Additionally, the financial statements of the Gateway Village General Improvement District, RINO General Improvement District, and the 14<sup>th</sup> Street General Improvement District which are included as blended component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Gateway Village General Improvement District, RINO General Improvement District, and the 14<sup>th</sup> Street General Improvement District.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-004 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a significant deficiency.

### ***Compliance and Other Matters***

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

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

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

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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Denver, Colorado  
June 5, 2018



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

Audit Committee  
City and County of Denver  
Denver, Colorado

### **Report on Compliance for Each Major Federal Program**

We have audited the City and County of Denver's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. 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 Urban Renewal Authority (DURA), a discretely presented component unit, which received \$919,512 in federal awards which are not included in the schedule during the year ended December 31, 2017. Our audit below did not include the operations of DURA because DURA obtained a separate audit in accordance with the Uniform Guidance.

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

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

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

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

Audit Committee  
City and County of Denver

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

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

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding eligibility, reporting, and special tests and provisions - sanctions eligibility for its TANF Cluster program as described in finding 2017-005 and cash management for the HIV Emergency Relief Project Grants program as described in finding 2017-007. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

***Qualified Opinions on TANF Cluster and HIV Emergency Relief Project Grant***

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 and HIV Emergency Relief Project Grant for the year ended December 31, 2017.

***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, 2017.

***Other Matters***

The results of our auditing procedures 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 2017-008 and 2017-009. 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 response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, material weaknesses or significant deficiencies may exist that have not 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 a 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 2017-005, 2017-007, 2017-008 and 2017-009 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 2017-006 to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Audit Committee  
City and County of Denver

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 24, 2018, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Denver, Colorado  
July 24, 2018

**City and County of Denver**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2017**

**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 and HIV Emergency Relief Program Grants which are 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, 2017**

7. Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster
93.558	TANF Cluster
93.600	Head Start
93.658	Foster Care-Title IV-E
93.778	Medical Assistance Program/Medicaid Cluster
93.914	HIV Emergency Relief Project Grants

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, 2017**

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

Reference Number	Finding
2017-001	<p><b>Finding:</b> The Airport Accounts Receivable</p> <p><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the Airport should have controls in place to ensure the Airport’s revenue is properly recorded, and payments received from customers are either properly applied to outstanding receivables or recorded as unearned.</p> <p><b>Condition:</b> During the 2017 audit of accounts receivable, there were instances of misapplication of payments received to accounts receivable and liabilities resulting in a gross-up of the statement of net position. When viewed in the aggregate, the issues detailed below are indicative of a larger internal control issue. The following instances were observed during the audit:</p> <ol style="list-style-type: none"> <li>1. City fuel tax payments related to 2016 for approximately \$2.5 million were recorded as revenue in 2017. Revenue in the current year is overstated by this amount.</li> <li>2. Fuel tax payments for approximately \$1.9 million received from the State of Colorado were incorrectly recorded as a liability at year-end, rather than as 2017 revenue. After the Airport accounting attempted to correct the issue, the adjustment was posted to accounts receivable rather than reduce the unapplied payments liability and record revenue. Receivables are overstated by \$1.9 million.</li> <li>3. An advanced rental payment (liability) of \$4.2 million was received from an airline relating to 2018 rents, but the payment was recorded as a reduction to unrelated receivables rather than as an advanced rent payment for subsequent year rents. Receivables are understated by \$4.2 million.</li> <li>4. At year-end, the Airport had recorded a \$1.7 million receivable for catering revenue. However, prior to year-end, payment was received on this balance and was recorded as a liability instead of being properly credited against the receivable. Therefore, the Airport’s liability and receivable are overstated by \$1.7 million.</li> <li>5. A credit was posted as a reduction to the landing fees receivable in anticipation of the impact of the annual year-end rates and charges true-up calculation, leaving an estimated remaining receivable from the airlines at year-end. When the rates and charges true-up calculation was recorded, the entire amount was recorded as a liability rather than reducing the remaining receivable for approximately \$6 million. Therefore, both receivables and liabilities are overstated at year-end.</li> </ol> <p><b>Effect:</b> The items outlined above resulted in adjustments proposed which were not recorded by the Airport, as these entries did not have an impact on the statement of revenues, expenses and changes in net position.</p> <p><b>Causes:</b></p> <p>(A) For revenues recorded in the incorrect period, Airport accounting examines subsequent cash receipts when reconciling accounts receivable at year-end in preparation for the annual financial audit. The conversion to a new general ledger system (and the intricacies of the revenue module within the new system) created many difficulties that resulted in accounts receivable reconciliations not being performed until after year-end. Consequently, there were multiple instances of improper accrual of revenue, or receivables not being relieved by payments received.</p> <p>(B) The general ledger includes unapplied cash receipts for which there are related receivables. Discussions with Airport accounting disclosed that the issue is caused by payees not providing enough detail to allow appropriate application. The result is the Airport recording the cash received as an unapplied payment until matched to the related receivable. Subsequent to year-end, many payments had not been applied to the related receivable, resulting in the gross-up of assets and liabilities on the statement of net position.</p> <p><b>Recommendation:</b> We recommend that reconciliation of accounts receivable and unapplied payments be performed on a consistent, monthly basis to properly match payments with customer receivables or customer pre-payments.</p> <p><b>Views of Responsible Officials:</b> The Airport 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, 2017**

**Reference  
Number**

**Finding**

---

**2017-002 Finding:** Accounting for Grant Revenue

**Criteria or Specific Requirement:** The Airport System, as an enterprise fund, uses the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. Governmental Accounting Standards Board (GASB) Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, prescribes revenue should be recognized when eligibility requirements of reimbursement-type grants have been met; that is, the recipient should record revenue when meeting the provider's requirements by incurring costs in accordance with the provider's program.

**Condition:** The Airport under-reported Federal grant revenue, as revenue was not being recognized upon recognition of incurred costs associated with the Federal programs in 2016 and 2017.

**Effect:** An adjustment of \$12.2 million to increase grant revenue in 2017 was proposed and recorded by the Airport System. Additionally, \$2.1 million of grant revenue earned in 2016 was recorded in 2017; therefore, revenue was overstated in 2017 by \$2.1 million.

**Cause:** Airport System management interpreted GASB Statement No. 33 as revenue should be recognized as eligible and recorded upon approval and reimbursement by the Federal granting agency. This interpretation caused timing delays between costs recorded in the general ledger and the associated earned revenue. In the second instance as outlined above, the delay in timing crossed fiscal years.

**Recommendation:** We recommend the Airport System record revenue when eligible and earned as costs are being incurred and recorded in the Airport System's records.

**Views of Responsible Officials:** The Airport adjusted grant revenue to reflect expenses incurred for the year ended December 31, 2017; however, the Airport still takes the position to report only the requested for reimbursement rather than total actual expenditures incurred, based on determination of allowability by the Federal Agency. This determination was based on GASB Statement No. 33 definition of eligibility requirements for reimbursements as "...incurred allowable costs under the applicable program." As it relates to the Federal programs in question, allowable costs is typically determined by the provider when the reimbursement request have been approved. The Airport is seeking guidance from the Federal agencies on the determination on when an expenditure is considered allowable, since industry-wide there is a disparity. The Airport has found that there are conflicting audit opinions across the industry and has taken the conservative approach in recording grant revenue.

**Auditor Response:** We disagree with the auditees' planned corrective actions. GASB 33 paragraph 20.C indicates that eligibility requirements of a grant may include reimbursement restrictions that require the auditee to have incurred allowable costs under the applicable program; however, the Airport has indicated above that allowability is determined by the grantor through approval of reimbursement requests. 2 Part 200.303 Internal Controls, indicates that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. As such, the Airport should have internal controls in place to determine allowability and should not be reliant on the grantor for this determination.



# City and County of Denver

## Schedule of Findings and Questioned Costs (continued)

### Year Ended December 31, 2017

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

**2017-003 Finding:** Capital Assets

**Criteria or Specific Requirement:** 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)
- Various implementation guidance issued by GASB

**Condition:** Several issues were noted relating to capital assets including:

- During fiscal year 2017, the City implemented a new ERP system called “Workday.” Due to this implementation the City revised its method of compiling documentation, and the City had difficulty in providing detailed populations, especially for construction in progress (CIP). This resulted in us expanding our additions and disposals testing to specifically include identified assets that were added or disposed of during the fiscal year. We discovered errors in the recognition of additions and disposals for certain assets. While these errors were not material, we noted cutoff issues where assets were placed in service in an earlier period but not included in capital assets until the current period or disposed of in an earlier period and not removed from the system until the current year. We also noted assets that were erroneously deleted from the system, prior to the conversion to the Workday system, while the assets were still in service.
- Approximately \$6.6M of project costs that should have been expensed in the prior year remained in the CIP balances at year-end and as a result overstated the project balance at December 31, 2017.
- Clerical errors were noted where costs transferred out of CIP were not properly registered within Workday and where agencies did not timely report their CIP activities in Workday prior to closing the capital asset “book.” This necessitated manual entries to be performed to record the activity. While these issues did not result in material errors or audit adjustments, they do show a need to strengthen controls.
- Approximately \$1.8M of project costs were improperly expensed out of CIP.

**Effect:** The conditions noted above resulted in several proposed adjustments to capital asset balances, which the City chose not to record. These issues also created inefficiencies and difficulties in the audit process for both BKD and management.

**Cause:** As mentioned, the City implemented the new Workday ERP system, and the conversion of data formerly contained in the PeopleSoft system to the Workday system created some difficulties and caused some of the issues noted above. In other cases, 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.

**Recommendation:** We recommend that internal controls continue to be strengthened over the new Workday system, especially in the form of reconciling the capital asset data as necessary. Training should also continue for Controller Office staff with responsibility over capital assets to ensure successful cross-training of functions and understanding of the Workday system. Lastly, we recommend the City continue to develop standard audit workpapers from the Workday System that will facilitate the support of capital asset transactions and balances.

**Views of Responsible Officials:** The City agrees with the finding. See separate report for planned corrective actions.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

**Reference  
Number**

**Finding**

---

**2017-004 Finding: Schedule of Expenditures of Federal Awards Preparation**

**Criteria or Specific Requirement:** In accordance with Title 2 *U.S. Code of Federal Regulations* Part 200.510, auditees receiving federal funds must prepare an annual Schedule of Expenditure of Federal Awards (SEFA) detailing the value and type of federal assistance received each year. The Federal Office of Management and Budget issues instructions on how to prepare this schedule. Key information to be reported includes the catalog of federal domestic assistance (CFDA) number provided in the federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the City and County of Denver, the SEFA is prepared by the Controller's Office based on information from the accounting system and additional information provided by the various departments receiving federal funds.

**Condition:** A) Federal expenditure amounts reported by the Airport related to the Airport Improvement Program did not include expenditures that had not been requested for reimbursement. B) Federal expenditure amounts reported by the Department of Public Health & Environment (the Department) included estimated expenditures based on unbilled subrecipient contracts.

**Context:** A) Total expenditures of \$11.9 million originally reported for the Airport Improvement Program were increased by \$3.0 million to bring the final expenditures total for the program to \$14.9 million for the year ended December 31, 2017. B) Total expenditures for the HIV Emergency Relief Project Grants were reduced by \$271,000 to bring the final expenditure total for the program to \$7.5 million for the year ended December 31, 2017.

**Effect:** The federal government and pass-through entities rely on the SEFA information to be reported accurately. In addition, accurate SEFA information is relied upon by the auditors in order to perform the major program determination utilized to select the federal programs subjected to single audit procedures.

**Cause:** Grant management at the City is decentralized and thus departments are responsible for providing the required information to the City's Controller's Office to facilitate the preparation of the SEFA. A) The amounts provided by Airport personnel included only amounts that had been requested for reimbursement rather than total actual expenditures incurred. B) The Department experienced significant delays in receiving requests for reimbursement from subrecipients and therefore estimated expenditures for program management purposes and general ledger reporting without considering the implications for SEFA reporting.

**Recommendation:** A) We recommend that all federal expenditures be identified and reconciled to the general ledger and reported on the SEFA for the Airport Improvement Program. B) We recommend that the Department implement procedures to better manage the subrecipient reimbursement process to ensure that requests for reimbursement are received in a timely manner eliminating the need for estimates.

**Views of Responsible Officials:** A) The Airport understands the City reports on an accrual basis for the Schedule of Expenditures of Federal Awards (SEFA) and has agreed to the appropriate adjustments for the year ended December 31, 2017 but believes there is inconsistency in industry practice and is seeking guidance from the Federal Aviation Administration (FAA) to support continuing to report expenditures as described in the cause above.

B) The Department of Public Health & Environment agree with the finding. See separate report for planned corrective actions.

**Auditor's Response:** We believe the Airport's suggested approach is not an option under the AICPA Government Auditing Standards and Single Audits - Clarified Chapter 7.07 Basis of Accounting and 2 Part 200.502 Basis for determining Federal awards expended, which indicates the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants. We believe the options available are the accrual basis as expenditures are incurred or cash basis when expenditures are paid. The FAA request for reimbursement and approval process is irrelevant to the reporting of expenditures on the SEFA.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

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

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

**2017-005 Finding: Eligibility, Reporting and Special Tests and Provisions - Sanctions**

**CFDA No. 93.558 - TANF Cluster**

**Department of Health and Human Services, Award Number - None Provided, Award Year 2017**

**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 inputted 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. In addition, DDHS is required to comply with Code of Colorado Regulations (CCR) section 3.608.4 regarding assessing noncompliance on cases.

**Condition:** We noted the following issues in the 60 cases tested (some items in sample have multiple items listed). The dollar effect, if any, is listed after each item.

1. Five instances in which documentation of the initial eligibility interview or redetermination of eligibility interview could not be provided (\$8,328)
2. Three instances in which documentation of the Initial Assessment for all work eligible individuals could not be provided (questioned costs included below)
3. Four instances in which either the Initial Assessment or Colorado Works Individualized Plan were not completed timely
4. Fourteen instances in which there was no documentation a Colorado Works Individualized Plan was completed for all work eligible individuals on the case (\$22,143)
5. Thirteen instances in which there was no documentation that the participant was in compliance with requirements of his or her Colorado Works Individualized Plan (\$16,743)
6. One instance in which a participant indicated they were a convicted felon on an application and no follow up was noted (questioned costs could not be determined)
7. Six instances in which payments were made incorrectly (\$15,375)
8. Three instances in which documentation that children between the ages of 16-18 were attending school could not be provided (questioned costs could not be determined)
9. Twenty-eight instances in which there was inaccuracy of information between case file and CBMS (\$0)
10. Ten instances in which DDHS did not properly assess noncompliance on case in accordance with CCR code 3.608.4 (questioned costs cannot be determined)

**Questioned Costs:** Overpayments of \$62,589. Questioned costs were determined by reviewing the 2017 payments that occurred for the periods effected by the above issues.

**Context:** We tested 60 individuals who received TANF assistance for the year ended December 31, 2017 and noted the issues described above. The tested population covered benefits issued of \$181,832. The total population included benefits issued of approximately \$14.3 million to approximately 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. 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.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

**Reference  
Number**

**Finding**

---

**Cause:** Controls over eligibility, reporting and sanctions were not sufficiently operating during the year primarily due to the transition of responsibilities back from ResCare to DDHS. All cases previously maintained by ResCare were required to be reviewed by DDHS which took significant time and resources due to the volume of cases.

**Identification as a Repeat Finding:** See 2016-005, 2015-004, 2015-005, 2014-007 and 2014-008.

**Recommendation:** We recommend that DDHS continue to focus on improvement as the workforce portion of compliance is now maintained by DDHS. This includes a unification of policies and systems which would bring workforce in line with the rest of DHS's monitoring procedures. Until issues have been corrected additional monitoring may be required beyond those cases selected by CDHS along with additional staff training. Finally, we recommend that the DDHS eligibility and workforce teams continue the use and monitoring of case reviews within WMS to help identify potential areas for additional training.

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

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

**Reference  
Number**

**Finding**

**2017-006 Finding:** Allowable Costs and Activities

**CFDA No. 93.914 – HIV Emergency Relief Project Grants**  
**Department of Health and Human Services, Award Number – 2 H89HA00027-23-00, Award Year 2016**  
**Department of Health and Human Services, Award Number – 2 H89HA00027-24-00, Award Year 2017**

**Criteria:** In accordance with 2 CFR 200.400(d) and 200.403(g), the non-Federal entity must provide adequate documentation to support costs charged to the Federal award.

**Condition:** We noted that ten of the 25 expenditures selected for testing did not have adequate documentation initially included with the support provided. Significant explanation and assistance was required from the Grant Administrator & Fiscal Officer and Fiscal Administrator to determine the nature of the service provided, the purpose of the expenditure and determination of the allocation of expenditure that was applied against the Federal award.

**Questioned Costs:** None. All costs were determined to be allowable based on additional explanations and support provided.

**Context:** We tested 25 expenditures charged to the grant and noted the issues described above. The tested population covered expenditures of \$1,017,874. The total population included approximately 1,500 expenditures totaling \$7.5 million. A non-statistical sampling methodology was used to select the sample.

**Effect:** By not having a systematic and consistent method of documenting and maintaining appropriate supporting documentation, the possibility of inadequate or missing expenditures support exists, which could result in unallowable costs.

**Cause:** The City’s conversion to WorkDay may have limited the amount of supporting documentation included in the system by placing overreliance on the initial contract set up in the system. Certain invoices required complex calculations and allocations, which either were not included in the system documentation or had to be recreated to get back to individual transaction amounts.

**Identification as a Repeat Finding:** Not applicable.

**Recommendation:** We recommend that Department perform a detailed review of existing policies and procedures in place to help ensure that all supporting documentation is either included with transactional support in the system or at a minimum referenced to the location in which supporting documentation is maintained. Invoices should include sufficient detail to determine the nature of services without reference to the original contract. Allocation summaries should be included with system documentation and clearly support the expenditure applied to the Federal award.

**Views of Responsible Officials:** The City agrees with the finding. See separate report for planned corrective actions.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

**Reference  
Number**

**Finding**

---

**2017-007 Finding:** Cash Management

**CFDA No. 93.914 – HIV Emergency Relief Project Grants**  
**Department of Health and Human Services, Award Number – 2 H89HA00027-23-00, Award Year 2016**

**Criteria:** In accordance with 2 CFR section 200.305(b), program costs must be paid by non-Federal entity funds before submitting a payment request, *i.e.*, the non-Federal entity must disburse funds for program purposes before requesting payment from the Federal awarding agency. Additionally, the Department must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements. Finally, in accordance with 2 CFR section 200.302(b)(6), non-Federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305.

**Condition:** Of the \$1,698,465 cash reimbursement request selected for testing, approximately \$1 million of actual expenditures were not paid by the Department or third party contractor until after the funds were received from the Federal awarding agency. In addition, the Department did not have written policies in place for cash management.

**Questioned Costs:** None. Funds received by the Department and/or third party contractor were not deposited in interest bearing accounts and were ultimately for allowable expenditures.

**Context:** We tested one cash reimbursement request made during the year and noted the issues described above. The tested population covered expenditures of \$1,698,465. The total population included 10 reimbursement requests totaling \$3.5 million. A non-statistical sampling methodology was used to select the sample.

**Effect:** The Department was not in compliance with cash management compliance requirements.

**Cause:** Controls over cash management were not sufficiently operating during the year primarily due to inadequate policies and procedures surrounding the utilization of a third party contractor for subrecipient awards. In addition, documentation of the Grant Administrator's review of subrecipient cash reimbursement requests processed by the third party contractor was not evidenced.

**Identification as a Repeat Finding:** Not applicable.

**Recommendation:** We recommend that Department develop written policies and procedures for cash management, including a required level of review, to help ensure that all expenditures are paid for prior to being requested for reimbursement.

**Views of Responsible Officials:** The City agrees with the finding. See separate report for planned corrective actions.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

Reference Number	Finding
2017-008	<p><b>Finding:</b> Level of Effort – Maintenance of Effort</p> <p><b>CFDA No. 93.914 – HIV Emergency Relief Project Grants</b>  <b>Department of Health and Human Services, Award Number – 2 H89HA00027-23-00, Award Year 2016</b>  <b>Department of Health and Human Services, Award Number – 2 H89HA00027-24-00, Award Year 2017</b></p> <p>the eligible metropolitan area is required to maintain its level of expenditures for HIV-related services to individuals with HIV disease at a level equal to its level of such expenditures for the preceding fiscal year. Additionally, political subdivisions within the eligible metropolitan area may not use funds received under the HIV grants to maintain the required level of HIV-related services.</p> <p><b>Condition:</b> The City is reliant upon Denver Health and Hospital Authority for compliance with this requirement. The funding level of expenditures for HIV-related services to individuals with HIV disease were not at a level equal to its level of such expenditures for the preceding fiscal year. Formal policies and procedures for determining and monitoring the required level of effort were not in place.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> In reviewing the Final Public Health budget to actual spreadsheet provided by Denver Health and Hospital Authority, the preceding fiscal year expenditures were \$1,425,262 while the current year expenditures were only \$1,383,195.</p> <p><b>Effect:</b> Failure to implement controls to ensure compliance with this requirement could impact future funding levels.</p> <p><b>Cause:</b> Controls over level of effort were not sufficiently operating during the year due to inadequate policies and procedures. In addition, timely information may not be available from the subrecipient for adequate monitoring. Further, the changing dynamic of insurability and other issues has an impact on funding levels making it difficult to predict and control the required level of expenditures in any given year.</p> <p><b>Identification as a Repeat Finding:</b> Not applicable.</p> <p><b>Recommendation:</b> We recommend that the Department develop a control within the their monthly reporting process to identify and monitor non-Federal expenditures towards the maintenance of effort requirements and to help ensure that funding allocations are at a level equal to or greater than the expenditures for the preceding fiscal year. In situations where the funding level will be difficult to maintain we recommend requesting a waiver from the awarding agency.</p> <p><b>Views of Responsible Officials:</b> The City agrees with the finding. See separate report for planned corrective actions.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2017**

**Reference  
Number**

**Finding**

**2017-009 Finding:** Earmarking

**CFDA No. 93.914 – HIV Emergency Relief Project Grants**  
**Department of Health and Human Services, Award Number – 2 H89HA00027-23-00, Award Year 2016**

**Criteria:** In accordance with 42 USC 300ff-14(h)(1) the eligible metropolitan area may not use more than 10% of the amount awarded for administration. In addition, in accordance with 42 USC 300ff-14(h)(2) the aggregate of expenditures for administrative expenses by subrecipients may not exceed 10 percent of the total amount of grant funds subawarded by the recipient.

**Condition:** The Department could not provide support for the amount of actual administrative expenses expended by subrecipients in order to determine compliance with this earmarking requirement.

**Questioned Costs:** None.

**Context:** The Department could not provide support for the administrative expenses reported to the Federal Agency.

**Effect:** By not having the appropriate controls in place, the Department was unable to provide support indicating compliance with earmarking requirements.

**Cause:** Controls over earmarking were not sufficiently operating during the year primarily due to turnover within the Department and inadequate policies and procedures.

**Identification as a Repeat Finding:** Not applicable.

**Recommendation:** We recommend that the Department develop a control in which administrative expenses can be easily tracked for both the Department and subrecipients.

**Views of Responsible Officials:** The City agrees with the finding. See separate report for planned corrective actions.



# City and County of Denver

## Status of Prior Audit Findings

### Year Ended December 31, 2017

Reference Number	Summary of Finding	Status
2016-001	<i>Cash Management</i> – We recommend departments within Airport accounting communicate on applicable transactions to help ensure transactions are not being double recorded. Additionally, the Airport should prioritize the identification and timely correction of variances identified each month between the City Treasury’s general ledger and the Airport’s general ledger. We also recommend the Airport continue implementation of a training program to cross-train accounting employees on the process of reconciling cash balances to the City Treasury as well as each department’s roles and responsibilities within the accounting cycle.	Implemented.
2016-002	<i>Financial Reporting</i> – We recommend that the Airport continue to develop and complete written policies and procedures documenting all accounting employees’ roles and responsibilities in relation to accounting procedures, as well as audit workpaper preparation. This will become especially important as the Airport transitions to a new financial accounting system during 2017. We also recommend the Airport continue implementation of a training program to cross-train accounting employees on the roles and responsibilities within the accounting and financial program to cross-train accounting employees on the roles and responsibilities within the accounting and financial reporting cycles, including a more robust review process of transactions across all departments were certain transactions affect more than department within Airport accounting.	Implemented.
2016-003	<i>Schedule of Expenditures of Federal Awards Preparation</i> – A) We recommend that a more automated system of tracking federal expenditures be implemented, to the extent possible, such as utilizing the general ledger system combined with unique grant identifiers. The new WorkDay system implementation may provide some opportunities for improvement. If Excel spreadsheets continue to be used for the tracking of federal expenditures, the spreadsheets should be reconciled to the general ledger on a regular basis and a detailed supervisor review should be performed. In addition, the Department of Public Works should consider designating a grant manager to oversee all compliance related functions within the department, including the accumulation of total federal expenditures. B) We recommend that all expenditures be identified and reconciled to the general ledger and reported on the SEFA for the Airport Improvement Program.	A) Implemented.  B) Not Implemented. See current year finding at 2017-004. See auditee document for planned corrective actions and summary schedule of prior audit findings.
2016-004	<i>SNAP Cluster – Special Tests and Provisions – EBT Card Security</i> – We recommend that DDHS evaluate their policies and procedures regarding EBT Card Security in order to better align their internal guidance with state requirements. To further this process, we recommend acquiring from the state, guidance on the necessary procedures to complete daily destruction logs, and updated destruction log form templates, if applicable. This refinement will allow for more consistent procedures and more efficient processing of daily destruction logs.	Implemented.
2016-005	<i>TANF Cluster – Eligibility, Reporting and Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan</i> – We recommend that the Workforce Team continue to work through the transitional issues by ensuring that adequate controls are in place and adequate training is provided. Until issues have been corrected additional monitoring may be required beyond those cases selected by CDHS. We recommend that the case review tool be enhanced to include the ability to follow up on identified issues and training needs. Finally, we recommend that the DDHS eligibility team continue the use and monitoring of case reviews within WMS to help identify potential areas for additional training and work with the Workforce Team as they continue to develop a similar tracking and monitoring system.	Partially Implemented. See current year finding at 2017-005. See auditee document for planned corrective actions and summary schedule of prior audit findings.