

JEFFERSON COUNTY, COLORADO

**FEDERAL AWARDS REPORTS
IN ACCORDANCE WITH THE
SINGLE AUDIT ACT AND
OMB CIRCULAR A-133**



DECEMBER 31, 2010

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The Board of Jefferson County Commissioners
Jefferson County, Colorado

**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***

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 Jefferson County, Colorado as of and for the year ended December 31, 2010, which collectively comprise the Jefferson County, Colorado's basic financial statements and have issued our report thereon dated June 6, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Jefferson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County's internal control over financial reporting.

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 deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies: 2010-A and 2010-B. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

We noted certain matters that we reported to management of Jefferson County in a separate letter dated June 6, 2011.

Jefferson County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Jefferson County's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners, management, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Golden, CO
June 6, 2011



The Board of Jefferson County Commissioners
Jefferson County, Colorado

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Jefferson County, Colorado, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson County, Colorado's major federal programs for the year ended December 31, 2010. Jefferson County, Colorado's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jefferson County, Colorado's management. Our responsibility is to express an opinion on Jefferson County, Colorado's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson County, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jefferson County, Colorado's compliance with those requirements.

As described in items 2010-14 and 2010-15 in the accompanying schedule of findings and questioned costs, Jefferson County, Colorado did not comply with requirements regarding allowable costs/activities, cash management and reporting that are applicable to its Energy Efficiency Conservation Block Grant (Recovery Act). Compliance with such requirements is necessary, in our opinion, for Jefferson County, Colorado to comply with the requirements applicable to that program. In our opinion except for the noncompliance described in the preceding paragraph, Jefferson County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-05, 2010-17 and 2010-19.

Internal Control over Compliance

Management of Jefferson County, Colorado, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson County, Colorado's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Jefferson County's internal control over compliance.

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

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-14 and 2010-15 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06, 2010-07, 2010-08, 2010-09, 2010-10, 2010-11, 2010-12, 2010-13, 2010-16, 2010-17 and 2010-18 to be significant deficiencies.

Jefferson County, Colorado's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Jefferson County's responses and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Colorado, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 6, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Jefferson County, Colorado's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commissioners, management, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Golden, CO
June 6, 2011

Jefferson County, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2010

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass- through Entity Identifying Number	2010 Federal Expenditures	Clusters	Totals by Agency
DEPARTMENT OF AGRICULTURE						
Passed through Colorado Department of Human Services:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,948,728			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Department of Defense	10.561		110,634			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program -Recovery	10.561		<u>28,973</u>			
		CFDA 10.561 Subtotal:		2,088,335	<u>2,088,335</u>	\$ 2,088,335
Passed through Colorado State Forest Service:						
Cooperative Forestry Assistance	10.664					
Cooperative Forestry Assistance	10.664		<u>18,000</u>			
		CFDA 10.664 Subtotal:		18,000		18,000
Rural Development, Forestry, and Communities	10.672			12,220		12,220
Passed through Colorado State Department of Health and Environment:						
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557					
	10.557	Non-Cash Value	3,954,943			
	10.557	WIC-AB0-DOA	1,767,883			
	10.557	WIC-AB1-DOA	416,857			
	10.557	WIC-AL0-DOA	20,537			
	10.557	WIC-AL1-DOA	<u>75,550</u>			
		CFDA 10.557 Subtotal:		6,235,770		6,235,770
Child and Adult Care Food Program	10.558			124,743		124,743
TOTAL: DEPARTMENT OF AGRICULTURE						\$ 8,479,068
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Funding:						
Community Development Block Grants/Entitlement Grants	14.218			766,619	<u>766,619</u> /	
Community Development Block Grant ARRA Entitlement Grant (CDBG-R)(Recovery Act Funded)	14.253			51,839	<u>51,839</u> /	
						818,458 /
Community Development Block Grants/State Program and Non-Entitlement Grant	14.228			3,778,579		3,778,579
HOME Investment Partnerships Program	14.239			197,897		197,897
TOTAL: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$ 4,794,934
DEPARTMENT OF JUSTICE						
Direct Funding:						
State Criminal Alien Assistance Program	16.606			201,827		201,827
Bulletproof Vest Program Partnership	16.607			5,347		5,347
Public Safety Partnership and Community Policing Grants	16.710					
COPS Meth Initiative 2009	16.710		125,066			
COPS Meth Initiative West Metro Drug Task Force	16.710		1,863			
COPS Meth Initiative 3 DA West Metro Drug Task Force	16.710		<u>72,152</u>			
		CFDA 16.710 Subtotal:		199,081		199,081
Edward Byrne Memorial Justice Assistance Grant Program	16.738					
Internet Sexual Predator Adjunct	16.738		24,200			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		25,416			

The Accompanying Notes are an Integral Part of this Schedule

Jefferson County, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2010

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass- through Entity Identifying Number	2010 Federal Expenditures	Clusters	Totals by Agency
Edward Byrne Memorial Justice Assistance Grant Program	16.738		4,168			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>8,392</u>			
			CFDA 16.738 Subtotal:	62,176		62,176
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803			177,653	177,653 ²	
Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808			67,838		67,838
Passed through Colorado Dept. of Public Safety/Division of Criminal Justice:						
Crime Victim Assistance	16.575			36,000		36,000
Violence Against Women Formula Grants	16.588					
DV Grant-Victim Assistance-Sheriff	16.588		31,756			
VAWA-District Attorney	16.588		<u>49,874</u>			
			CFDA 16.588 Subtotal:	81,630		81,630
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803			180,759	<u>180,759</u> ²	<u>358,412</u> ²
TOTAL: DEPARTMENT OF JUSTICE						\$ 1,012,311
DEPARTMENT OF LABOR						
Passed through Colorado Department of Labor and Employment:						
Employment Service/Wagner-Peyser Funded Activities	17.207					
Wagner-Peyser Plan Year 2009	17.207		242,493			
Governor's Summer Job Hunt	17.207		325			
Governor's Summer Job Hunt 09	17.207		38,500			
Wagner-Peyser Performance Incentive PY08	17.207		24,732			
Employment Service/Wagner-Peyser Funded Activities - Stimulus ARRA Funded Grant	17.207		1,152			
Employment Service/Wagner-Peyser Funded Activities - Stimulus ARRA Funded Grant	17.207		<u>183,261</u>			
			CFDA 17.207 Subtotal:	490,463	490,463 ³	
Disabled Veterans' Outreach Program (DVOP)	17.801			12,966	12,966 ³	
Local Veterans' Employment Representative Program	17.804			11,028	11,028 ³	
Homeless Veterans Reintegration Project	17.805			16,610	<u>16,610</u> ³	531,067 ³
WIA Adult Program	17.258					
WIA Adult Program-Plan Year 2008	17.258		72,234			
WIA Adult Program-Plan Year 2009	17.258		507,147			
WIA Adult Program-Plan Year 2010	17.258		323,721			
WIA AD 10% RMWDA	17.258		2,700			
WIA Staff Training-Plan Year 2010	17.258		3,100			
WIA Adult Program - Stimulus ARRA Funded Grant	17.258		<u>6,044</u>			
			CFDA 17.258 Subtotal:	914,946	914,946 ⁴	
WIA Youth Activities	17.259					
WIA Youth-Plan Year 2008	17.259		1,184			
WIA Youth-Plan Year 2009	17.259		9,185			
WIA Youth-Plan Year 2010	17.259		212,283			
WIA 2009 State Youth Council	17.259		19,774			
WIA 2010 State Youth Council-CIMS	17.259		<u>2,820</u>			
			CFDA 17.259 Subtotal:	245,246	245,246 ⁴	
WIA Dislocated Workers	17.260					
WIA Dislocated Workers-Plan Year 2009	17.260		5,920			
WIA Dislocated Workers-Plan Year 2010	17.260		453,771			
WIA Dislocated Workers-Credentialing	17.260		10,892			
WIA Dislocated Workers 10% Recog	17.260		2,000			
Disability Program Navigator-Plan Year 2009	17.260		11,397			
Enhanced Dislocated Worker-Plan Year 2008	17.260		90			

The Accompanying Notes are an Integral Part of this Schedule

Jefferson County, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2010

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass- through Entity Identifying Number	2010 Federal Expenditures	Clusters	Totals by Agency
Enhanced Dislocated Worker-Plan Year 2009	17.260		93,205			
Performance Incentives (CIMS)	17.260		51,520			
Marketing-Plan Year 2009	17.260		24,550			
WIA Dislocated Workers - Stimulus ARRA Funded Grant	17.260		<u>697,204</u>			
		CFDA 17.260 Subtotal:		1,350,549	1,350,549 ⁴	2,510,741 ⁴
WIA Pilots, Demonstrations, and Research Projects	17.261					
WIREd Subgrant Award-Plan Year 2005	17.261		7,509			
WIREd Business Education Readiness Project-Plan Year 2006	17.261		9,762			
WIREd Aerospace Project-Plan Year 2006	17.261		10,372			
Online Training-Plan Year 2007	17.261		7,733			
PY07 WIREd ITA	17.261		22,400			
PY07 WIREd ITA 4-14	17.261		47,000			
RMWDA Conference-Plan Year 2009	17.261		<u>29,201</u>			
		CFDA 17.261 Subtotal:		133,977		133,977
H-1B Job Training Grants	17.268			70,982		70,982
Veterans' Employment Program	17.802			61,692		61,692
Trade Adjustment Assistance	17.245			13,563		13,563
WIA Dislocated Workers-Plan Year 2011	17.278			27,152		27,152
TANF	93.558			1,157,335	1,157,335 ⁵	
TOTAL: DEPARTMENT OF LABOR						\$ 3,349,174
DEPARTMENT OF TRANSPORTATION						
Direct Funding:						
Airport Improvement Program	20.106			664,952		
Passed through Colorado Department of Transportation:						
Metropolitan Transportation Planning	20.505			1,364,383		
TOTAL: DEPARTMENT OF TRANSPORTATION						\$ 2,029,335
ENVIRONMENTAL PROTECTION AGENCY						
Direct Funding:						
Congressional Mandated Projects	66.202			504,230		
Passed through Colorado Department of Health & Environment:						
Capitalization Grants for Clean Water State Revolving Funds	66.458					
		WQC-XK8-POW	<u>4,070</u>			
		CFDA 66.458 Subtotal:		4,070		
Performance Partnership Grants	66.605	HAZ-AS9-EPA		3,584		
TOTAL: ENVIRONMENTAL PROTECTION AGENCY						\$ 511,884
DEPARTMENT OF ENERGY						
Direct Funding:						
Renewable Energy Research and Development	81.087			7,979		
Energy Efficiency and Conservation Block Grant Program (EECBG) - Recovery	81.128			1,797,644		
TOTAL: DEPARTMENT OF ENERGY						\$ 1,805,623
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Funding:						
TANF Collaboration	93.556			383,650		383,650
Head Start	93.600			2,891,779	2,891,779 ⁶	
ARRA - Head Start Recovery Grant	93.708			157,954	<u>157,954 ⁶</u>	3,049,733 ⁶
Passed Through Colorado Department of Health and Environment:						
Public Health Emergency Preparedness	93.069					
	93.069	EPI-H00-HHS	91,906			

The Accompanying Notes are an Integral Part of this Schedule

Jefferson County, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2010

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass- through Entity Identifying Number	2010 Federal Expenditures	Clusters	Totals by Agency
	93.069	EPI-HO1-HHS	31,205			
	93.069	EPI-HW0-HHS	431,839			
	93.069	EPI-HW1-HHS	184,330			
	93.069	EPR-KR0-HHS	55,611			
	93.069	EPR-KV0-HHS	856,797			
	93.069	EPR-KW0-HHS	<u>153,565</u>			
		CFDA 93.069 Subtotal:		1,805,253		1,805,253
Family Planning-Services	93.217					
	93.217	Non-Cash Value	-			
	93.217	EPI-LB9-HHS	13,338			
	93.217	FPP-JA9-HHS	<u>220,628</u>			
		CFDA 93.217 Subtotal:		233,966		233,966
Immunization Grants	93.268					
	93.268	Non-Cash Value	-			
	93.268	IMM-KA9-HHS	50,938			
	93.268	IMM-KA0-HHS	92,579			
	93.268	IMM-KT0-HHS	<u>31,829</u>			
		CFDA 93.268 Subtotal:		175,346		175,346
Centers for Disease Control-Investigations and Technical Assistance	93.283					
	93.283	EPI-QH9-HHS	30,104			
	93.283	EPI-QL9-HHS	1,642			
	93.283	EPI-QW9-HHS	8,900			
	93.283	PPG-HM0-HHS	68,179			
	93.283	PPG-HM9-HHS	<u>34,703</u>			
		CFDA 93.283 Subtotal:		143,528		143,528
Recovery-ARRA Immunization/Food Safety	93.712	IMM-QP9-HHS	<u>67,657</u>	67,657		67,657
HIV Prevention Activities-Health Department Based	93.940	EPI-KG8-HHS		13,950		13,950
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977					
	93.977	Non-Cash Value	14,144			
	93.977	EPI-LB0-HHS	3,724			
	93.977	EPI-LB9-HHS	<u>2,227</u>			
		CFDA 93.977 Subtotal:		20,095		20,095
Maternal and Child Health Services Block Grant	93.994					
	93.994	MCH-MC0-HHS	360,663			
	93.994	MCH-MC1-HHS	<u>11,926</u>			
		CFDA 93.994 Subtotal:		372,589		372,589
Passed through Colorado Department of Human Services:						
Promoting Safe and Stable Families	93.556			110,397		110,397
Temporary Assistance for Needy Families Colorado Works	93.558		10,842,469		<i>10,842,469</i> ⁵	
TANF	93.558		<u>764</u>		<i>764</i> ⁵	
		CFDA 93.558 Subtotal:		10,843,233		
Temporary Assistance for Needy Families Colorado Works-Recovery	93.716		104,445	104,445	<i>104,445</i> ⁵	12,105,013 ⁵
Child Support Enforcement Child Support Enforcement	93.563		880,156		<i>880,156</i> ⁷	
Child Support Enforcement-Recovery	93.563		<u>1,991,117</u>		<i>1,991,117</i> ⁷	
		CFDA 93.563 Subtotal:		2,871,273		2,871,273 ⁷

The Accompanying Notes are an Integral Part of this Schedule

Jefferson County, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2010

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass- through Entity Identifying Number	2010 Federal Expenditures	Clusters	Totals by Agency
Low-Income Home Energy Assistance	93.568			3,582,394		3,582,394
Child Care and Development Block Grant	93.575			221,448	221,448 ⁸	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			3,171,239	3,171,239 ⁸	
ARRA - Child Care and Development Block Grant - Recovery	93.713			1,922,583	1,922,583 ⁸	
Child Welfare Services-State Grants	93.645			335,760		5,315,270 ⁸
Foster Care-Title IV-E	93.658		3,670,716		3,670,716 ⁹	335,760
Foster Care-Title IV-E/Recovery	93.658		96,999		96,999 ⁹	
		CFDA 93.563 Subtotal:		3,767,715		3,767,715 ⁹
Adoption Assistance	93.659		1,185,588		1,185,588 ¹⁰	
Adoption Assistance-Recovery	93.659		104,328		104,328 ¹⁰	
		CFDA 93.659 Subtotal:		1,289,916		1,289,916 ¹⁰
Social Services Block Grant	93.667			2,155,917		2,155,917
Independent Living	93.674			146,945		146,945
Medical Assistance Program	93.778		1,286,109		1,286,109 ¹¹	
Passed through Health Care Policy and Finance:						
Children's Health Insurance Program	93.767		7,345			7345
Medical Assistance Program-Long Term Care	93.778	3011-1308	1,001,892		1,001,892 ¹¹	
Medical Assistance Program-ESPDY Program	93.778		55,436		55,436 ¹¹	
		CFDA 93.778 Subtotal:		2,350,782		2,343,437 ¹¹
Block Grants for Prevention and Treatment of Substance Abuse	93.959			88,654		88,654
Passed through Colorado Department of Local Affairs:						
Community Services Block Grant	93.569			341,303	341,303 ¹²	
Community Services Block Grant-Recovery	93.710			588,938	588,938 ¹²	930,241 ¹²
TOTAL: DEPARTMENT OF HEALTH AND HUMAN SERVICES						\$ 41,316,044
DEPARTMENT OF HOMELAND SECURITY						
Passed through Colorado Department of Emergency Management:						
Emergency Management Performance Grants	97.042			135,702	135,702 ¹³	
Pre-Disaster Mitigation	97.047			47,332		47,332
Passed through Colorado Department of Local Affairs						
Emergency Management Performance Grants	97.042			4,850	4,850 ¹³	140,552 ¹³
TOTAL: DEPARTMENT OF HOMELAND SECURITY						\$ 187,884
EXECUTIVE OFFICE OF THE PRESIDENT						
Passed through the City of Lakewood:						
Office of National Drug Control Policy - HIDTA	95.001	H1PRMP587		32,302		\$ 32,302
Passed through the Rocky Mountain HIDTA:						
Office of National Drug Control Policy-West Metro Drug Task Force	95.001			36,580		\$ 36,580
TOTAL: EXECUTIVE OFFICE OF THE PRESIDENT						\$ 68,882
TOTAL: JEFFERSON COUNTY FEDERAL EXPENDITURES				63,555,139		63,555,139

JEFFERSON COUNTY, COLORADO

Notes to the Schedule of Expenditures of Federal Awards December 31, 2010

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Jefferson County, Colorado primary government (the County). The County's reporting entity is defined in Note 1 to the County's general-purpose financial statements. All federal financial assistance received by the primary government directly from federal agencies, as well as federal financial assistance passed through other government agencies, including the State of Colorado, is included on the schedule. In addition, federal financial assistance awarded directly to eligible County Social Services recipients via Electronic Benefits Transfer (EBT) is also included in the schedule. The State of Colorado issues EBT to the eligible County recipients. Only the federal amount of such pass-through awards and EBT is included on the schedule.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jefferson County, Colorado, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Jefferson County, Colorado, received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a sub-recipient is treated as an expenditure when it is paid to the sub-recipient.

Governmental fund types account for the County's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

Note B – CFDA and Contract Numbers

Federal CFDA numbers are from the Catalog of Federal Domestic Assistance published by the Office of Management and Budget and the General Services Administration.

Note C – Crime Victim Compensation

The Crime Victim Compensation Board of the First Judicial District Attorney's Office receives federal grant funding from the U.S. Department of Justice Crime Victim Compensation Grant (CFDA 16.576), passed through the Colorado Division of Criminal Justice, to pay for expenses for victims of violent crime. The total grant award during 2010 was \$669,006. This financial assistance is not included in the Schedule of Expenditures of Federal Awards for Jefferson County as the payment is made to the First Judicial District, and the payments never enter into Jefferson County's accounting system. They are noted, however, in order to satisfy State reporting requirements.

Note D – Sub-recipients of Grant Awards

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the County provided federal awards to sub-recipients as follows:

Department of Housing and Urban Development:

Community Development Block/Entitlement Grants (CFDA No. 14.218)	\$	568,849
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Community Development Block/Entitlement Grants-Recovery (CFDA No. 14.253)	\$	47,262
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Community Development Block/Entitlement Grants (Neighborhood Stabilization Grant) (CFDA No. 14.228)	\$	3,703,028
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HOME Investment Partnerships Program (CFDA No. 14.239)	\$	181,849
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Department of Health and Human Services:

Community Services Block Grant (CFDA No. 93.569)	\$	271,174
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Community Services Block Grant-Recovery (CFDA No. 93.569)	\$	19,688
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Total:	\$	<u>4,791,850</u>
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Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued is **unqualified**.

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditor's report issued on compliance for major programs is unqualified for all major programs tested, except for the Energy Efficiency Conservation Block Grant (Recovery Act), which is qualified.

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

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	SNAP (ARRA)
14.218 & 14.253	CDBG Cluster (ARRA)
93.558 & 93.716	TANF Cluster (ARRA)
93.575, 93.596 & 93.713	Child Care Cluster (ARRA)
93.778	Medicaid
81.128	Energy Efficiency and Conversion Block Grant (ARRA)
93.563	Child Support Enforcement- Title IV-D (ARRA)
93.568	LEAP
93.600 & 93.708	Head Start (ARRA)
14.228	Neighborhood Stabilization Grant
66.202	Congressional Mandated Grant
17.258, 17.259, 17.260	WIA (ARRA)
93.069	Public Health Emergency Preparedness Grant

Dollar threshold use to distinguish between type A and type B programs: \$ 1,906,654

Auditee qualified as low-risk auditee? Yes No

Section II—Financial Statement Findings

2010-A **Account Reconciliations – Significant Deficiency**

Criteria The County is required to provide accurate GAAP basis financial data for preparation of the annual CAFR. Additionally, the County is required to have effective internal controls that are designed and in place to detect and prevent errors in a timely manner.

Condition Based on testing performed during the 2010 audit, we noted the following items regarding account reconciliations:

SEFA

- The 2009 SEFA understated the Public Health grant CFDA#93.069 by approximately \$648,000 and the 2010 original SEFA for the same grant was overstated by approximately \$614,000. Jefferson County Public Health department (PH) was reporting the grant expenditures that were reported on the SEFA on a cash basis, versus the County’s requirement of reporting all grants on the accrual or modified accrual basis. This

JEFFERSON COUNTY, COLORADO
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error was not detected timely by the Jefferson County Grant Accountant or the PH finance department until the auditors noted the differences during the testing of this grant and brought this to both departments attention for corrections. The 2010 final SEFA for this grant has been corrected.

- The County did not initially identify all ARRA funding on the Colorado Department of Human Services Federal Financial Assistance FFA report for the TANF program (\$104,445) and the Supplemental Nutrition Assistance Program (\$139,607).
- The County did not initially include federal ARRA expenditures for the Colorado Department of Transportation / Metropolitan Transportation Planning grant (\$151,027) relating to the Right-of-Way Acquisition, Construction and Engineering Design Tasks for the Quincy/Kipling Intersection Project. Additionally, there was another federally funded project for the Bowels/Wadsworth Intersection Project funded by the Colorado Department of Transportation / Metropolitan Transportation Planning grant. Total federal expenditures relating to this project (\$1,213,356) were not recorded on the initial SEFA. Additionally, for both of these projects the County had not recorded the federal revenue in 2010 in the amount of \$1,072,031.

Capital Assets

- During our testing, we noted that there is not an effective control in place to detect if all accepted roads have been properly recorded as a capital asset addition. Missing roads are currently only discovered if an internal audit is performed. Additionally, we noted that there is not clear communication between the State and County when donated roads are accepted. In some cases, roads are not recorded on the County's books for years after they have been accepted. As a result, the County recorded capital asset additions in the amount of \$2,824,916 to capitalize roads that should have been added in prior years.
- During our testing, we noted one instance where equipment was expensed in a supplies account. Upon further inquiry with the client it was noted that the equipment was purchased for West Metro Fire (who has ownership of the equipment). This expenditure should have been recorded to a capital contribution object account rather than a supply account. We noted that item related to a Respirator Fit tester that had a total value of \$12,075.
- During our testing, we noted that the Jefferson County Library (discretely presented component unit) had \$53,393 of current year capital expenditures that were not expended to a capital outlay account. As a result, current year library additions were understated by a \$53,393.

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The net effect, after considering depreciation expense of \$4,449, was \$48,944. Although this error was noted by the County, it was not reconciled in a timely manner prior to the financial statements being prepared.

Other Accounts

- During the 2009 audit, we noted that the County did not capitalize issuance costs associated with its 2009 Open Space bond issuance. We discussed this with the County and the County agreed that the amount was insignificant to adjust to the 2009 financial statements; the County was going to add these issuance costs in 2010 and begin to amortize these costs in 2010. During current year testing of long-term debt, we noted that the County did not record amortization expense on the 2009 Open Space refunding bonds or the 2010 Open Space refunding bonds. In total, amortization expense of \$267,359 should have been recorded in 2010 for these bond issuance costs. Although this amount is insignificant to the government wide financial statements and the county brought the adjustment to our attention during the audit as a client proposed passed adjustment, we believe that the County should improve its debt issuance reconciliation process to timely detect and record debt and issuance costs in the future.
- There were two instances, totaling \$47,500, where the County incorrectly posted transactions to deferred income, rather than an accrued liability account. The County reclassified these balances in 2011.

Cause

The financial close process relating to reconciliations of the SEFA, Capital Assets and other accounts did not include a timely and accurate review to either identify the accounting period in which transactions should be recognized under GAAP or the proper accounting treatment of transactions. Due to the lack of training and timely communication between accounting and other departments errors were not detected timely.

Effect

Without proper training, supervision and review, errors will continue and result in either overstatement or understatement of amounts reported within the County's CAFR and SEFA.

Recommendation

We recommend the County's Accounting Department communicate more frequently and thoroughly with all departments the existing policies and procedures regarding federal expenditures/SEFA, capital assets, and other significant transactions of the County. The Accounting department should also monitor these departments to ensure that they are properly reporting information in the SEFA and general ledger in a timely manner. The Accounting department should also review the Board of County Commissioners' meeting minutes to determine what

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departments are applying for and receiving grants and make sure that these grants are properly accounted for and identified on the SEFA.

Management
Corrective Action

SEFA: We agree that all federal grants need to be properly recorded. We believed that we had adequate procedures in place as we communicate throughout the year with grant departments, ask them to review the SEFA drafts and work with them when there is any indication of any grant or accounting issues. However, these findings indicate that Accounting must do additional analysis, review and questioning of departments to make sure nothing is missed in the future. Our intent is to review BCC minutes and resolutions, work more closely with grant departments as needed and follow up more often with those departments.

Capital Assets: We agree that the expenditures in capital and non-capital accounts should be accurately recorded. The Accounting Division will continue to review these accounts throughout the year and question any expenditures that appear to be recorded incorrectly. We will also follow up with any unresolved issues.

Other Accounts: We agree that the above mentioned items should have been recorded and recorded correctly. The Accounting Division realized the year end amortization entry for the 2009 and 2010 issuance costs had not been recorded prior to the auditors year-end fieldwork but after the GL had been closed and the CAFR statements were being prepared. We proposed the entry to the auditors but mutually agreed it was not material to the government-wide financial statements. This entry will be included in the 2011 year-end entries. We believe the \$47,500 is immaterial and does not affect the net assets in any way.

2010-B Payroll and Human Resources Documentation – Significant Deficiency

Criteria

The County is accountable for obtaining and retaining documentation that supports payroll transactions surrounding the payroll and human resource processes.

Condition

During testing of payroll, we encountered the following issues:

- The County was unable to provide I-9s on two of forty employees selected for testing.
- There is a timing difference when salary-exempt employees report exception time (i.e. vacation, sick, personal time) compared to when the event occurred. When exceptions occur, the salary-exempt employee fills out a report to document the exception time; this report

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can be completed either before or after event. The report is then processed and then entered into the payroll system by a time keeper. In some cases, employees are waiting several days or weeks before submitting report. This causes exception time to be recorded in a different payroll period than when event occurred. EB noted ten instances out of forty where there was a timing difference when payroll period exceptions occur and when they are reflected in payroll reports.

Cause

Payroll and Human Resource information is retained at multiple locations, such as the employee's department, payroll and human resources. Also, there is not a consistent policy in terms of when vacation and sick time is being recorded.

Effect

The lack of information and incorrect information was a result of either the departments having, but not supplying, the requested information or an inability to locate the information. Failure to timely report in exception reporting may result in errors and timing differences relating to the usage of exception time.

Recommendation

We recommend the County establish and implement procedures to ensure all payroll and human resource information is adequately documented, approved and filed in a manner that will allow for this information to be provided to management and others in a timely and accurate manner. We also recommend that the County implement procedures surrounding the recording of vacation and sick time.

Management
Corrective Action

We agree that procedures should be in place to ensure all payroll and human resource information is adequately documented, approved and filed. Human Resources is currently reviewing their files to update any missing documentation such as I-9's. As for any timing differences when reporting exception time, both ITS and Accounting have been recording their exception time directly into JD Edwards' Employee Self Service application. We hope that soon all departments will be able to report their exception time in this manner. The system processes that exception time in the next pay period. This would allow us to be consistent throughout the County as reporting exception time one pay period in arrears.

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Section III—Federal Award Findings and Questioned Costs

2010-01 **Passed-through Colorado Department of Human Services**
CFDA # 93.658
Foster Care – Title IV-E

Allowable Costs/Eligibility (Licensing of county providers)

Significant Deficiency of Internal Control over Compliance

Criteria – The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State Foster Care licensing authority according to (42 USC 671(a)(10) and 672(c) and 45 CFR sections 1356.30(a), (b) and (d) and (f).

The County will license its own foster care home providers and is also required to follow the state guidelines as indicated in Volume 7.708 – Certification of Foster Care Homes and 7.500.2 – Assessment of Foster Home and Adoptive Home.

Condition – 25 files were tested for county certified providers. These County licensed providers were tested for proper initial certification and renewal, and support according to state regulations and noted the following findings related to certification or renewal of Foster Care providers:

- One instance where there is no documentation to support the provider completed the SAFE I Questionnaire as required by *Reg. 7.710.36-A.4.*
- One instance of a current health evaluation for a provider’s family member missing in the file as required by *Reg. 7.708-21M.*

Questioned Costs – None

Effect – The County lacks procedures surrounding the licensing of foster care homes which may result in the child being placed in an “at risk” Foster Care home or the County making payments to the provider may be considered a disallowed costs.

Cause – Due to lack of monitoring (internal controls) for compliance with the state requirements errors were not being detected or corrected in a timely manner.

Recommendation – We recommend the County implement a training program that includes certification and recertification requirements for the County staff per the federal and state rules and regulations. In addition, the County should

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perform a review of all files to ensure the foster care providers are properly licensed and recertified, and all required information is documented in the file.

Management's Response and Corrective Action Plan – Management agrees with the single case finding. However, disagrees with the Effect of these findings and that the 2009 plan was not implemented. All foster care files are reviewed for compliance every 90 days by supervisors or lead workers and errors are generally corrected within days of being detected. The Collaborative Foster Care Program has developed a policy to respond to foster parents who are out of compliance with certification requirements. This policy includes action steps to encourage compliance and a notice of suspension of foster care payments for continued non-compliance. If necessary, adverse action will be taken against their certification.

This finding cited above represents only one family in a program of over 230 foster families who was in a remarkable circumstance with their foster child who was undergoing life-saving medical treatment more than one hundred miles from their home. The family was making extraordinary efforts to attend to the child's needs and made multiple trips to the hospital each week, as well as several unplanned overnights at the hospital. The current condition of the child was even inquired upon by the auditor which is beyond the scope of this audit. The care provided by this family was exceptional. The county made a conscious decision in this case that the child's treatment had to come first with the express understanding that the delays in completing licensing requirements were to be addressed as soon as possible thereafter. These have now been completed and the file is up to date. The court and the child's Guardian ad Litem continued to order that this foster home placement was in the best interest of the child.

2010-02

**Passed-through Colorado Department of Human Services
CFDA # 93.563
Child Support Enforcement**

Special Tests

Significant Deficiency in Internal Control over Compliance

Criteria – According to 45 CFR 303.2(b): For all cases referred to the IV-D agency or applying for services under section 303.33 of this chapter, the IV-D agency must, within no more than 20 calendar days of receipt of referral of a case or filing of an application for services under section 303.99, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.

Condition – We tested 60 cases for compliance with 45 CFR 303.2(b). During our testing we noted 6 cases did not adhere to the 20 calendar day case initiation deadline.

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Questioned Costs – None

Effect – The County is not in compliance with the Federal requirement to process an application within 20 calendar days of receipt. Non-compliance may result in actions taken by the State or the Federal agency.

Cause – One of the cases was noted to have SIDMOD (State Identification Module) issues at the state level. EB notes that SIDMOD issues are caused when an NCP's (non custodial parents) name and birthdates are close enough to another person in the system to indicate a possible mis-identification. This matter has to be cleared at the State level before the case can be updated in the system. The other five cases that were over the 20 day initiation deadline appear to have been caused by increasing case loads and decreasing staff levels. Per discussion with program management, the County's caseload has increased approximately 3% over the prior year, while staffing levels are over 10% lower due to budgetary concerns.

Recommendation – We recommend the department continue to monitor the timely processing of the CSE applications by continuing to utilize available tools and reports within ASCES.

Management's Response and Corrective Action Plan – The department concurs with the findings. The following actions will be taken:

- 1) Revised monthly internal excel spreadsheet to track when cases are initiated outside of 20 calendar days and to be part of monthly statistics reported to Supervisor. Performance will be reviewed at monthly one-on-one meetings with the Supervisor. Staff assigned to case initiation will update the status of the applications at the end of each week. All cases must be initiated within 20 days to "meet expectations" on midterm and annual evaluations.
- 2) Set up tickler system on desks initiating cases so that assigned staff and supervisor can readily see at a glance when applications are approaching 20 days from date of receipt and have not been initiated. Staff has been given "best practice" to target initiating all cases within 15 days of receipt to avoid the 20th day being on holidays, weekends or during scheduled vacation or sick leave.
- 3) The initial cross reference research required before a case is initiated is being streamlined to shorten the average time needed to initiate a case.
- 4) Moved some of the locate tasks from case initiators desks to Child Support Specialist desks.
- 5) Identified one staff member, not regularly assigned to case initiation, to be able to assist with case initiation when back log at risk.
- 6) Expect the State Child Support Enforcement Unit to provide on line application option for customers in mid-summer. This will allow applicants the

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option to complete the application on line and send it to our office; which will populate ACSES with certain information and therefore streamline data entry during case initiation for customers who choose this option.

2010-03 **Passed-through Colorado Department of Human Services**
CFDA # 93.778
Medical Assistance Program

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – According to the Colorado Department of Health Care Policy and Financing Volume 8, the County is required to send a Notice of Action (notifying the applicant of Long-Term Care eligibility or ineligibility) within ninety days from receipt of the completed application. Additionally, the Colorado Department of Health Care Policy and Financing Staff Manual Section 8.765 and 8.101 guidelines require case files to be maintained that include all eligibility documents.

Condition – We reviewed forty case files related to eligibility for this program. We noted the following instances of non-compliance related to documentation of participant eligibility in 2 of 40 files tested

- One instance in which the County did not send notice of action within ninety days of the date of the long-term care application.
- One instance in which the County was unable to locate or identify that proper proof of citizenship was obtained.

Questioned Cost – None

Effect – Failure to process applications timely results in participants that are delayed approval for Medicaid services. Additionally, failure to maintain complete and proper participant files and appropriately enter such information into CBMS may result in Medicaid eligibility determinations made to individuals who should not qualify.

Cause – The case was not timely processed due to the County's increasing case load. Regarding the missing citizenship information, the County has several Volumes of information for the case. It appears that a portion of the case file containing the citizenship information was misplaced.

Recommendation – We recommend that the County utilize available COGNOS reports to determine which cases are nearing the processing deadlines. We also recommend that the County continue to train employees on all information needed in the case files. For cases that have information in multiple files we

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recommend that the County carry-forward all necessary information, such as citizenship information, forward to the newest volume.

Management's Response and Corrective Action Plan – Jefferson County concurs with the findings in the recent audit. The following response details the plans that have been implemented to correct these findings:

Untimely Processing:

Jefferson County monitors cases on a daily and or weekly basis from reports obtained in the COGNOS system. These reports are used for our internal monitoring. This system allows program manager/supervisor to view the pending cases daily and or weekly. A higher priority is placed on working the daily reports.

We have advised staff to use the reports as a tool to monitor their caseload activity. The state COGNOS reports are shared with staff at all levels and processed weekly. A list is distributed to staff each Monday. The supervisor will mandate that the oldest cases be worked first by either designating a specific processing person or assigning the responsibility to the entire unit.

Identity and citizenship:

The training team will continue to conduct ongoing training for staff based on the federal and state requirements and how to apply them to eligibility and CBMS entry, provided throughout the year on an as needed basis. Staff will be trained on how to carry forward all necessary information such as birth certificate to the newest volume.

2010 – 04

**Passed-through the Colorado Department of Human Services
CFDA # 93.568
Low-Income Home Energy Assistance Program**

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – Colorado Department of Human Services Staff Manual Volume III describes the requirements and procedures for determining eligibility in a timely manner. Per 3.756.14, Determination of Eligibility, a County department shall have up to 50 calendar days from the date a completed application is received to determine eligibility. Per 3.751.1, the date of application is the date an application form that contains a legible name and address, and all required responses and documentation are received by the county department. Per 3.751.1, Definitions, in emergency cases, the emergency must be addressed within 10 working days of notification of the emergency by the applicant to the county. In emergency cases, an application shall be processed within 14 working days of the emergency notification. The 14 day rule is not included in the CDHS LEAP policies but is found in the Terms and Definitions section of the LEAP

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Training and Operations Manual under the "Expedited Application" definition. Additionally, section 3.751.1, Definitions, defines who is considered in the household composition.

Condition – We tested 60 files for compliance with eligibility criteria. We noted the following items during our testing:

- Two files where the application was not processed within 50 days.
- One file where an emergency case was processed late. Although the case was processed late, the County did place a hold on the applicant's utility account so that the utilities would not be shut off.
- One file tested had a data entry error into the LEAP system. Documentation in the file indicated that there were 5 eligible household members. However, only 4 household members were entered into the system.

Questioned costs – None

Effect – Failure to maintain complete participant files and accurately transfer this information into the State's LEAP system may result in inaccurate payments to applicants. Additionally, the County is not in compliance with the State regulations for timely processing LEAP applications.

Cause – Due to the number of cases that Jefferson County handles, and the using the prior year staff level resulted in cases with errors. The County did not have an effective system of internal control for monitoring the timely processing of applications.

Recommendation – We recommend that the County ensures all support for eligibility is retained in the file. In addition, information included on the applications should be reviewed for accuracy when transferred to the State's LEAP system. The County should continue to monitor the timely processing of LEAP applications by tracking an application's progress between the date the completed application is received and the pertinent 50-day rule date, or sooner if an emergency case.

Management's Response and Corrective Action Plan – Jefferson County LEAP concurs with the findings in the recent audit. The following response details the plans that have implemented to correct these findings.

Timely Processing – Three cases identified as exceptions for timeliness were from 2009/2010 season.

1. Applications are now mailed Oct 1 after a rule change was approved.
2. Timeliness is now part of the Performance standard/review for LEAP staff

Statically cases over 50 days have dropped 60 percent since the 2008/2009 season. To date in the 2010/2011 season, there are 150 cases over 50 days old.

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Adequate records have been maintained to determine eligibility. Data entry processing errors were identified 1 of 70 cases. In an attempt to achieve zero data entry error, staff has been trained to print a proofing TA after they have completed the final entry. By comparing the hand TA with the printed TA, errors can be immediately identified and corrected. Staff will be required to initial the proofing TA to show that they have taken this step.

2010-05 **Passed-through the Colorado Department of Human Services**
CFDA # 93.558 and # 93.716
Temporary Assistance for Needy Families (TANF) (ARRA)

Eligibility

Compliance
Significant Deficiency in Internal Control over Compliance

Criteria – The County submits their Colorado Works Policies to the state for approval. These policies have the procedures to determine eligibility requirements and documentation required to operate the plan. In addition, the Colorado Department of Human Services Staff Manual 3.600 for the TANF program describes the requirements and procedures for determining eligibility and the types of documentation required to ensure the benefit issuance amount paid through CBMS is correct. The Colorado Regulatory Citation Volume 3.620 and 3.621 describe eligibility criteria for diversion payments. In addition, the County has developed internal policies surrounding the eligibility criteria and required documentation for diversion payments.

Improper Payments - Under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300... improper payments mean: 1. Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2. Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts....

Condition – The county improperly paid benefits in instances where information was not received from clients as required, information was incorrectly entered into the CBMS system, or all appropriate eligibility information was not received prior to payment of benefits. We noted the following errors in 4 of 60 files selected for testing:

- We noted in two instances where the county did not receive the required proof of immunizations for all children in the household prior to the clients completing one year in the TANF program for the most recent application to the TANF program.

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- We noted one instance where an application was not processed within 30 days.
- One instance where the applicant stated a prior drug felony and evidence of attending a rehab facility or program was not documented within the file.

Questioned Costs – \$4,885 of \$42,924 tested.

Effect – Failure to appropriately enforce the requirements of TANF legislation may result in inappropriate benefit distributions.

Cause – Due to a lack of, or failure of appropriate controls, caseworkers did not apply appropriate sanctions or terminate benefits for participants who were no longer in compliance with immunization standards. Additionally, caseworkers did not appropriately enter information into the CBMS system related to diversion payments or obtain all appropriate documentation to verify eligibility prior to benefit issuance.

Recommendation – The County should implement review procedures and policies designed to ensure that clients provide appropriate documentation by the required deadlines. We also recommend that the county review current procedures and policies designed to ensure that data entered into the CBMS system is appropriate, that payments issued to clients are accurate and appropriate, and that all appropriate eligibility verifications are performed and documented prior to benefit issuance.

Management's Response and Corrective Action Plan – Jefferson County concurs with the findings in the recent audit. The following response details the plans that have been implemented to correct these findings:

Immunizations

Immunizations are no longer a program requirement effective January 2011.

Staff will be provided training in monthly unit meetings to address training issues identified with regard to application time frames, proper denials and requirements for cases with drug felonies. Staff will have ongoing TANF regulation refresh training as needed. We also take advantage of any state training that are provided.

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2010-06

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Funding

CFDA # 14.218 Community Development Block Grants/Entitlement Grants

CFDA # 14.253 Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)

Subrecipient Monitoring

Program Income

Significant Deficiency in Internal Control over Compliance

Criteria – According to regulations at 24 CFR 570.501, the recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. This includes not only subrecipients but also units of local government participating with the county. Also, the CDBG Department is to have a written policy and procedures related to monitoring the entities that receive federal funding from this program. Monitoring is to take into account the risk of the subrecipient before and during the project, including how program income is verified and used to offset project expenditures. Federal grants also require standards for financial management systems i.e. financial reporting, accounting records and internal controls.

Condition – We noted the following issues related to monitoring and program income:

2010 Monitoring – We selected 4 projects for compliance with 24 CFR 570.501. During our testing we noted that all the project files did not document any review or oversight of the CDBG project. 2009 was the last year the subrecipients were monitored.

Program Income – We also noted that monitoring of program income is not occurring over the program income from its subrecipients that have this type of activity. This is important as Community Development records the CDBG program income on the annual CAPR (Comprehensive Annual Performance Report) and in the IDIS software. On the 2009 (6/1/09-5/31/10) CAPR, approximately \$18,000 was program income, but CDBG staff did not have a way to verify if all program income was submitted by the subrecipients for applicable projects. During 2010, CDBG staff did not require the subrecipients who reported program income for any support from their system to document the accuracy of the program income related to the draws made. There is no external support on the amount of program income that is coming from subrecipients for accuracy and legitimacy of the amounts included on the monthly draw requests (note the program income is used to decrease the entitlement on the monthly draw requests).

Questioned Costs – None

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Effect – Failure to monitor CDBG’s subrecipients could result in ineligible activities or failure to identify performance problems. Also, without an approved policy on monitoring, subrecipient issues including fraud or errors can go undetected. Without sufficient supporting documents requested from the subrecipient on program income claimed on the cost reimbursement draw, errors could be made and subrecipient may receive more in entitlement funds than allowed.

Cause – The County has not taken timely or appropriate actions to fulfill its oversight responsibility for monitoring its subrecipients. Lack of internal controls surrounding monitoring, i.e. no written policy and no monitoring, will continue to result in a non compliance finding over subrecipient monitoring.

Recommendation – We recommend the County implement a policy and procedures for ongoing monitoring of its subrecipients. We recommend the new monitoring policy include a risk analysis, frequency of monitoring the higher risk subrecipient’s and also address program income and develop procedures to request documents from the subrecipients system whenever there is a draw that has program income involved, and reports from the subrecipient’s system be obtained monthly or at a minimum quarterly and these amounts agreed to CDBG draw books.

Management’s Response and Corrective Action Plan –

Community Development agrees with this finding. Program Income generated from past sub recipient projects does not clearly identify purpose or tracking mechanism.

Community Development has implemented clear procedures for managing program income for all projects from 2010 moving forward. Program Income is addressed in the sub recipient agreements and is thoroughly monitored. Sub recipients are required to submit clear accounting records of program income that include bank statements and a thorough accounting and documentation of program income expenditures. Reports are required monthly.

Monitoring of sub recipients was halted in 2010 due to the direction of the former Transportation and Development Director. When Community Development was moved back under Human Services the policy to begin conducting sub recipient monitoring was reinstated and was intended to take place during the summer of 2010. Due to staff turnover monitoring was not able to be conducted as originally intended. Community Development staff have scheduled and prepared to conduct sub recipient monitoring in June 2011 and do not foresee any problem with completing the monitoring as planned.

Community Development staff have clear procedures for the monitoring requirements that adhere to the HUD guidelines. Ongoing monitoring occurs with all projects and the annual on site monitoring will be based on a risk assessment of each sub recipient.

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Ongoing monitoring includes on site visits to construction sites at various stages of a project, and thorough review of all documentation submitted for draw requests.

2010-07

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Funding

CFDA # 14.218 Community Development Block Grants/Entitlement Grants

CFDA # 14.253 Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria – One of the fourteen federal requirements applicable to the CDBG programs is to file various types of reports at specific times during the grant period. The reports are to be prepared by a knowledgeable staff that is supported with sufficient documentation and approved by a supervisor and submitted timely. Also the compliance requirement indicates the quarterly 272 and 425 reports are to be filed by CDBG.

Condition – We noted the following related to reporting:

- The 1st quarter ARRA 1512 report could not be provided and 4/4 of the reports were submitted without approval.
- 4/4 SF-425 Federal Financial Reports were not filed
- 4/4 ARRA SF-425 Federal Financial Reports were not filed
- 1/4 ARRA SF- 272 Federal Cash Transaction Reports were late
- 1/4 SF-272 Federal Cash Transaction Reports were late

Questioned Costs – None

Effect – Failure to file the required reports or not filing on a timely basis will result in non compliance with the reporting federal requirement.

Cause – The County was uncertain as to which reports were to be filed and when they were to be filed.

Recommendation – We recommend the County obtain the due dates for ARRA reporting from the website and obtain approval before submission. We also recommend that the County prepare the 425 reports until notified by HUD that this is no longer required.

Management's Response and Corrective Action Plan –

Community Development agrees with this finding however is providing some explanations:

JEFFERSON COUNTY, COLORADO
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- 1st quarter ARRA 1512 report – It is the assumption of staff that the report was filed however due to the limitations of the federal reporting system current staff do not have access to view reports submitted by previous staff. The policy implemented in 2010 was to keep a hard copy record of the report submitted in addition to electronic files.
- The 1512 reports are currently prepared and submitted by the Community Development Director however moving forward staff will prepare for review and approval by the Community Development Director. The federal reporting system does not currently allow for this process to take place within the system i.e. the person preparing the report must also submit the report, so staff will have to prepare under individual login and once the hard copy is approved by the Community Development Director the staff person will submit. The electronic version will still show that the staff person who prepared the report will also be the person who approved and submitted the report however the hard copy version will identify the approval by the Community Development Director prior to submittal. IDIS, JDE and sub recipient reports will be used to verify accuracy of all information.
- Community Development staff were not aware of the SF425 requirements and have implemented a policy and procedure to submit this report in a timely manner moving forward.

2010-08

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Funding

CFDA # 14.218 Community Development Block Grants/Entitlement Grants

CFDA # 14.253 Community Development Block Grant ARRA

Entitlement Grants (CDBG-R) (Recovery Act Funded)

Matching, Level of Effort, Earmarking

Significant Deficiency in Internal Control over Compliance

Criteria – According to regulations at 24 CFR 570.902, the County is required to have no more than 1.5 times their annual grant balance in their line of credit 60 days before the end of the program year.

Condition – On April 1, 2010 the county had 1.72 grant years of funding remaining in the line of credit.

Questioned Costs – None

Effect – The County had, in effect, three year agreements with the cities of Lakeside, Wheat Ridge, Mountain View, Golden and Edgewater. Funds were not drawn in a timely manner and funds that were allocated to cities did not always have approved projects for their funding. This led to funds not being obligated, committed and expended in some instances for a period of three years or more that is a violation of HUD's timeliness standards.

JEFFERSON COUNTY, COLORADO
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Cause – Cities were annually allocated a percentage of the CDBG grant award based on population. Funds were not committed to projects and in some instances at the end of the three year Inter Governmental Agreements, extensions were granted. The agreements were considered by cities to mean that they had three or more years to have a project submitted and approved by the County. Also, contract approvals are not timely reviewed.

Recommendation – We recommend the County develop a plan, including timely approval of projects, to insure future expenditures will be spent timely and to meet HUD’s timeliness requirement.

Management’s Response and Corrective Action Plan –

Timeliness was identified by Community Development staff and HUD representatives. A number of activities have occurred throughout 2010 to ensure meeting the timeliness test on April 1, 2011 to avoid elimination of all CDBG funding. The current timeliness report shows that approximately \$700,000 must be expended by April 1, 2011 to meet the ratio requirement. Community Development is projected to expend approximately \$1.1 million by April 1, 2011 so the ratio will be in full compliance.

Additionally, numerous policies, procedures, and enhanced management practices have been put into place to avoid this problem in the future. First, the Intergovernmental Agreements with the participating jurisdictions is being revised to eliminate ‘automatic allocations’. Each participating jurisdiction must apply to the Community Development Advisory Board (CDAB) in accordance with the existing application process for funding. If recommended by the CDAB then all projects for consideration will go to the BOCC for final approval.

Contracting delays have continued to plague all Community Development projects and provide concern for being able to manage the required ratio. Processes have been implemented to ensure the Community Development staff is timely and well prepared for all contracting but additional attention is required by the County Attorney’s Office to eliminate further contracting delays.

2010-09

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Funding

CFDA # 14.218 Community Development Block Grants/Entitlement Grants

CFDA # 14.253 Community Development Block Grant ARRA

Entitlement Grants (CDBG-R) (Recovery Act Funded)

Procurement and Suspension and Debarment

Significant Deficiency in Internal Control over Compliance

Criteria – One of the fourteen federal requirements applicable to the CDBG program is to check vendors for suspension and debarment by checking the

JEFFERSON COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
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EPLS listing before entering into contracts that involve federal funds greater than \$25,000.

Condition – We tested 4 projects for compliance with the federal requirement of suspension and debarment by verifying the EPLS listing. During our testing we noted one case where the EPLS was not verified.

Questioned Costs – None

Effect – The County is not in compliance with the federal requirement to perform an EPLS check before awarding the vendor the contract that involves federal funding. Non-compliance may result in actions taken by the state or the federal agency.

Cause – Due to insufficient internal controls and not understanding the process, the CDBG department thought it was the attorney’s responsibilities to check the EPLS and not CDBG’s responsibility.

Recommendation – We recommend the CDBG department develop a process that includes purchasing and the attorney’s office to ensure an EPLS check is performed on vendors before entering into any contracts that involve federal funds.

Management’s Response and Corrective Action Plan –

Community Development has revised the current contract and project check lists to include the EPLS verification requirement

2010-10

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA # 93.600HEAD START
CFDA # 93.708ARRA Head Start

Allowable Costs/Payroll

Significant Deficiency in Internal Control Over Compliance

Criteria – Internal controls are to be designed and operating effectively to detect, prevent and correct errors in a timely manner. 45 CFR Sec. 1301.12 Annual audit of Head Start programs. “... (3) Whether appropriate financial and administrative procedures and controls have been installed and are operating effectively...”

Allowable costs charged to the grant are determined in accordance with OMB Circular A-87, revised May 10, 2004, for state and local governments. Within this document are detailed explanations and requirements of how employees are

JEFFERSON COUNTY, COLORADO
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December 31, 2010

to document the actual time worked on a grant to ensure the grant is properly charged. As described in the Circular, Chapter 8 Section 3, staff who works on one grant are to complete a semiannual certification that is signed by the staff and supervisor. For those employees who work on multiple grants time sheets are to be completed monthly and signed, as indicated in section 5. This is important for the Head Start grant as the allocation to the before and after school program (WRAP program) is not reimbursable by the Head Start grant and these costs must be separated to ensure compliance with the Head Start program for allowable costs.

Condition – We noted the following related to the HR/Payroll process:

Head Start management and staff work on the regular Head Start grant, before and after school program (WRAP), or spend time on food service, indicating multiple programs/grants. No actual time worked on a program was completed by Head Start staff during 2010 or in early 2011 as required by OMB 87 for working on multiple programs/grants. We were unable to determine if the Head Start federal reimbursement program was properly charged due to lack of records to support actual time worked on this specific program.

Questioned Costs – None

Effect – If the actual time worked on a program is not accurately captured, the Head Start program could be charged for time spent on the wrap around program or other programs resulting in disallowed costs.

Cause – Due to inadequate internal controls in completing the actual time worked and management not fully understanding the requirements of OMB A-87 time and effort recording has resulted in non compliance with OMB A-87 requirements.

Recommendation – We recommend the finance and program staff work together to determine if the Head Start grant was overcharged due to the inaccurate time keeping records. We also recommend the program personnel and the finance department work together to determine who should be completing the time certifications, how often and improve the process on new hires for sending the certification to payroll in a timely manner.

Management's Responses and Corrective Action Plan – Jefferson County Human Services concurs with the finding. Effective immediately, all existing Head Start employees have been transitioned to 100% time reporters. This will be reflected on the employee orientation form, verified and signed off by the employee's supervisor.

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2010-11 DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA # 93.600 HEAD START
CFDA # 93.708 ARRA Head Start

Allowable Costs/WRAP (before and after school program) allocation
Reporting/Cash Management

Significant Deficiency in Internal Control Over Compliance

Criteria – Internal controls are to be designed and operating effectively to detect, prevent and correct errors in a timely manner. 45 CFR Sec. 1301.12 Annual audit of Head Start programs....” (3) Whether appropriate financial and administrative procedures and controls have been installed and are operating effectively...”

Improper Payments - Under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300... improper payments mean: 1. Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2. Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts....

Condition – We noted the following related to the before and after school program (WRAP) allocation:

In the prior years a cost allocation was made to reclassify costs from the regular Head Start grant for costs that are associated with the before and after school program (WRAP) based upon an approved allocation plan or actual costs (i.e. the school lunch program separated out the WRAP associated meals). Also the reimbursement for food services from the USDA was allocated to the WRAP program based on a percentage of the WRAP food costs, but this was not performed in 2010. We also found an error in recording the May USDA reimbursement as it was incorrectly coded to another revenue account. The client was informed and this was corrected.

In 2010 only the first quarter allocation was made and we were unable to determine if the remaining three quarters would have been made if we did not request this information. In late February 2011 we received the remaining quarterly allocations and the new allocation plan that is now a percentage based on classroom hours and to be used for all accounts that appear to have a shared cost element. The rate used for the 2nd quarter was 12.80% and the rate used for the 3rd and 4th quarter was 6.44%. The change in rates is due to consolidation of the school, including WRAP classrooms between school years.

JEFFERSON COUNTY, COLORADO
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Given the above information, we are concerned the monthly Head Start draws may not all be for the Head Start program as the three quarterly allocations to the WRAP program were not made until 2/17/11 and the final draw was made on 2/14/11. There might be an overcharge i.e. advance of federal funds for the months April through December 2010 (or the quarterly periods).

Questioned Costs – None

Effect – Reimbursements for the Head Start program may include WRAP expenses that are not allowed. The quarterly, semi-annual and year end reports may not reflect the correct amounts as the allocations were not performed timely and only at year end for 3 quarters.

Cause – Due to the turnover of key financial personnel starting in May 2010 and again in November 2010 management did not appear to be aware of the personnel’s required duties or understand the processes used or deadlines to complete the required tasks that would have detected or corrected issues and errors timely.

Recommendation – We recommend management develop written and detail policy and procedures related to this key financial position including training and cross training to ensure smooth transitions when personnel are absent or leave to minimize operational disruptions.

Management’s Responses and Corrective Action Plan – Jefferson County Human Services concurs with the finding. Previously, Wrap-related costs were allocated to the appropriate program at the end of each period by the Financial Analyst. Effective immediately, all transactions will be initially assigned and coded to the appropriate program by the Head Start supervisors, then approved by the Head Start Director, and processed by the Division of Business & Finance. This new procedure will be developed by the Division of Business & Finance, and approved and implemented by the Head Start Director by the end of April.

2010-12 DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA # 93.600 HEAD START
CFDA # 93.708 ARRA Head Start

Allowable Costs/Eligibility/Administrative Earmark – Documentation

Significant Deficiency in Internal Control Over Compliance

Criteria – Internal controls are to be designed and operating effectively to detect, prevent and correct errors in a timely manner. This also includes providing adequate supporting documents and appropriate approvals. 45 CFR Sec. 1301.12 Annual audit of Head Start programs. ...” (3) Whether appropriate financial and

JEFFERSON COUNTY, COLORADO
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administrative procedures and controls have been installed and are operating effectively...”

Condition – We noted the following issues relating to documentation:

- **Food Service** – The Child Plus software can generate reports that reflect the child’s attendance and meals. This information is used to request monthly reimbursements from USDA for the food service costs. This report did not agree to cost reimbursements forms due to input errors in the Child Plus system entered by the Family Support workers. The enrollment specialist re-computes the actual number of meals/snacks based on hard copy attendance records provided by each school site to ensure the cost reimbursement report is accurate. This has been corrected starting in September 2010.

The request for reimbursement does not document approval by the supervisor before being submitted.

● **Income Eligibility**

1. The Head Start program allows a certain percentage of children that can be in the program even if they are over the income guidelines. There was no documentation in the file why these children were enrolled in the program.

2. The priority score sheets that are retained in the child’s file did not always agree to the information that is recorded in the Child Plus system. This was not consistently applied in 2010.

- **15% administrative cost cap** – One person is completing the report and no level up, supervisor review, is checking the computation for allowable administrative costs or errors. There did not appear to be a monthly calculation performed in 2010 as indicated in the prior year response.

Questioned Costs – None

Effect – Lack of supporting documentation and supervisor approvals may result in disallowed costs due to or errors not detected or corrected in a timely manner.

Cause – Due to the turnover of key program and financial personnel in 2010 management did not appear to be aware of the staff’s required duties or understand the processes used or deadlines to complete the required tasks that would have detected or corrected issues and errors timely.

Recommendation – We recommend management implement a process that includes type of documentation (reports, sign offs and dates) and the supervisor requirements for reviewing and approving these items.

Management’s Responses and Corrective Action Plan – Jefferson County Human Services concurs with the finding. The following actions will be implemented:

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- *Food Service:* Head Start management will provide layers of approval for this request for reimbursement: Family Support Workers will enter the record of meals and attendance, the Specialist Supervisor will review this information and compare it to the Child Plus database, and the Nutritionist will review this information and apply for reimbursement. Once all information is entered, the Specialist Supervisor will provide final approval.
- *Income Eligibility:* Documentation of final eligibility is now in each child's file.
- *15% Administrative Cost Cap:* The Financial Analyst will prepare this report and the Head Start Director will approve on a monthly basis.

2010-13 DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA # 93.600 HEAD START
CFDA # 93.708 ARRA Head Start

Allowable Costs/Reporting

Significant Deficiency in Internal Control Over Compliance

Criteria – One of the fourteen federal requirements applicable to the CDBG programs is to file various types of reports at specific times during the grant period. The reports are to be prepared by a knowledgeable staff that is supported with sufficient documentation and approved by a supervisor and submitted timely.

Condition – We noted the following issues related to reporting:

ARRA Reporting:

- ARRA 1512 quarterly reporting – there was confusion by management if the final report was filed until a notice was received from the federal government; the filing was not received i.e. late. Not all the reports had sufficient documentation on the numbers filed and there was no supervisor review on two of the three reports filed.
- ARRA 272/425 quarterly reports – three of the four reports did not have documents to support the numbers included in the reports
- ARRA 269 semi annual reports did not have documents to support the numbers included in the reports

Regular Head Start Federal Grant Reporting:

- 269 semi annual reports – one of two were late and one of two ½ late and did not have documents to support the numbers included in the reports
- 272/425 quarterly reports – two of the four reports did not have documents to support the numbers included in the reports

Questioned Costs – None

JEFFERSON COUNTY, COLORADO
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Effect – Reimbursements for the Head Start program may include WRAP expenses that are not allowed. The quarterly, semi-annual and year end reports may not reflect the correct amounts as the allocations were not performed timely as these were recorded only at year end for 3 quarters. Also, not filing the required federal reports on time or accurately will result in non compliance with the “reporting” federal requirement.

Cause – Due to the turnover of key financial personnel in 2010 management did not appear to be aware of the staff’s required duties or understand the processes used or deadlines to complete the required tasks that would have detected or corrected issues and errors timely.

Recommendation – We recommend management implement written policy and procedures on the significance of complying with federal reporting requirements, including due dates. All supporting documents should be maintained and provided to the supervisor for approval.

Management’s Responses and Corrective Action Plan – Jefferson County Human Services concurs with the finding. The following procedures have been implemented: The Financial Analyst will develop a calendar to specify the due dates of all federal reporting deadlines. This calendar will be reviewed and approved by the Budget Manager. Based on this calendar, the Financial Analyst will reconcile all transactions and prepare the report for approval by the Head Start Director. The monthly financial reports submitted to the Head Start Director will include the dates and timelines of all submitted reports. This new procedure will be developed by the Division of Business & Finance, and approved and implemented by the Head Start Director by the end of April.

2010-14 DEPARTMENT OF ENERGY
Direct Funding

CFDA # 81.128 - Energy Efficiency Conservation Block Grant (Recovery Act)

Allowable Activities / Allowable Costs
Cash Management

Compliance
Material Weakness in Internal Control over Compliance

Criteria – Cash management rules related to advances are monitored by the U.S. Department of the Treasury. As specified in 31 CFR part 205, the County must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. The County must limit the draw request to the minimum amount needed to cover expenses and must time the disbursement to be in accordance with the actual, immediate cost requirements of the County in carrying out a Federal program. The timing and

JEFFERSON COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
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amount of funds transferred must be as close as administratively feasible to the County's actual cash outlay for direct program costs.

In addition, under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300, improper payments mean: 1) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2) any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts.

Condition – Advances are allowable under the grant agreement; however, per the agreement and the Treasury rule, they are to be used as soon as administratively feasible. We tested cash draws for compliance with the requirements outlined in the agreement with the Department of Energy and noted the following transactions that were drawn in error:

- \$10,600 was drawn in error prior to expenditures being paid. This balance was drawn on October 7, 2010 as part of draw 6, applied to reduce the next draw (draw 7) on November 8, and was then drawn again on December 8 (draw 8). The advance has not been applied to reduce a future draw as of the end of February 2011.
- \$84,449 was drawn in relation to a separate project that should not have been paid with Federal funding under this grant. The advance was received on December 15, 2010 as part of draw 9 and was applied to reduce draw 11 that was received on February 1, 2011.
- \$111,326.27 was drawn in error related to expenditures that were previously drawn. In January 2011, the County received an invoice for December 2010 activity from the contractor for \$144,594.45 which was included in draw 11. The contractor subsequently sent the County an amended invoice for \$111,326.27 which was included in draw 12. Both balances were requested in separate draw downs; however, only the \$111,326.27 was actually paid to the contractor. The advance received after yearend has not been applied to reduce a future draw as of the end of February 2011.

Questioned Costs – Approximately \$155,000 of the \$1,808,000 tested.

Cause – The County does not appear to have an effective method of internal controls for ensuring that the funds to be requested are for allowable costs / activities and comply with the Treasury rule or are for allowable expenditures.

Effect – Requesting funds in excess of actual expenditures could result in interest and penalties assessed and repayment to the Federal Department of Energy because drawing and holding additional funds may be considered non-compliance with the Treasury rule. These advances if not used against another draw maybe also be considered a disallowed cost. Due to these errors, the SEFA may include inaccurate information.

JEFFERSON COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
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Recommendation – We recommend management consult with the finance department to analyze the allowable expenditures compared to the request for reimbursement to determine the advances and interest. We also recommend that the County implement a procedure requiring detailed supervisor review of all cash reimbursement requests to ensure compliance with Federal requirements including allowable costs. We also recommend that management contact the federal agency and discuss this matter with them and as they will calculate the interest and penalties, and determine if any funds are to be reimbursed to the Department of Energy.

Management's Responses and Corrective Action Plan – The EECBG grant is the first project that Facilities and Construction Management has been responsible for. Therefore, there has been a learning curve in understanding the scope of the grant, draw requirements and financial/project reporting; especially since this is not only our first Federal grant, but also a Recovery grant (ARRA).

That being said, Jefferson County partially agrees with the Audit findings.

\$10,600 was drawn in March, 2010 for staff time in the period 10/1/09 through 12/31/09. At the time that this was drawn, Jefferson County had money allocated within the grant activities for administrative costs (Personnel, Fringe, and Indirect Charges). Subsequently, the County discussed maximizing the renewable projects that could be completed with this grant by reallocating the administrative costs to other activities within the grant. On September 21, 2010, a formal request was submitted to reallocate all but \$14,070 of the administrative costs to direct charge line items. On March 21, 2011, at the Department of Energy's suggestion, another request was submitted to reallocate all administrative costs to direct charge line items. Therefore, this was an allowable expenditure on the grant until March 21, 2011.

There were several entries regarding the \$10,600 in and out of the grant as discussions surrounding whether or not the administrative money would be reallocated occurred, and in learning how to make the correction.

Jefferson County agrees that \$111,326.27 was drawn in error on draw 12.

Expenditures Jefferson County incurred in February in the amount of \$45,873.19 as well as \$3,354.69 incurred in March were not drawn. In addition, Jefferson County is currently processing an invoice from the contractor in the amount of \$104,390.12 for the period ending 2/28/2011, which significantly reduces the advance to \$1,576.94.

Facilities and Construction Management has consulted with the Accounting Division to analyze the allowable expenditures compared to the request for reimbursement as suggested. In addition, a new procedure is in place which will require a supervisor to review in detail all reimbursement requests prior to submittal. A draw request form will be routed, requiring the appropriate supervisor's signature prior to processing a draw through the ASAP system.

JEFFERSON COUNTY, COLORADO
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Backup for the requested draw and a reconciliation of all draw requests will be completed against the grant, with the remaining balance accompanying the form.

Facilities and Construction Management contacted the Department of Energy to discuss this matter with them. They reiterated that advances are allowed on this grant. Interest earned on advances falls under CFR 600.221. An agency may keep up to \$100 per year in interest for administrative expenses. The Accounting Division has calculated the interest for 2010, and has found that it is less than \$100. The Accounting Division will also calculate the amount of interest earned on advances in 2011, and initiate any repayments if required.

2010-15 DEPARTMENT OF ENERGY

Direct Funding

CFDA # 81.128 - Energy Efficiency Conservation Block Grant (Recovery Act)

Reporting

Material Weakness in Internal Control over Compliance

Criteria – The County has a contract with the Department of Energy. In this contract, Sections 11 and 23 stipulate the report type, reporting periods and due dates for financial status, progress and American Recovery and Reinvestment Act reports.

Condition – We tested financial, performance and ARRA reporting for compliance with the requirements outlined in the agreement with the Department of Energy and noted the following:

- Financial status reports and progress reports: Based on the grant agreement, the quarterly financial status reports and progress reports are due within 30 days of the end of the reporting period. Two of the finance status reports and one of the progress reports were not submitted within this time frame. We also noted that there was not a review of these reports after they were completed by the Special Projects Coordinator.

- Financial status reports, progress reports and ARRA reports: There were variances in the amount of federal expenditures each quarter between the three required reports because they were prepared using the accrual method and because certain amounts were estimates. Although all reports agreed in total to the general ledger at the end of the year, three of the twelve quarterly reports filed did not agree to supporting documentation.

- Also due to the errors noted in the cash management finding (advances) we are unable to determine the accuracy of the information in the reports.

Questioned Costs – None

JEFFERSON COUNTY, COLORADO
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Cause – The County does not have a system of internal controls in place to ensure that all required reports are completed, reviewed by the appropriate supervisor with supporting documents for accuracy prior to submitting the reports to the Department of Energy.

Effect – Failure to accurately prepare and submit required reports may result in performance goals, financial management and other requirements of the grant not being met. A lack of detailed review of these reports may also result in an incorrect amount being reported that may lead to loss of future funding or more scrutiny by the grantor.

Recommendation – We recommend that the County consider preparing quarterly reports without using estimates. Reports should be based on known transactions that are recorded in the general ledger. We also recommend that the County implement procedures to ensure that all required reports are accurately prepared based on information from the detail general ledger, reviewed and documented by an appropriate supervisor, and submitted to the Department of Energy in a timely manner.

Management's Responses and Corrective Action Plan – Jefferson County agrees with the audit finding.

Jefferson County will now prepare all quarterly reports based on actual transactions recorded in the General Ledger. Reports will be reviewed, along with the documentation, and approved by the appropriate supervisor prior to submittal to the Department of Energy. The routing sheet will also indicate the dates the reports are due.

2010-16 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Direct Funding
CFDA # 14.228 - Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria – One of the fourteen federal requirements applicable to the NSP program is to file financial and performance reports at specific times during the grant period. The reports are to be prepared by a knowledgeable staff and be supported with sufficient documentation.

Condition – We noted that the first financial reports of 2010 that were submitted for both the NSP Single Family grant and NSP Multi-Family grant were inaccurate. This affected the carry forward amounts on all of the subsequent reports that were submitted in 2010. We noted that only the carry forward amounts were inaccurate,

JEFFERSON COUNTY, COLORADO
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but the actual expenditures reported in each month were correct. We noted 1 of 6 financial reports tested was not filed timely.

Questioned Costs – None

Effect – Failure to file accurate reports will result in non compliance with the reporting federal requirement.

Cause – The County is lacking internal controls to prevent the submission of inaccurate reports.

Recommendation – We recommend the County ensure that reports filed are accurate by having a knowledgeable staff review them for accuracy before they are submitted.

Management’s Response and Corrective Action Plan – Community Development agrees with this finding and has included an explanation for the error.

In early 2010 extensive work occurred on NSP however and staff charged time to NSP for related NSP activities. The Request for Release of Funds had not been issued yet and therefore all time charged was deemed ineligible by the State accounting office. Prior to being notified of this reports were submitted including these expenses. Once Community Development was notified the correct expenditures amounts were noted but were advised to not ‘re-do’ the reports and simply correct the carry forward amounts on future reports.

**2010-17 Passed-Through Colorado Department of Health and Environment
Public Health Emergency Preparedness
CFDA # 93.069**

Allowable Costs/Cost Principles

Compliance

Significant Deficiency in Internal Control over Compliance

Criteria – Allowable costs charged to the grant are determined in accordance with OMB Circular A-87, revised May 10, 2004, for state and local governments. Within this document are detailed explanations and requirements of how employees are to document the actual time worked on a grant to ensure the grant is properly charged. As described in the Circular, Chapter 8 Section 3, staff who work on one grant are to complete a semiannual certification that is signed by the staff and supervisor. For those employees who work on multiple grants time sheets are to be completed monthly and signed, as indicated in section 5. The Circular also details the following...”Personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is

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compensated, be prepared at least monthly and must coincide with one or more pay periods, and must be signed by the employee...”

“The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.....the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity’s management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;

- (2) Transactions are executed in compliance with:
 - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - (ii) Any other laws and regulations that are identified in the compliance supplements; and

- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

Condition – We tested five employees for five payroll periods in February, April, June, September and December 2010 for a total of 22 transactions. During the first five months of the year, management did not require timesheets from regular employees except for exception time (e.g. vacation, sick leave and holiday); timesheets were required from all emergency hires/temporary employees. The actual costs for time worked on grants was not accurately charged to the individual grants as noted in the cost reimbursement requests.

During the last seven months of the year, the department used a time tracking system to record actual time spent on each grant, however the actual costs of time worked on grants was not accurately charged to the individual grants as noted in the cost reimbursement requests.

Expenditures in the Emergency Preparedness program are associated with and charged to two different business units established to capture each grant agreement under the Emergency Preparedness grant: Core (or Base) costs and Cities

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Readiness Initiative (CRI) costs. In 2010, the department created additional business units to distinguish and capture HINI Phase I and Phase II/III costs.

We noted the following related to allocating salaries to the business units/grant agreements as follows:

- During the first five months of the year, Personnel Action (PA) forms were used to allocate labor distributions to the specific grants; however, the allocations actually charged to the grants did not agree to the PA forms. Monthly emails from the program supervisor established the allocation to the grants, and PA forms should have been updated and sent to the County payroll department to correctly distribute labor costs within the Time and Pay records. This error affected all nine transactions tested during the first five months of year.

- During the last seven months of the year, the department implemented a time keeping system to record actual hours worked in the specific grants; data from the time keeping system would be transferred to the payroll system and form the basis for labor distribution between and among grants. We tested 13 transactions during this time period and noted that the time charged to each grant did not agree to the time records. Reviewing all of the Emergency Preparedness grants in total, payroll costs appeared appropriate; however, the allocations to the individual grants did not agree to the actual hours worked as recorded in the time keeping system.

Questioned Cost – None related to the overall CFDA grant, although the individual business unit/grant agreements and cost reimbursements were overstated for HINI by approximately \$5,800 and CRI by approximately \$24,250; Base/Core was understated by approximately \$30,000. Due to the nature of this program the overall effect was zero, as all funds were expended during the time frame allowed by the grants. We discussed the allocations to the various grants with the State and the State confirmed that there had been confusion on how to track and accurately allocate each individual grant expenditure in 2010 and the State then removed the criteria on how to track each individual grant.

Cause – Due to management not fully understanding the OMB 87 requirement and not having a system of internal controls in place to ensure the individual grants were charged using actual time with proper approvals, the cost reimbursement forms were not completed accurately.

Effect – Due to management not fully understanding the OMB 87 requirements for charging each grant agreement for the actual hours worked and insufficient internal controls, grant agreements' requests for reimbursement were not completed accurately and this may lead to additional review by the State and Federal agencies to ensure compliance with these requirements.

Recommendation – We recommend that the County implement the requirements of OMB 87 and ensure all payroll/personnel forms are properly completed and

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approved by supervisors to ensure the monthly request for reimbursement agrees with actual time worked.

Management's Response and Corrective Action Plan – Agreed. The department developed and implemented an automated time keeping system in 2010 specifically to comply with the requirements of OMB 87. During the implementation period for the new system, there was a miscommunication and the grant billers were not notified to change the calculation of monthly reimbursement requests from labor distributions based on the program supervisor's monthly e-mails to distributions based on actual hours worked and recorded in the time keeping system. When this error was discovered as part of this audit, the department issued corrected reimbursement requests for the Emergency Preparedness grants for the period January 2011 through March 2011, and the correct calculation will be used from the April 2011 invoice forward.

2010-18 **Passed-Through Colorado Department of Health and Environment**
CFDA # 93.069
Public Health Emergency Preparedness

Procurement and Suspension and Debarment

Significant Deficiency in Internal Control over Compliance

Criteria – One of the fourteen federal requirements applicable to the Public Health Emergency Preparedness program is to check vendors for suspension and debarment by checking the EPLS listing before entering into contracts that involve federal funds greater than \$25,000.

Condition – We reviewed and tested various projects and contracts for compliance with the federal requirement of suspension and debarment by verifying the EPLS listing. During our testing we noted one case where the EPLS was not verified by this department and a second case which was to be verified by another Jeffco Department. We also noted management was not aware of the required federal EPLS requirement. Management has since performed the EPLS checks on both of these contracts and noted they were not debarred or suspended.

Questioned Costs – None

Effect – The County is not in compliance with the federal requirement to perform an EPLS check before awarding the vendor the contract that involves federal funding. Non-compliance may result in actions taken by the state or the federal agency.

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Cause – Due to insufficient internal controls by management that includes understanding compliance with Federal requirements resulted in non-compliance.

Recommendation – We recommend the Public Health department develop a process that includes this EPLS check be performed on vendors before entering into any contracts that involve federal funds greater than \$25,000.

Management's Response and Corrective Action Plan – Agreed. The department will incorporate the EPLS verification check as part of its contracting process.

2010-19 **Passed-through Colorado Department of Local Affairs**
CFDA # 93.710
ARRA - Community Services Block Grant (CSBG-R)

Eligibility / Allowable Costs

(Finding in accordance with OMB Circular A-133 __.510(a)4)

Criteria – One of the fourteen federal requirements applicable to the CSBG-R program is to comply with eligibility criteria.

Additionally, Under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300... improper payments mean: 1. Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2. Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts....

Condition – During the 2010 audit, the County brought to our attention questioned costs of \$99,411 relating to the CSBG-R program. We obtained supporting schedules from the CSBG department detailing out their estimate of the unallowable costs. To determine the total questioned costs, the CSBG department audited 100% of the CSBG-R that were processed by the County's Workforce Department. It was determined that 33 of the 172 clients served did not meet the eligibility criteria; therefore, total benefits paid to these clients were unallowable. In accordance with OMB Circular A-133 __.510(a)(4) "If the auditor does become aware of questioned costs for a Federal program which is not audited as a major program and the known questioned costs are greater than \$10,000, then and auditor shall report this as an audit finding."

Questioned Costs – \$99,411 out of total grant expenditures of \$588,938.

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Effect – Failure to process eligibility in accordance with grant requirements will result in non compliance with the eligibility requirements. Additionally, any payments made to ineligible participants are not allowable federal expenditures.

Cause – There was a point in time that Workforce was using incorrect income guidelines and then realized the mistake and corrected it moving forward.

Recommendation – We recommend the County continue to work with the Colorado Department of Local Affairs, and the U.S. Department of Health and Human Services, if necessary, to take proper corrective action regarding the questioned costs.

Management's Response and Corrective Action Plan – Human Services has repaid the funds to the Community Development Division and we are working with the Colorado Department of Local Affairs who are in turn working with Health and Human Services to determine how the funds should be handled. The Community Development Division is prepared to repay the funds to the State if Health and Human Services makes that determination. If the funds are allowed to remain with Community Development they will be applied to furthering the Community Services Block Grant projects for the 2011/2012 program years.

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2009 – 01 Passed through the Colorado Department of Human Services
CFDA# 93.568
Low-Income Home Energy Assistance

Eligibility/State Regulations

Compliance

Significant Deficiency in Internal Control over Compliance

Finding: Colorado Department of Human Services Staff Manual Volume III describes the requirements and procedures for determining eligibility in a timely manner. Per 3.756.14, Determination of Eligibility, a County department shall have up to 50 calendar days from the date a completed application is received to determine eligibility. Per 3.751.1, the date of application is the date an application form that contains a legible name and address, and all required responses and documentation are received by the county department. In 7 of 40 case files tested, eligibility was not determined within the required 50-day time frame.

Status: The LEAP Program Specialists are monitoring cases on a weekly basis. Each Friday the “Status of Application Tracking Pending Cases” report is printed from CEPS for each Specialist. This provides them their caseload list and gives a count of how many days old each case is. The Specialists have been trained to use the report to prioritize their work. For the 2009-2010 season the business process has also been changed from assigning cases by an alpha split to assigning cases by date order received. Applications that are within 10 days of exceeding processing guidelines will be addressed first. The supervisor will monitor that each Specialist is processing the oldest cases first on a weekly basis.

Auditor Response: Not implemented. See finding 2010-04.

2009 – 02 Passed through the Colorado Department of Human Services
CFDA# 93.568
Low-Income Home Energy Assistance

Eligibility/Allowable Costs/Principles

Compliance

Significant Deficiency in Internal Control over Compliance

Finding: In 1 of 40 case files tested, the applicant did not prove vulnerability because the energy bill provided was in someone else’s name and there was no statement in the file that stated the applicant was contributing to household expenses. Questioned costs: \$486.40 of \$28,719.14 total tested.

Status: LEAP Program Specialists will be trained at the county level to obtain a signed “vendor pay” letter if a heat bill is in a roommate’s name, unless the client states how basic living expenses are being shared. There must be an understanding

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by the Program Specialist that the applicant household contributes to the payment of basic living expenses. Per discussion with Dorothy during the entrance meeting for the 2010-2011 season, the wording of the standard letter has been changed to require documentation of the exact amount of money the applicant household is contributing to the heating bill.

Auditor Response: Fully implemented.

2009-03 **Passed-through Colorado Department of Human Services**
Foster Care – Title IV-E
CFDA # 93.658
Allowable Costs/Eligibility (Certification of county providers)
Compliance

Finding – 37 of the 40 files tested were county certified providers (the remaining files were certified by the state). These County licensed providers were tested for proper initial certification and renewal, and support according to state regulations and noted the following findings related to certification or renewal of Foster Care providers:

- Two instances of expired proof of auto liability insurance (to substantiate environmental safety for placed child) as required by Reg. 7.708.46c.
- One instance of a current health evaluation for a provider's family member missing in the file as required by Reg. 7.708-21M.

Status – The Collaborative Foster Care Program has developed a policy to handle foster parents who are out of compliance with their certification requirements. This policy includes action steps to encourage compliance and a notice of suspension of foster care payments will be implemented for continued non-compliance. If necessary, adverse action will be taken against their certification.

Program Policy and Procedures manuals were distributed to all certified foster families. By the end of January 2010, each foster parent will sign an acknowledgement form indicating that they have read and understand the information contained in the manual.

The program supervisors or lead workers will continue to audit each foster family file every 90 days. Prior to recertification, each file will be audited and Trails checked to ensure compliance with the certification requirements.

Auditor Response - Not implemented. See findings 2010-01.

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2009-04 **Passed-Through Colorado Department of Human Services**
Food Assistance Cluster
CFDA #'s 10.551 and 10.561

Special Tests – Quality Control Unit

Compliance

Significant Deficiency in Internal Control over Compliance

Finding: During our testing of supervisory reviews, we noted that the county selected six cases per caseworker; however for various reasons all six cases were not reviewed. New cases were not selected to replace the cases that were not reviewed. Additionally, we selected 15 case workers out of 103 cases workers and tested to ensure that for each month during 2009 the required numbers of quality assurance reviews were performed. During our testing, we noted that the County did not complete quality assurance reviews during the months of September, November and December 2009. If reviews occurred during these three months it was only because the reviews were part of a State mandated review request.

Status: Since July 2010 that State has been having discussions with counties regarding the required quality assurance reviews. The State recognizes that the current rule does not allow for the flexibility that the counties need to set up performance tracking systems that provide heavy emphasis on new workers and staff that may be under performing, while allowing for more random or less frequent checks on workers who are top performers. The state will be making the rule change in July 2011, but has provided verbal instructions to the counties to set up and maintain systems that work for their circumstances in the interim. Based on this guidance the County revised its policies to state that one to three Food Assistance case reviews per month per worker will be completed.

Auditor Response: Fully implemented.

2009-05 **Passed-through the Colorado Department of Human Services**
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)

Eligibility

Compliance

Significant Deficiency in Internal Control over Compliance

Finding: The county improperly paid benefits in instances where information was not received from clients as required, information was incorrectly entered into the CBMS system, or all appropriate eligibility information was not received

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prior to payment of benefits. We noted the following errors in 4 of 43 files selected for testing:

- We noted in two instances that the county did not receive the required proof of immunizations for all children in the household prior to the clients completing one year in the TANF program for the most recent application to the TANF program.
- We noted in one instance the county inappropriately entered information into the CBMS system which resulted in a basic cash assistance payment in the month following a diversion payment.
- The county did not complete income verification procedures. We noted in one instance the county did not appropriately verify that income reported by the client during the intake process was complete by performing and documenting a DOLE search for income earned by the client.

Status: Staff will receive additional training in regards to immunizations in monthly staff unit meetings. Staff that appears to have a trend in the area of immunizations will be held accountable and provided additional support to adhere to improved performance standards. The supervisor will be responsible to ensure that the data entry is accurate in all diversion cases. Also, program specialists will be instructed to utilize the case file information prior to authorization. All staff will be instructed to print all necessary reports to appropriately verify client reported income in all appropriate situations. The quality assurance unit will continue to review case files for accuracy.

Auditor Response: Not implemented. See finding 2010-05.

2009-06

**Passed-through the Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)**

Procurement, Suspension, and Debarment

Compliance

Significant Deficiency in Internal Control over Compliance

Finding: The county did not perform appropriate suspension or debarment verification in one instance of contracts executed through the TANF program. A search of the Excluded Parties List System (EPLS) was performed in December of 2008 related to a contract that was signed in August of 2009. This search was not sufficient as it was performed too far in advance of the contract to be a fully effective search.

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Status: Jefferson County has historically operated under an informal process as it relates to the SOS and EPLS search when entering into contracts. The informal policy is that the division or program drafting the contract must check both web sites and print the results prior to moving forward with the contract. As a checks and balance measure the County Attorney's office also verifies that the contractors are in good standing if they do not have the printed results attached to the contract as noted on the contract routing form. As a result of this observation and per the recommendation the county will review existing policies/procedures to ensure language is added to said material to ensure we are searching, printing and retaining records of the EPLS and SOS data bases results prior to entering into a contract.

Auditor Response: Fully implemented.

2009-07 **Passed-through the Colorado Department of Human Services**
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)

Passed-through the Colorado Department of Human Services
CFDA # 93.778
Medical Assistance Program

Special Tests: IEVS

Compliance
Significant Deficiency in Internal Control over Compliance

Finding: Participation in IEVS requires the County to use the IEVS system to verify eligibility on initial applications and follow-up and retain all information obtained through IEVS in the case file. We noted the following instances of non compliance related to use of the IEVS reports in 12 of 77 files tested (1/43 for TANF and 11/34 for Medicaid):

- Twelve instances where an IEVS hit was not followed up on within 45 days.

Status: The County has an existing County Policy which outlines the procedures for processing CBMS Interface Activities. County staff have been trained on this procedure. Designated staff are assigned to process weekly IEVS. In program areas where there is no designated staff the staff assigned to the case will work the IEVS based on their case load.

Auditor Response: Fully Implemented.

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2009-08 **Passed-through Colorado Department of Human Services**
CFDA #93.575/93.596/93.713 (ARRA)
Child Care and Development Cluster

Allowable Costs/Eligibility

Compliance

Finding: We noted the following instances of non compliance relating to the allowable costs compliance requirements for the child care and development cluster in 1 out of 40 files tested:

- One instance where the incorrect income was used for eligibility which resulted in an incorrect calculation of the parental fee. The monthly income calculated by the County was higher than actual and as a result, the parental fee was assessed at an amount more than what it should have been.

Status: The County provided an All Staff Income Calculation/Parental Fee/Authorization Unit Allocation Training for child care caseworkers in February 2010. Required verification and appropriate calculation formulas will be addressed in this training. New CHATS was implemented in Jefferson County in September 2010. The verification and unit allocation knowledge will continue to be applicable for this new child care data system. So, this information was addressed again in 2010 during New CHATS training. Additionally, the CCAP Manager addresses problem areas, new policies/procedures, quality review findings, and other issues at the monthly CCAP caseworker meeting. Regarding the matter of provider payments matching the assessed parental fee, if the parental fee is calculated correctly and entered in the authorization correctly, then the appropriate parental fee will be withheld from the provider's reimbursement. So this function is dependent on correct income and parental fee determination, therefore, the training referenced above will address this issue.

Auditor Response: Fully Implemented.

2009-09 **Passed through the Colorado Department of Health and Environment**
CFDA# 93.217
Family Planning Services
CFDA#93.994
Maternal and Child Health Services Block Grant

Allowable Costs/Principles

Compliance

Significant Deficiency in Internal Control Over Compliance

Finding: Due to inadequate internal controls and management understanding of the requirements of OMB A-87 time and effort recording as well as management

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not requiring time sheets for all staff for the first eight months and not recording the correct allocations in the JDE payroll system in the correct period (all of 2009), the Health department has not complied with safeguarding assets or with OMB A-87 requirements.

Status: Although we now recognize that we are out of compliance with the requirements in OMB A-87, we have taken steps to bring our programs into compliance.

Auditor Response: Fully implemented.

2009-10

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA 93.600 HEAD START
ARRA 93.708 Head Start

Allowable Costs/Payroll

Compliance

Significant Deficiency in Internal Control Over Compliance

Finding: We noted the following related to the HR/Payroll process

- 3 new employees did not complete time certifications when hired and we were unable to determine if the allocation in the payroll records was accurate.
- One employee was overpaid by \$143.12 relating to the one time Head Start COLA additional funding (before and after school program overcharge also known as wrap around program - WRAP). One employee's preliminary calculation was incorrect but this was detected by management before the payment was made.
- The semi-annual time certifications were only completed once in 2009 and the certifications were not retained in the file, although we were provided with a listing of employees and the allocation related to 2009. These certifications were not completed accurately, i.e. all time was 100% WRAP, when it should have been split between the Head Start and the WRAP program, and in some cases the certification did not agree to the payroll distributions. In other cases the time spent on the meals (USDA) was not correct, either too much time on this program or missing completely. We noted the same issues during our review of the time certifications that were completed in January for the 2010 allocation. Questioned Costs: \$143.12 of \$13,087.20 tested (1% error rate) regarding COLA (overcharge the WRAP program). Unknown regarding other payroll.

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Status: In addition to the current process, staff are required to include the initial time certification for new employees as part of the Personnel Action (PA) paperwork that is submitted for new hire approval and processing. This ensures timely certifications are completed at the time the new employee starts work. The supervisory staff have received additional training on how to correctly prepare time certification in order to instruct staff in preparation to eliminate any incidences of errors going forward. An updated time certification is required when a Head Start staff member's duties are redefined in regard to site, functions, and so forth. Where a staff member's responsibilities and hours between funded projects change and are not regular, these individuals must complete a "100% Time Reporting" time sheets each pay period that manually show the distribution of their time between projects.

Auditor Response: Not Implemented. See Finding 2010-10.

2009-11

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA 93.600 HEAD START
ARRA 93.708 Head Start

Allowable Costs/WRAP (before and after school program) allocation

Compliance
Significant Deficiency in Internal Control Over Compliance

Finding: We noted the following related to the WRAP allocation:

The December journal entry for the 4th quarter WRAP expense allocation was made twice and one of them should have been reversed. This resulted in overcharging the WRAP program and undercharging the expenses in the Head Start program by approximately \$11,000. Management is discussing how to correct the error.

The food service expense allocation for the 4th quarter WRAP allocation did not include the November and December WRAP allocation of these expenses in the amount of approximately \$7,000, resulting in overcharging the Head Start program and undercharging the WRAP program. Management is discussing how to correct the error.

Status: Human Services Accounting requested that 2009 be reopened and adjusting journal entries were posted to 1) reverse the duplicate WRAP expense allocation and 2) allocate the WRAP portion of the November and December food expense. Human Services Accounting advised the head Start fiscal analyst that all future journal entries will be centrally prepared and entered within the group to avoid any future duplication of entries.

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Auditor Response: Partially implemented, due to only one of 4 quarter WRAP allocations completed during the year, see finding 2010-11.

2009-12

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Direct Funding

CFDA 93.600 HEAD START
ARRA 93.708 Head Start

Allowable Costs/Eligibility/Administrative Earmarking–Documentation

Compliance
Significant Deficiency in Internal Control Over Compliance

Finding: We noted the following issues relating to documentation:

- **Food Service** – The Child Plus software can generate reports that reflect the child’s attendance and meals. This information is used to request monthly reimbursements from USDA for the food service costs. This report did not agree to cost reimbursements forms due to input errors in the Child Plus system entered by the Family Support workers. The enrollment specialist re-computes the actual number of meals/snacks based on hard copy attendance records provided by each school site to ensure the cost reimbursement report is accurate. The request for reimbursement does not document approval by the supervisor before being submitted.

- **Income Eligibility** –
 1. The individual responsible (enrollment specialists) for reviewing the final income verification for eligibility is not documenting performance of this task. The Child Plus report only reflects current information and does not show the history that the income verification was actually completed by the enrollment specialist.

 2. The Head Start program allows a certain percentage of children that can be in the program even if they are over the income guidelines. There was no documentation in the file why these children were enrolled in the program.

 3. The priority score sheets that are retained in the child’s file did not always agree to the information that is recorded in the Child Plus system.

- **15% administrative cost cap** – One person is completing the report and no level up, supervisor review, is checking the computation for allowable administrative costs or errors. During our testing we noted there was an overcharge to the administrative costs in an immaterial amount (approximately \$160). One other area relates to the ARRA grant, as it stipulates the same 15% administrative cap and management was not sure if this applied to this specific grant.

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Status: Family Services Workers who enter statistics regarding meals served at the sites have been trained on data input, and the Head Start Specialist Manager reviews and approves the cost reimbursement report prior to submission. In addition to the head Start Staff, Head Start Policy Council and the Governing Board, the 15% Administrative Cost Cap Report is sent to the Head Start Director monthly for approval. In regard to eligibility, a form was developed to capture justification notes and the signature of the head Start staff that reviewed and approved a child's qualifications for enrollment. This form is place in the child's file.

Auditor Response: Not fully implemented. See Finding 2010-12.