Federal Awards Reports in Accordance with the Single Audit Act and OMB Circular A-133
December 31, 2013

Jefferson County, Colorado

CPAs & BUSINESS ADVISORS

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

The Board of County Commissioners and
Members of the Audit Committee
Jefferson County, Colorado

We have audited 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, 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 ("Jefferson County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Jefferson County's basic financial statements and have issued our report thereon dated May 27, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-A and 2013-B to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-C to be a significant deficiency.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Jefferson County'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*.

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

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

Eide Bailly LLP

Golden, CO
May 27, 2014

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of County Commissioners and
Members of the Audit Committee
Jefferson County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Jefferson County, Colorado's ("Jefferson County") compliance 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's major federal programs for the year ended December 31, 2013. Jefferson County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of Jefferson County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA # 93.558, Temporary Assistance for Needy Families (TANF)
As described in the accompanying schedule of findings and questioned costs Jefferson County did not comply with requirements regarding CFDA # 93.558 Temporary Assistance for Needy Families (TANF) as described in finding 2013-001 for allowable costs, eligibility and special tests. Compliance with such requirements is necessary, in our opinion, for Jefferson County to comply with the requirements applicable to that program.

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Qualified Opinion on CFDA #93.558, Temporary Assistance for Needy Families (TANF)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, Jefferson County complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on the TANF program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs
In our opinion, Jefferson County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of Jefferson County as of and for the year ending December 31, 2013, and have issued our report thereon dated May 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Golden, CO
May 27, 2014

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2013 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**	*		**2,444,039**		**$ 2,444,039**
Passed through Colorado State Forest Service:						
Cooperative Forestry Assistance	**10.664**	5367490-004		**24,082**		**24,082**
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	4,394,793			
	10.557	WIC-AB3-DOA	1,297,557			
	10.557	WIC-AL3-DOA	5,271			
	10.557	WIC-AL4-DOA	50,373			
		CFDA 10.557 Subtotal:		**5,747,994**		**5,747,994**
Child and Adult Care Food Program	**10.558**	*		**144,339**		**144,339**
TOTAL: DEPARTMENT OF AGRICULTURE						**$ 8,360,454**
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Funding:						
Community Development Block Grants/Entitlement Grants	**14.218**			**976,541**		**976,541**
HOME Investment Partnerships Program	**14.239**			**397,780**		**397,780**
Veterans Homelessness Prevention Demonstration Program	**14.260**			**459,402**		**459,402**
Passed through Colorado Department of Local Affairs						
Community Development Block Grants/State Program and Non-Entitlement Grant (Single-Family Housing)	**14.228**	HONSP09309	63,427			
Community Development Block Grants/State Program and Non-Entitlement Grant (Multi-Family Housing)	**14.228**	HONSP09302	93,606			
		CFDA 14.228 Subtotal:		**157,033**		**157,033**
TOTAL: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						**$ 1,990,756**
DEPARTMENT OF JUSTICE						
Direct Funding:						
Drug Court Discretionary Grant Program	**16.585**			**21,924**		**21,924**
State Criminal Alien Assistance Program	**16.606**			**114,527**		**114,527**
Bulletproof Vest Program Partnership	**16.607**			**3,850**		**3,850**
Criminal and Juvenile Justice and Mental Health Collaboration Program	**16.745**					
Partners Promoting Independence	**16.745**			**148,173**		**148,173**

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2013 Federal Expenditures	*Clusters*	Totals by Agency
Passed through Colorado Dept. of Public Safety/Division of Criminal Justice:						
Crime Victim Assistance	**16.575**					
Sheriff Crime Victim Assistance (VOCA)	**16.575**	*	67,553			
Elder Abuse Victim's Specialist	**16.575**	*	37,514			
		CFDA 16.575 Subtotal:		**105,067**		**105,067**
Violence Against Women Formula Grants	**16.588**					
District Attorney-VAWA	**16.588**	*		**56,195**		**56,195**
Public Safety Partnership and Community Policing	**16.710**					
COPS Meth Initiative 5	**16.710**	*		**80,653**		**80,653**
Edward Byrne Memorial Justice Assistance Grant	**16.738**					
Internet Social Networking	**16.738**	*	1,468			
1st Judicial District Juvenile Offenders Pre-Sentence	**16.738**	*	17,083			
Communities Against Senior Exploitation	**16.738**	*	14,273			
DA Elder Abuse Against Crimes	**16.738**	*	81,110			
Metro Crisis Sevices	**16.738**	*	234,272			
		CFDA 16.738 Subtotal:		**348,206**		**348,206**
Passed through City of Lakewood						
Edward Byrne Memorial Justice Assistance Grant	**16.738**					
DA Law Enforcement Personnel & Training	**16.738**	*	4,793			
Sheriff Formula 5 2012-2014	**16.738**	*	16,992			
Sheriff Formula 4	**16.738**	*	3,861			
		CFDA 16.738 Subtotal:		**25,646**		**25,646**
TOTAL: DEPARTMENT OF JUSTICE						**$ 904,241**
DEPARTMENT OF LABOR						
Passed through Colorado Department of Labor and Employment:						
Employment Service/Wagner-Peyser Funded Activities	**17.207**					
Wagner-Peyser Plan Year 2013	**17.207**	*	424,245			
Wagner-Peyser Plan Year 2012	**17.207**	*	470,794			
Governor's Summer Job Hunt 12	**17.207**	*	40,000			
		CFDA 17.207 Subtotal:		**935,039**	***935,039*** [1]	
Disabled Veterans' Outreach Program (DVOP)	**17.801**	*		**16,109**	***16,109*** [1]	
Local Veterans' Employment Representative Program	**17.804**	*		**3,843**	***3,843*** [1]	**954,991** [1]

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2013 Federal Expenditures	*Clusters*	Totals by Agency
WIA Adult Program	17.258					
WIA Adult Program-Plan Year 2011	17.258	*	29,399			
WIA Adult Program-Plan Year 2012	17.258	*	949,896			
WIA Adult Program-Plan Year 2013	17.258	*	394,958			
		CFDA 17.258 Subtotal:		1,374,253	*1,374,253* [2]	
WIA Youth Activities	17.259	*				
WIA Youth-Plan Year 2011	17.259	*	72,353			
WIA Youth-Plan Year 2012	17.259	*	550,459			
WIA Youth-Plan Year 2012	17.259	*	69,284			
		CFDA 17.259 Subtotal:		692,095	*692,095* [2]	
Unemployment Insurance	17.225	*		139,035		139,035
Veterans' Employment Program	17.802	*		28,615		28,615
Trade Adjustment Assistance	17.245	*		4,541		4,541
WIA National Emergency Grants	17.277	*		103,992		103,992
WIA Dislocated Workers Formula Grants	17.278	*		1,012,747	*1,012,747* [2]	3,079,095 [2]
Trade Adjustment Assistance	17.282	*		29,501		29,501
TOTAL: DEPARTMENT OF LABOR						$ 4,339,770
DEPARTMENT OF TRANSPORTATION						
Direct Funding:						
Airport Improvement Program	20.106			11,336,191		11,336,191
Passed through Colorado Department of Transportation						
Highway Planning and Construction	20.205	SAR C110-033		249,447		249,447
State and Community Highway Safety	20.600	110398478		54,061		54,061
TOTAL: DEPARTMENT OF TRANSPORTATION						$ 11,639,699
ENVIRONMENTAL PROTECTION AGENCY						
Passed through Colorado Department of Health & Environment:						
Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-XK8-POW		4,535		4,535
TOTAL: ENVIRONMENTAL PROTECTION AGENCY						$ 4,535
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Funding:						
Head Start	93.600			2,784,955		2,784,955
Food and Drug Administration Research	93.103			85,940		85,940
Passed Through Colorado Department of Health and Environment:						
Public Health Emergency Preparedness	93.069					
	93.069	EPI-HW3-HHS	356,391			
	93.069	EPI-HW4-HHS	249,774			
		CFDA 93.069 Subtotal:		606,165		606,165

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2013 Federal Expenditures	*Clusters*	Totals by Agency
Family Planning-Services	**93.217**					
	93.217	FPP-JA3-HHS	118,163			
	93.217	FPP-JA4-HHS	39,990			
		CFDA 93.217 Subtotal:		**158,153**		**158,153**
Immunization Cooperative Agreements	**93.268**					
	93.268	IMM-KA2-HHS	46,483			
	93.268	IMM-KT3-HHS	21,693			
		CFDA 93.268 Subtotal:		**68,176**		**68,176**
Centers for Disease Control-Investigations and Technical Assistance	**93.283**					
	93.283	EPI-QH3-HHS	22,000			
	93.283	EPI-QE3-HHS	10,000			
		CFDA 93.283 Subtotal:		**32,000**		**32,000**
The Affordable Care Act: Building Epidemiology	**93.521**					
CDC-Investigations (WNV Surv Aug 2013)	**93.521**	EPI-KJ2-HHS	500			
CDC-Investigations (WNV Surv June 2013)	**93.521**	EPI-KJ3-HHS	500			
		CFDA 93.521 Subtotal:		**1,000**		**1,000**
Prevention and Public Health Fund (Affordable Care	**93.539**	IMM-KL20-HHS		**2,500**		**2,500**
Preventive Health Services-Sexually Transmitted Diseases Control Grants	**93.977**	Non-Cash Value		**13,650**		**13,650**
Maternal and Child Health Services Block Grant to the States	**93.994**	MCH-MC3-HHS		**281,977**		**281,977**
Passed through Colorado Department of Human Services:						
Promoting Safe and Stable Families	**93.556**	*		**93,268**		**93,268**
Temporary Assistance for Needy Families (TANF)						
Colorado Works	**93.558**	*		**8,449,046**		**8,449,046**
Child Support Enforcement						
Child Support Enforcement	**93.563**	*		**3,142,489**		**3,142,489**
Low-Income Home Energy Assistance	**93.568**	*		**1,721,434**		**1,721,434**
Child Care and Development Block Grant	**93.575**	*		**406,776**	***406,776*** [3]	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	**93.596**	*		**3,474,957**	***3,474,957*** [3]	
						3,881,733 [3]
Stephanie Tubbs Jones Welfare Services Program	**93.645**	*		**441,355**		**441,355**
Adoption Opportunities (PIECES)	**93.652**	*		**40,091**		**40,091**
Foster Care-Title IV-E	**93.658**	*		**4,058,439**		**4,058,439**
Adoption Assistance	**93.659**	*		**1,102,515**		**1,102,515**
Social Services Block Grant	**93.667**	*		**3,594,168**		**3,594,168**
Independent Living	**93.674**	*		**165,012**		**165,012**
Medical Assistance Program	**93.778**	*	1,457,190	**1,457,190**	***1,457,190*** [4]	
Passed through Health Care Policy and Finance:						
Childrens Health Insurance Program (CHIP)	**93.767**	*	15,591	**15,591**		**15,591**
Medical Assistance Program-Long Term Care	**93.778**	3011-1308	1,040,685	1,040,685	***1,040,685*** [4]	
Medical Assistance Program-ESPDT Program	**93.778**	*	53,469	53,469	***53,469*** [4]	
		CFDA 93.778 Subtotal:				**2,551,345** [4]

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2013 Federal Expenditures	*Clusters*	Totals by Agency
Passed through Colorado Department of Local Affairs:						
Community Services Block Grant	**93.569**	*		**217,179**		**217,179**
TOTAL: DEPARTMENT OF HEALTH AND HUMAN SERVICES						**$ 33,508,180**
DEPARTMENT OF HOMELAND SECURITY						
Passed through Colorado Department of Emergency Management:						
Emergency Management Performance Grants	**97.042**	*	88,980			
Passed through Colorado Department of Public Safety:						
Emergency Management Performance Grants	**97.042**	*	58,520			
		CFDA 97.042 Subtotal:		**147,500**		**147,500**
Passed through Colorado Department of Public Safety:						
Disaster Grant-Public Assistance Presidentially Declared Disaster	**97.036**	FEMA-DR-4145-CO		**18,447**		**18,447**
Homeland Security Grant Program	**97.067**					
Passed through City and County of Denver						
Urban Areas Security Initiative Grant	**97.067**	UAS12DEN	49,805			
Passed through Arapahoe County						
State Homeland Security Program	**97.067**	11SHS12NCR	18,089			
		CFDA 97.067 Subtotal:		**67,894**		**67,894**
TOTAL: DEPARTMENT OF HOMELAND SECURITY						**$ 233,840**
EXECUTIVE OFFICE OF THE PRESIDENT						
Passed through the Rocky Mountain HIDTA:						
Office of National Drug Control Policy-West Metro Drug Task Force	**95.001**	*		**65,710**		**65,710**
TOTAL: EXECUTIVE OFFICE OF THE PRESIDENT						**$ 65,710**
TOTAL: JEFFERSON COUNTY FEDERAL EXPENDITURES				**$ 61,047,186**		**$ 61,047,186**

*** Pass-through Entity Identifying Number NOT AVAILABLE**

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 basic 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 2 in the County's basic financial statements.

Note B – CFDA 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 2013 was $300,000. 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)	$	812,709
HOME Investment Partnerships Program (CFDA No. 14.239)	$	313,326
Department of Health and Human Services:		
Community Services Block Grant (CFDA No. 93.569)	$	88,784
Total:	$	1,214,819

Note E – Noncash Programs

Certain federal financial assistance programs do not involve cash awards to the County. Of the federal expenditures presented in the accompanying schedule of federal awards, noncash award programs include the following:

WIC Food Vouchers (CFDA #10.557)	$4,394,793
Chlamydia Tests (CFDA #93.977)	$ 13,650

Note F – Disaster Grant Public Assistance Presidentially Declared Disaster (CFDA # 97.036)

Jefferson County was impacted by the flood the State of Colorado experienced in September 2013. Federal expenditures for 2013 are reported in the amount of $18,447 for smaller projects approved by the Department of Homeland Security and the State of Colorado. Since the agreement between Jefferson County and the State of Colorado Department of Public Safety Division of Homeland Security and Emergency Management was not signed in 2013, expenditures for major projects related to this grant will be reported in 2014 and 2015. Jefferson County anticipates that federally reimbursed expenditures for the contract period will be approximately $5M.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Child Care Cluster	93.575 & 93.596
Workforce Investment Act Cluster	17.258, 17.259 & 17.278
Special Supplemental Nutrition Program for WIC	10.557
Supplemental Nutrition Assistance Program Cluster	10.561
Temporary Assistance for Needy Families Cluster	93.558
Wagner Peyser Cluster	17.207, 17.801 & 17.804
Foster Care - Title IV-E	93.658
Child Support Enforcement	93.563

Dollar threshold used to distinguish between type A and type B programs:	$ 1,831,416
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2013-A Material Audit Adjustments
Material Weakness

Criteria: The County is required to provide accurate financial data for preparation of the CAFR. A good system of internal control contemplates proper reconciliation of all general ledger account balances and adjustments of those accounts to the reconciled balances.

Condition: We identified misstatements in the County's financial statements causing us to propose the following material audit adjustments:

- To record accounts payable and construction in progress relating to an Airport Improvement Grant of approximately $1,544,000. Included as part of the construction activity, the County was required to also record the federal and state grant revenue and receivable in accordance with the requirements of the grant of approximately $865,000. These adjustments have been included in the Airport Fund in the 2013 CAFR.

- To record a reclassification between accounts receivable and cash of approximately $4,117,000 for an incorrect journal entry surrounding a year-end accrual entry for a 2014 drawdown from the BABs and tax exempt bonds. This entry was incorrectly made by management to push the draw back to 2013 to match the draw with the timing of the related CIP expenditures. The incorrect entry resulted in overstated accounts receivable and understated cash as of December 31, 2013 for cash drawn from the bond trustee in January 2014.This adjustment has been included in the Capital Expenditure Fund in the 2013 CAFR.

Cause: During 2013, the Accounting Department went through new assignments for its staff following a series of promotions that started in mid-2012. Employees who were in new positions were not fully aware of all accounting requirements associated with various transactions that occurred during the year or the year-end closing process surrounding new duties. Additionally, appropriate communication between departments is not occurring in a timely manner to identify potential year-end closing issues or required adjustments.

Effect: Failure to record financial transactions in the proper period could result in a misstatement of the County's financial statements.

Recommendation: To ensure effective completion of the annual year-end closing procedures and overall reporting timetable is met, we recommend that formal closing instructions and related accounting practices be written and communicated with accounting staff, as well as other departments that are critical to the year-end reporting process. The communications should include the purpose of all closing procedures, as well as a timetable outlining appropriate cutoff dates. The procedures should also address considerations related to estimates for year-end accruals if actual data is not received as of the cutoff date. While a formal cutoff date is needed so the Accounting Department can close out the fiscal year and prepare annual financial reports, the procedures should address a process for scrutinizing data that is received after the formal cutoff date. Irrespective of the cutoff date, any significant transactions where supporting documentation is received after the fact should be evaluated to determine whether a journal entry is required to record the activity in the proper period.

Management Response and Corrective Plan Management agrees. Regarding the first material audit adjustment, the Airport staff admits they forgot to advise Accounting about this $1.5M invoice, which was received mid-March after the general ledger (GL) was closed. The invoice had no indication on it that the period of performance related to 2013 expenses. As for the second material audit adjustment, Accounting missed the error as someone new to this position was unaware of the proper transaction which was not caught until the financial statements were prepared.

While Accounting sends out several annual memos explaining proper year-end procedures and listing deadlines, it is apparent more is needed to ensure proper recording of material transactions. In the future, Accounting will require management sign off from each office verifying that year-end procedures have been discussed with them and all material outstanding accounts payable/receivable or other transaction are properly recorded in the correct period.

2013-B Preparation of the Schedule of Expenditures of Federal Awards
Material Weakness

Criteria: The County is required to have effective internal controls that are designed and in place to prevent, or detect and correct errors in a timely manner. Additionally, U.S. Office of Management and Budget (OMB) OMB Circular A-133*, Audits of States, Local Governments and Non-Profit Organizations,* Subpart C.310(b) identifies the required elements of the Schedule of Expenditures of Federal Awards (SEFA).

Condition: The County did not identify federal expenditures of approximately $460,000 for the Veteran's HUD program (CFDA #14.260) on the SEFA. Additionally, based on the material audit adjustment noted in finding 2013-A, federal expenditures of approximately $790,000 were excluded from the Airport Improvement Program (CFDA #20.106). Also, based upon lack of proper reconciliation procedures from the SEFA to the general ledger, an approximate $200,000 overstatement in the WIA Dislocated Workers Formula Grants Program (CFDA #17.278) was discovered, which required a recalculation of total SEFA expenditures.

Cause: The Veteran's HUD program is accounted for by the County's Human Services Business Office and funding for this grant is not received through the Federal Financial Assistance reports that are received and reconciled by this office. As a result, this grant was overlooked during the reconciliation of federal awards received to the SEFA. The cause of the expenditure understatement in the AIP grant was the result of the material audit adjustment described in finding 2013-A for year-end accrual entries. Lastly, the cause of the overstatement in the WIA program was due to a lack of formalized reconciliation processes in the County's Human Services Business Office and Accounting Office.

Effect: Management has corrected the final SEFA. However, inaccurate identification of program expenditures can result in inaccurate risk assessments, identification of major programs and reporting errors not only affecting the SEFA, but also expenditures reported in the CAFR.

Recommendation: The County should review the requirements of OMB Circular A-133, Subpart C .310(b) and establish a grants management accountability process/person to implement procedures to ensure compliance with the requirements. The accountability process and procedures should include a process to identify and track all federal programs during the year in a central location. Reconciliation processes carried out by major federal grant receivers and spenders (departments/business units) should be formalized with the accountability reporting to the Finance/Accounting Department for final reconciliation, review and oversight. This final review process should culminate in a departmental review of grant revenues and expenditures being reconciled to the grant document, year-end accrual entries, posting to the SEFA and final reconciliation to the funds and CAFR. This will allow staff to identify all federal programs, including federal awards received that may be unique and have separate reconciliation and tracking requirements.

Management Response and Corrective Plan: Management agrees. Since the Accounting Division grant accountant position was eliminated in 2012, the duties for that position were allocated to various Accounting staff. This has left Accounting at a disadvantage as the lack of staff resources and staff time does not allow for constant monitoring of all the federal grant awards all throughout the County. Similar to the solution for Financial Statement Finding 2013-A, Accounting plans to put in place the requirement of management sign off from all grant offices verifying that all of the federal expenditures for their areas are shown on the SEFA draft. In addition, Accounting will prepare a formal reconciliation of the GL to the SEFA each year for the auditors.

2013-C Account Reconciliation and Review
Significant Deficiency

Criteria: In order to make the financial reports generated by the accounting system as accurate and meaningful as possible, the County should have a system of internal controls in place that contemplates recording and processing of financial and non-financial data.

Condition: Based on audit procedures performed, we noted reconciliation errors for account balances and transaction classes that did not properly reconcile to sub ledger detail or supporting documentation. Although the following entries were not material audit adjustments, they indicate a lack of understanding and/or appropriate review of account reconciliations. The following discrepancies were noted during the audit:

- The County sold land in April 2013; however, the land was not removed from the governmental activities capital asset detail as of December 31, 2013.
- The County obtained property through a reverter clause from the Jefferson County Housing Authority in 2012. However, the County was not notified of this transaction until late 2013. The land was not recorded in the County's general ledger until the year ending December 31, 2013.
- The liability for the Incurred But Not Reported (IBNR) account balance was effectively double-booked. The County included calendar year 2013 claims paid in 2014 as part of the IBNR reserve calculation. However, these claim payments were also recorded as Accounts Payable as of December 31, 2013.
- The County had two debt refunding transactions during the year. The County incorrectly calculated the book loss on the refundings. The County corrected the 2013 financial statements to reflect the correct book loss on refunding.
- The County was accounting for its Flex Plan checking account at amounts net of the funds held for county employees. Proper accounting of this transaction should be recorded at gross. All cash should be reported in the County's fund statements and there should be a liability to report the amount of those funds held for the employees.
- The property tax receivable and deferral for the year-end accrual was not calculated using the temporary mill levy reduction for the Patrol (Law Enforcement Agency) Fund.
- Payroll taxes for a mid-year payroll were not properly remitted when the Payroll Manager was out on leave. The County detected this error approximately 10 days after the taxes were remitted. However, there was not a process to timely reconcile the payment and as a result, the County incurred penalties that would not have been incurred if there was a timely reconciliation.
- Expenditures in the Capital Expenditure and Airport funds amounting to nearly $75,000 and $131,000, respectively, were not accrued as of year-end but should have been as the work relating to these invoices was performed in 2013.

Cause: During 2013 the Accounting department went through new assignments for its staff, following a series of staff promotions that began in mid-2012. Employees who were in new positions were not fully aware of all accounting requirements associated with various transactions that occurred during the year. Because of this and a breakdown in communications with other departments the reconciliation processes across funds and accounts were incomplete.

Effect: If reconciliations are not properly reviewed to detect errors, and specific transactions are not reviewed to evaluate the appropriateness of accounting treatment, it has the potential to result in a material misstatement.

Recommendation: We recommend the County improve controls over the review and reconciliation of account balances and transaction classes. Additionally, the Accounting Department should consider increasing the amount of training to individuals in new positions surrounding the importance of accurately processing transactions. Lastly, recommendations identified in finding 2013-A surrounding an effective close process will also help to eliminate errors at year-end.

Management Response and Corrective Plan: Management agrees. A disposal was not made in the capital asset system for a small parcel of land due to an oversight on the part of those responsible for fixed asset accounting. The errors related to the land sold and land reverted back to the County was due to the fact that Accounting staff was not advised about the non-cash land transaction. Entries made regarding the IBNR and the two debt refundings had been previously discussed with the auditors prior to fieldwork. While initially those transactions had been agreed upon by all, further review of the workpapers caused the auditors to change their minds and request that the Accounting Division adjust their entries. The passed adjustment related to the Flex Plan account was something Accounting was researching in 2013 and plans to make entries to the GL for the 2014 financials. The property tax receivable was an error on the part of Accounting as the temporary mill levy reduction was not taken into consideration on that calculation. The penalties and interest on a late payment of payroll taxes was due to an unexpected leave of the Payroll Manager and the staff being thrown into new roles and responsibilities. The passed adjustments for the Capital Expenditure and Airport funds were due to very late receipt of invoices and the lack of communication between Accounting and other divisions on the proper year end procedures.

Additional procedures have been put in place to capture non-cash land transactions in the future. The Accounting staff also plans to re-evaluate jobs duties during the summer of 2014 and realign those duties so that techs and accountants are processing more of the detailed work so that senior staff has more time to review that work and help train and grow the staff.

Section III – Federal Award Findings and Questioned Costs

2013-001 **Passed-through the Colorado Department of Human Services**
CFDA # 93.558
Temporary Assistance for Needy Families

Allowable Costs/Eligibility/Special Tests (IEVS)
Material Non-Compliance
Material Weakness in Internal Control over Compliance

Criteria: There are four purposes of the TANF program (42 USC 601 and 45 CFR section 260.20(a)-(d)). The first purpose of TANF states only the financially "needy" are eligible for services, benefits, or "assistance" and the second purpose of TANF is to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage. The State's TANF program is referred to as 'Colorado Works'. Colorado Department of Human Services (CDHS) Staff Manual 3.600 *Colorado Works Program Eligibility* describes the specific requirements and procedures for documenting and determining eligibility of the TANF program, to ensure compliance with 45 CFR 260.20. Additionally, 45 CFR 205.55 discusses requirements for requesting and furnishing eligibility and income verification (IEVS) and 45 CFR 264.1 stipulates that TANF funds may not be provided to a family exceeding 60 cumulative months, whether or not consecutive.

Condition: The County improperly paid benefits in instances where information was not received from clients as required or all appropriate eligibility information was not received prior to payment of benefits. We noted the following 28 errors in 24 of 60 files selected for testing:

- 18 instances in which there was at least one open IEVS hit with due dates prior to the benefit month selected for testing
- 3 instances in which case closure was not performed timely due to non-compliance with IRC, improperly resulting in month(s) of additional benefits
- 3 instances in which monthly status reports (MSR) could not be located for the benefit month selected for testing
- 1 instance in which a redetermination was not signed by the participant
- 1 instance in which a redetermination (or substitute MSR) could not be located for benefit month selected for testing
- 1 instance in which a client received benefits, although he/she should not have due to being above the income threshold; case was not processed timely
- 1 instance in which additional months of benefits were distributed to the client

Questioned Cost: $3,218 of $24,727 tested

Effect: Due to the failure to appropriately enforce the requirements of TANF legislation, the County inappropriately distributed benefits.
Cause: Due to a lack of, or failure of appropriate controls, caseworkers did not obtain all appropriate documentation to verify eligibility prior to benefit issuance. Additionally, due to a change in TANF reporting requirements during 2013 (MSRs no longer required beginning July 2013); controls that were previously in place were ignored.

Recommendation: We recommend the County review policies and procedures designed to ensure that clients provide appropriate documentation by the required deadlines. We also recommend reviewing current procedures regarding communication between the eligibility and workforce departments. If no policies or procedures are currently in place, the County should develop these. Lastly, we recommend the County appropriately plan for any significant changes to the TANF program in order to monitor compliance with the program changes.

Management's Response and Corrective Action Plan: In order to ensure timeliness, payment accuracy, regulatory and customer service expectations are met, the County is implementing a number of strategies. The intent is to plan for any significant changes in order to effectively operate the program, as recommended above.

As the primary initiative the County began participating on a state-wide Business Process Re-engineering (BPR) effort. The County is designing new processes and procedures to 1) provide on-demand and "one touch and done" services to customers; 2) reduce rework through the use of consistent eligibility tools and standard business practices; 3) collect and use real-time data to manage staff capacity and work process; and 4) streamline the most important eligibility processes - interviewing, verifying and processing.

As part of this process, the County began reviewing current procedures and processes, including those between the eligibility and workforce teams. A Procedures Handbook is being developed as well as specific tools such as a case comment template and verification checklist. Formal staff training sessions will be conducted on the manual and these tools. The formal expected roll-out date is in April 2014 and case management staff is involved in the planning and implementation.

Other strategies being implemented are:

- Formal Payment Accuracy Performance Improvement Plan, in partnership with the County Investigations and Quality Assurance Unit (staff training, processing labs);
- Formal process to manage lobby and non-lobby mail and phones timely, including centralized staging and filing areas;
- Formal backlog plan to ensure all old paperwork is appropriately filed, including matching documents with scanned files;
- Daily and weekly huddles for staff training, planning and resource allocation (supervisors from the case management team also participate); and
- TANF eligibility training for eligibility specialists and supervisors to increase capacity and timeliness (designated case management staff will also participate).

As recommended above, the County reviewed and established procedures regarding communication between the eligibility and workforce divisions that were completed by February 28, 2014 to ensure adherence to the procedure and identify necessary changes or training needs. In addition, the County will address the audit findings as follows:
All CW eligibility workers are required to review IEVS hits and clear any discrepancies prior to authorizing benefits. Ongoing training has been provided on this procedure to ensure proper clearance of any IEVS discrepancies. With the rule update that eliminated MSRs, Eligibility Specialists are no longer reviewing and authorizing CW benefits monthly. A new process will be established to ensure IEVS hits are identified and cleared timely. The County will work with CDHS representatives and County IT staff to create tools and processes to manage this task. The process will be formalized and implemented by September 30, 2014.

To address the issue of timely action on non-compliance, the County provided refresher training to the case management team during February 2014 to stress the importance of following the time frames outlined in State rule. As part of the training, written best practices were included to ensure that cases are reviewed for non-compliance on at least a monthly basis.

The issue of missing documentation is being addressed through the backlog plan and the BPR process. To ensure appropriate documentation is present in all case files, unmatched documentation is being logged, tracked and processed accordingly. The cases cited for missing documentation were scanned files where incoming verifications were not matched with the electronic file. An outside vendor scans the original case files and the ongoing maintenance is done by County staff. A formal process will be developed outlining proper routing of documentation.

CBMS is programmed to track an individual's TANF clock and benefits should not pass after the 60^{th} month unless an extension is manually entered. However, CBMS is not correctly closing cases and is allowing additional payments to be issued. Therefore, a help desk ticket has been submitted to the State help desk to alert them of the problem. The State has begun working on an overall system fix. However, the eligibility worker is ultimately responsible for ensuring that proper benefits are issued. A case management report has been customized to identify cases that are approaching 60 months. This report can be utilized by the eligibility team to address cases at 60 months by manually running EDBC and closing them timely. Additionally, a request has been submitted to County IT to create a specific report to better monitor TANF clocks.

In addition to the strategies noted above, several business process changes have been implemented to eliminate untimely processing of cases. The Interactive Interview is completed during the intake or RRR appointment, resulting in timely processing. In August 2013, training was provided on the review of submitted redeterminations to ensure a signature is present. Upon request, the State provided targeted training on their reports and updated technical processes.

2013-002 **Passed-through the Colorado State Department of Health and Environment**
CFDA # 10.557
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Allowable Cost/Eligibility
Significant Deficiency in Internal Control over Compliance

Criteria: 7 CFR Part 246 describes the requirements and procedures for determining eligibility and the types of documentation required for the Special Supplemental Nutrition Program for Women, Infants, and Children. As outlined in Part 246.7(d), applicants are required to provide certain documentation to verify they are income eligible. More specifically, WIC protocol states that income is to be verified pending Medicaid.

Condition: The County did not properly document items surrounding determination of eligibility. We noted in 1 of 60 files selected for testing that the Educator did not complete the income determination on the pending Medicaid verification.

Questioned Cost: None

Effect: Failure to comply with State regulations regarding WIC program eligibility requirements may result in the County inappropriately distributing benefits to WIC participants.

Cause: Due to a lack of, or failure of appropriate controls, WIC staff did not obtain and enter all appropriate documentation to verify eligibility prior to benefit issuance.

Recommendation: The County should review procedures in place to ensure that clients provide appropriate documentation which is then entered into the system at the time of certification / recertification.

Management Response and Corrective Action Plan: Jefferson County WIC program will be reviewing these findings and the appropriate procedures with all WIC educators and supervisors at the staff meeting scheduled for 6/17/14 and corrective action will be implemented.

2012-01 **Passed-through Colorado Department of Human Services**
CFDA # 93.658
Foster Care – Title IV-E

Allowable Costs/Eligibility (Certification of county providers)
Significant Deficiency in Internal Control over Compliance

Finding: 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) and 672(c) and 45 CFR section 1356.30. The County will certify its own foster care home providers and is also required to follow the state guidelines as indicated in Volume 7.710.3 – Certification of Foster Care Homes. Twenty-nine of the forty files tested were county certified providers (the remaining files were certified by the state). The following findings related to certification, or renewal, of Foster Care providers was noted:

- One instance of lack of required background checks for all household members over the age of 18.
- One instance of provider's failure to complete required 27 hours of initial training within the first 3 months of placement.

Status: Supervisors have implemented the use of a Trails check list to ensure that required background checks are completed on all household members prior to annual recertification. For training, caseworkers will document the completion of the required training on the Initial Certification Year Training Record and share this information with his/her supervisor during individual supervision.

Auditor Response: Fully implemented.

2012-02 **Passed-through the Colorado Department of Human Services**
CFDA #'s 93.558 and 93.714
Temporary Assistance for Needy Families and Temporary Assistance for Needy Families - ARRA (TANF Cluster)

Allowable Costs/Eligibility
Material Non-Compliance
Material Weakness in Internal Control over Compliance

Finding: 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. We noted the following errors in six of sixty files selected for testing:

- Three instances in which a completed IRC could not be located for the benefit month selected for testing.
- One instance in which an additional month of benefits was distributed to the client.
- One instance in which benefits were not processed timely by the County, and as a result, the client did not receive them timely.
- One instance in which there were 3 open IEVS hits with due dates prior to the benefit month selected for testing.

Status: The County will provide training and formalized procedures and processes in 2013 as necessary to address these instances of non-compliance.

Auditor Response: Not implemented. See Finding 2013-001.

2012-03 **Passed-through the Colorado State Department of Health and Environment**
CFDA # 10.557
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Allowable Cost/Eligibility
Significant Deficiency in Internal Control over Compliance

Criteria: 7 CFR Part 246 describes the requirements and procedures for determining eligibility and the types of documentation required for the Special Supplemental Nutrition Program for Women, Infants, and Children. As outlined in Part 246.7(e), applicants who meet the program's eligibility standards must be determined to be at nutritional risk. A competent professional authority on the staff shall determine if a person is at nutritional risk through a medical and/or nutritional assessment. Additionally, as stated in Part 246.7(d)(2)(v), the local agency must require applicants determined to be adjunctively or automatically income eligible to document their eligibility for the program that makes them income eligible.

The County improperly paid benefits in instances where information was not received from clients as required or all appropriate eligibility information was not received prior to payment of benefits. We noted the following errors in 3 of 60 files selected for testing:

- Two instances in which a nutritional assessment was not completed at the time of recertification.

- One instance in which an applicant should have been provisionally certified as a Medicaid ID was not provided at time of recertification in order to prove adjunctive eligibility.

Status: The County has provided training for all staff on these two issues in 2013. They address these problems when they are noted by supervisors as well. Unfortunately with the high volume of clients, short staffing, and basic human error, the County will likely see these errors again but they are always working to minimize the problems.

Auditor Response: Partially implemented. See Finding 2013-002.