

City and County of Denver

Single Audit Reports

December 31, 2006

City and County of Denver
December 31, 2006

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

The Honorable John W. Hickenlooper, Mayor
Members of the City Council
The Honorable Dennis J. Gallagher, Auditor
Members of the Audit Committee
City and County of Denver
Denver, CO

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City and County of Denver (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2007, which included a reference to the reports of other auditors. 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.

Other accountants audited the financial statements of the Denver Art Museum, Denver Urban Renewal Authority, Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North BID, Downtown Denver BID and Denver Metro Convention and Visitor's Bureau, Inc., as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of certain Business Improvement Districts, Denver Museum of Nature and Science and Denver Metro Convention and Visitor's Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 06-01, 06-02, 06-03, 06-04 and 06-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01, 06-02, 06-03 and 06-04 to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the City's management in a separate letter dated June 26, 2007.

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

This report is intended solely for the information and use of the governing body, management, others within the City and 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.

\s\ **BKD, LLP**

June 26, 2007



**Independent Accountants' Report on Compliance and Internal Control Over
Compliance with Requirements Applicable to Major Federal Awards Programs
and on the Schedule of Expenditures of Federal Awards**

The Honorable John W. Hickenlooper, Mayor
Members of the City Council
The Honorable Dennis J. Gallagher, Auditor
Members of the Audit Committee
City and County of Denver
Denver, CO

Compliance

We have audited the compliance of the City and County of Denver (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City based on our audit.

The City's basic financial statements include the operations of the Denver Urban Renewal Authority (DURA), a discretely presented component unit, which expended \$3,864,590 in Federal Awards during the year ended December 31, 2006, which is not included in the accompanying schedule of expenditures of Federal Awards. Our audit, described below, did not include the operations of DURA because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

As described in the accompanying schedule of findings and questioned costs as item 06-26, we were unable to obtain sufficient documentation supporting the compliance of the City with Social Services Block Grant CFDA No. 93.667 regarding earmarking, nor were we able to satisfy ourselves as to the City's compliance with that requirement by other auditing procedures.

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

CFDA #	Program	Type	Type of Opinion	Finding #
93.778	Medical Assistance Program	Eligibility	Qualification	06-06
93.558	Temporary Assistance for Needy Families	Eligibility	Qualification	06-07
10.551, 10.561	Food Stamps Cluster	Special Tests and Provisions	Qualification	06-08
10.551, 10.561	Food Stamps Cluster	Activities Allowed or Unallowed	Qualification	06-09
93.558	Temporary Assistance for Needy Families	Activities Allowed or Unallowed	Qualification	06-09
93.563	Child Support Enforcement	Activities Allowed or Unallowed	Qualification	06-09
93.568	Low Income Home Energy Assistance	Activities Allowed or Unallowed	Qualification	06-09
93.575, 93.596	Child Care Cluster	Activities Allowed or Unallowed	Qualification	06-09
93.645	Child Welfare Services	Activities Allowed or Unallowed	Qualification	06-09
93.658	Foster Care	Activities Allowed or Unallowed	Qualification	06-09
93.659	Adoption Assistance	Activities Allowed or Unallowed	Qualification	06-09
93.667	Social Services Block Grant	Activities Allowed or Unallowed	Qualification	06-09
93.778	Medical Assistance Program	Activities Allowed or Unallowed	Qualification	06-09
10.551, 10.561	Food Stamps Cluster	Allowable Costs/Cost Principles	Qualification	06-12
93.558	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles	Qualification	06-12
93.563	Child Support Enforcement	Allowable Costs/Cost Principles	Qualification	06-12
93.568	Low Income Home Energy Assistance	Allowable Costs/Cost Principles	Qualification	06-12
93.575, 93.596	Child Care Cluster	Allowable Costs/Cost Principles	Qualification	06-12
93.645	Child Welfare Services	Allowable Costs/Cost Principles	Qualification	06-12
93.658	Foster Care	Allowable Costs/Cost Principles	Qualification	06-12
93.659	Adoption Assistance	Allowable Costs/Cost Principles	Qualification	06-12
93.667	Social Services Block Grant	Allowable Costs/Cost Principles	Qualification	06-12
93.778	Medical Assistance Program	Allowable Costs/Cost Principles	Qualification	06-12

In our opinion, except for the noncompliance described in the preceding paragraph and for the effect of noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Social Services Block Grant regarding earmarking, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that 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 06-10, 06-11, 06-14, 06-15, 06-16, 06-18, 06-19, 06-20, 06-21, 06-22, 06-23, 06-24 and 06-25.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-06, 06-07, 06-08, 06-09, 06-10, 06-11, 06-12, 06-13, 06-14, 06-16, 06-17, 06-18, 06-21, 06-22, 06-23, 06-24, 06-25 and 06-26 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 06-06, 06-07, 06-08, 06-09 and 06-12 to be material weaknesses.

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 the City as of and for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City'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.

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

This report is intended solely for the information and use of the City Council, the Auditor, the Audit Committee, management, 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.

\s\ **BKD, LLP**

June 26, 2007

City and County of Denver
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Agriculture				
Food Stamps Cluster (n)	Colorado Department of Human Services		10.551	\$ 62,179,149
State Administrative Matching Grants for Food Stamp Program	Colorado Department of Human Services		10.561	<u>4,779,767</u>
Total Department of Agriculture				<u>66,958,916</u>
Department of Commerce				
Economic Adjustment Assistance			11.307	<u>9,093</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Housing and Urban Development				
Community Development Block Grant (CDBG)/Entitlement Grants			14.218	12,783,306
Community Development Block Grant/State Program	Colorado Department of Local Affairs	H6CDB05057G	14.228	47,524
Emergency Shelter Grants Program			14.231	456,801
Shelter Plus Care			14.238	1,896,911
HOME Investment Partnerships Program			14.239	4,299,548
Housing Opportunities for Persons with AIDS			14.241	1,132,052
Community Development Block Grants/Brownfields Economic Development Initiative	Colorado Department of Local Affairs	H6CDBG05041G	14.246	134,904
Community Development Block Grant – Section 108 Loan Guarantee Program (HUD Section 108)			14.248	4,138,132
Lead Based Paint Hazard Control In Privately Owned Housing			14.900	<u>503,318</u>
Total Department of Housing and Urban Development				<u>25,392,496</u>
Department of Interior				
Urban Park And Recreation Recovery Program			15.919	(311)
Rivers, Trails and Conservation Assistance			15.921	<u>25,000</u>
Total Department of Interior				<u>24,689</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Justice				
High Intensity Drug Trafficking Area (HIDTA)/Property Confiscation			16.000	1,454,081
Juvenile Accountability Incentive Block Grant	Colorado Division of Criminal Justice	24-JB-L-2-7	16.523	177,012
Juvenile Justice and Delinquency Prevention – Allocation to States	Colorado Division of Criminal Justice and Department of Public Safety	25-JD-10-18, 05-LO-17	16.540	30,850
National Criminal History Improvement Program (NCHIP)	Colorado Division of Criminal Justice	20-RU-15b-27-1	16.554	315
Justice Research and Development Project Grants			16.560	85,901
Crime Laboratory Improvement – Combined Offender DNA Index System Backlog Reduction			16.564	312,010

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Crime Victim Assistance	Colorado Division of Criminal Justice	24-VA-2-1115	16.575	41,726
	Colorado Division of Criminal Justice	26-VC-2	16.576	650,000
Byrne Formula Grant Program	Colorado Division of Criminal Justice and Department of Public Safety	24-DB-15a-52-1, 24-DB-04-47-01	16.579	109,643
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			16.580	145,444
Drug Court Discretionary Grant Program			16.585	157,731
Violence Against Women Formula Grant	Colorado Division of Criminal Justice	24-VW-2-47, 25-VW-2-47	16.588	90,748
Grant to Encourage Arrest Policies and Enforcement of Protection Orders			16.590	271,498
Local Law Enforcement Block Grants Program			16.592	160,912
State Criminal Alien Assistance Program			16.606	1,000,000
Bulletproof Vest Partnership Program			16.607	96,270
Community Prosecution and Project Safe Neighborhoods	Colorado Division of Criminal Justice	23-CP-01-101-2, 23-CP-04-113-2	16.609	117,530
Public Safety Partnership and Community Policing Grants			16.710	886,586
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	25-DJ-01-34-1	16.738	331,028

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Paul Coverdell Forensic Sciences Improvement Grant Program			16.742	57,305
Forensic Casework DNA Backlog Reduction Program			16.743	<u>117,451</u>
Total Department of Justice				<u>6,294,041</u>
Department of Labor				
Youth in Transition	Colorado Department of Local Affairs	L6YTGDC	17.000	39,512
Employment Service	Colorado Department of Labor and Employment	05 KAA 0004, 06 KAA 0004, 07 KAA 0004	17.207	989,832
Disabled Veteran's Outreach Program (DVOP)	Colorado Department of Labor and Employment	06 KAA 0004, 07 KAA 0004	17.801	30,116
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	06 KAA 0004, 07 KAA 0004	17.804	16,518
Homeless Veterans Reintegration Project			17.805	<u>182,933</u>
Subtotal Employment Services Cluster				<u>1,258,911</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
One-Stop Career Initiative			17.257	58,596
WIA Adult Program	Colorado Department of Labor and Employment	05 KAA 0004, 06 KAA 0004, 07 KAA 0004	17.258	2,693,714
WIA Youth Activities	Colorado Department of Labor and Employment	05 KAA 0004, 06 KAA 0004, 07 KAA 0004	17.259	2,049,565
WIA Dislocated Workers	Colorado Department of Labor and Employment and Department of Local Affairs	04 KAA 0004, 05 KAA 0004, 05WF02DC, 06 KAA 0004, PO NAA 05WF08DC, PO NAA 05WF16DC, 06WF25DC, 06WF26DC, 07 KAA 0004, PO NAA 06WF14DC	17.260	<u>2,232,484</u>
Subtotal WIA Cluster				<u>7,034,359</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Employment and Training Administration Pilots, Demonstrations and Research Projects	Colorado Department of Labor and Employment	06 KAA 0209	17.261	301,545
Youth Opportunity Grants			17.263	863,176
Work Incentives Grants	Colorado Department of Local Affairs	L7DPNDC, L5DPNDC	17.266	141,604
Incentive Grants – WIA Section 503	Colorado Department of Labor and Employment	04 KAA 0004	17.267	<u>46,912</u>
Total Department of Labor				<u>1,353,237</u>
Department of Transportation				
Airport Improvement Program			20.106	16,738,382

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Highway Planning and Construction	Colorado Department of Transportation	14171, 14170, N/A, 20024, 14441, 14412, 14169, 14442, 14674, 14853, 14807, 15198, 15162, 15233, 15232, 15398	20.205	<u>7,518,581</u>
Total Department of Transportation				<u>24,256,963</u>
National Foundation of the Arts and the Humanities				
Promotion of the Humanities – Division of Preservation and Access			45.149	22,396
Museum For American Grants			45.301	31,598
Grants to States	Colorado Department of Education	PL 104-25	45.310	29,050
Institute of Museum and Library Services, National Foundation on the Arts and the Humanities			45.312	3,345
State Library Program			45.313	<u>163,675</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Total National Foundation on the Arts and the Humanities				<u>250,064</u>
Veterans Health Administration, Department of Veterans Affairs VA Homeless Providers Grant and Per Diem Program			64.024	<u>285,192</u>
Environment Protection Agency Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act Performance Partnerships Grants			66.034	129,493
	Colorado Department of Public Health and Education	OE FEA HAZ 06000011, 05 FAA 00102	66.605	19,669
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	373,615
Brownfield Pilots Cooperative Agreements			66.811	<u>235,700</u>
Total Environmental Protection Agency				<u>758,477</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Office of Energy Efficiency and Renewable Energy, Department of Energy State Energy Program Special Projects	Colorado Department of Office of Energy	PO #06-004	81.119	<u>20,000</u>
Department of Education Rehabilitation Services – Vocational Rehabilitation Grants to States	Colorado Department of Local Affairs	07WF01DC	84.126	<u>60,050</u>
State Energy Program Special Projects Help America Vote Act Requirements Payments	State of Colorado, Department of State	POVAA060000000 0077	90.401	<u>1,372,075</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Health and Human Services				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Denver Council of Regional Governments	EX05027, EX06015, EX06061	93.044	34,408
Special Programs for the Aging – Title IV – and Title II – Discretionary Projects	Colorado Department of Human Services		93.048	92,273
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Colorado Non Profit Development	GHS5SM52927	93.104	5,817
Injury Prevention and Control Research and State and Community Based Programs	Colorado Department of Public Health and Environment	PC FLA PPG06000012, PC FLA PPG07000008	93.136	3,650
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	Colorado Department of Public Safety & Department of Human Services	2003-DN-BX- K101, OE IHM NC060000054, OE ADA 0701174NCP	93.243	204,855
Drug-Free Communities Support Program Grants			93.276	74,727
Centers for Disease Control and Prevention – Investigations and Technical Assistance	Colorado Department of Public Health and Environment	EC1, P.O. # OE- FLA- PPG06000086, P.O. #OE FHA EPI06000161	93.283	15,764

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Abandoned Infants			93.551	151,613
Promoting Safe and Stable Families	Colorado Department of Human Services	PO IHA CWSX0401241, 04 IHA 00240	93.556	510,224
Temporary Assistance for Needy Families	Colorado Department of Human Services		93.558	23,614,968
Child Support Enforcement	Colorado Department of Human Services		93.563	8,348,048
Refugee and Entrant Assistance – State Administered Programs	Colorado Department of Human Services		93.566	31,280
Low Income Home Energy Assistance	Colorado Department of Human Services		93.568	5,882,365
Community Services Block Grant	Colorado Department of Labor	L5CSBG13, L6CSBG13	93.569	1,146,613
Community Services Block Grant Discretionary Awards – Community Food and Nutrition	Colorado Department of Local Affairs	L6CFN05205	93.571	14,562

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Child Care Resource Development Block Grant	Colorado Department of Human Services	OE IHA CCLC0600011, OE IHA CCLC070003, 03 IHA CFCC030310151 8	93.575	5,917,403
Refugee and Entrant Assistance – Targeted Assistance Grants	Colorado Department of Human Services	03 IHA 00425	93.584	321,721
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services		93.596	5,642,584
Head Start			93.600	8,034,889
Adoption Incentive Payments	Colorado Department of Human Services	OE IHA CWSX0500010	93.603	16,836
	Colorado Department of State, HAVA Division	42 U.S.C. 15421	93.617	19,162
Child Welfare Services – State Grants	Colorado Department of Human Services		93.645	703,530
Adoption Opportunities	Colorado Coalition for Adpt. Families	90-CO-1004	93.652	28,487
Foster Care – Title IV-E	Colorado Department of Human Services		93.658	13,428,318

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Adoption Assistance	Colorado Department of Human Services		93.659	4,203,453
Social Services Block Grant	Colorado Department of Human Services		93.667	17,351,590
Chafee Foster Care Independent Living	Colorado Department of Human Services		93.674	199,252
Medical Assistance Program	Colorado Department of Human Services		93.778	7,078,541
HIV Emergency Relief Project Grants			93.914	5,005,520
HIV Care Formula Grants	Colorado Department of Public Health and Environment	FHA 05-00283, FHA 06-00239	93.917	<u>155,225</u>
Total Department of Health and Human Services				<u>108,237,678</u>
Corporation for National and Community Services				
Americorps	Governor's Commission on Community Support: Americorps	SBCCOE #413, 06AC058687	94.006	<u>250,136</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Department of Homeland Security				
Urban Areas Security initiatives	Colorado Department of Local Affairs	5EM72717, 5EM72917U, 5EM75717U	97.008	6,701,192
Chemical Stockpile Emergency Preparedness Program	Colorado Department of Local Affairs	5EM05L17	97.040	99,750
Emergency Management Performance Grants	Colorado Department of Local Affairs	6EM06L17, 4EM78917	97.042	184,237
Assistance to Firefighters Grant			97.044	162,683
Homeland Security Grant Program	Colorado Department of Local Affairs	5EM75517	97.067	9,325
Law Enforcement Terrorism Prevention Program	Colorado Department of Local Affairs	5EM75517L	97.074	108,196
Buffer Zone Protection Plan (Bzpp)	Colorado Department of Local Affairs	6EM75B17	97.078	333,316
Transportation Security Administration DTSA20-03-A-01854			97.000	<u>13,015,800</u>
Total Department of Homeland Security				<u>20,614,499</u>
Total Federal Expenditures				<u>\$ 264,430,876</u>

(n) noncash federal award

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

Notes to Schedule

1. General

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of the primary government of the City and County of Denver (the City). The City's reporting entity is defined in note I-A in the City's basic financial statements for the year ended December 31, 2006. The schedule does not include the \$3,864,590 in Federal Awards expended by Denver Urban Renewal Authority (DURA) because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The information in the accompanying schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The schedule of expenditures of Federal Awards includes federally funded projects received directly from federal agencies, and the federal amount of pass-through awards received by the City through the State of Colorado or other nonfederal entities.

2. Basis of Accounting

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

Food Stamps Cluster	10.551, 10.561
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Refugee and Entrant Assistance	93.566
Low Income Home Energy Assistance	93.568
Child Care Resource Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596, 93.575
Child Welfare Services	93.645
Foster Care	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Chafee Foster Care Independent Living	93.674
Medical Assistance Program	93.778

The City's summary of significant accounting policies is presented in note I in the City's basic financial statements.

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

3. Human Services Programs

The City's Department of Human Services operates several federally funded human services programs where benefits are provided to qualified citizens. The benefit distribution method consists of participants receiving benefits, including food stamps, using a state-maintained electronic banking card (EBT) instead of City cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the City, in the amount of approximately \$149,500,000. The revenue and expenditures associated with these federal programs are not recognized in the City's basic financial statements.

4. State Information Technology System

In 2004, the State implemented the new Colorado Benefits Management System (CBMS), which consolidated legacy systems into one system and also incorporated a rules engine for determining eligibility and calculating and issuing benefit payments. As a result, the counties and the State split eligibility determination functions for certain federal Human Services' programs under CBMS. Counties are responsible for data collection from applicants and data entry of applicable information into CBMS. Concurrently, the State maintains the computer system supporting the eligibility determination process and pays the benefits to the participants. The actual eligibility and payment determinations become the State's responsibility utilizing CBMS.

5. Revolving Loan Funds

The City has certain revolving loan funds, which were originally financed with Federal Awards through the Community Development Block Grant Program. The outstanding balances of these loan funds at December 31, 2006, are as follows:

Neighborhood Development Loans	\$ 2,039,000
Economic Development Loans	49,523,000
Housing Development Loans	<u>72,094,000</u>
	123,656,000
Less allowances for uncollectibles	<u>(35,244,000)</u>
Notes receivable, net	<u>\$ 88,412,000</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2006

6. Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of Federal Awards, the City provided Federal Awards to subrecipients as follows:

Program	CFDA Number	Amount Provided to Subrecipients
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 61,875
Community Development Block Grant/Entitlement Grants	14.218	4,966,671
Emergency Shelter Grants Program	14.231	351,517
Shelter Plus Care	14.238	1,867,802
HOME Investment Partnership Program	14.239	1,536,513
Housing Opportunities for Persons with AIDS	14.241	150,199
Lead Based Paint Hazard Control in Privately Owned Housing	14.900	501,887
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	30,000
Byrne Formula Grant Program	16.579	109,518
Youth in Transition	17.000	19,223
One-Stop Career Initiative	17.257	27,870
WIA Adult Program	17.258	592,802
WIA Youth Activities	17.259	908,463
WIA Dislocated Workers	17.260	238,924
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	125,522
Youth Opportunity Grant	17.263	508,889
Incentive Grants – WIA Section 503	17.267	30,898
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	117,409
Abandoned Infants	93.551	151,150
Temporary Assistance For Needy Families	93.558	2,620,021
Community Services Block Grant	93.569	860,073
Refuge and Entrant Assistance	93.584	221,792
Head Start	93.600	7,207,867
HIV Emergency Relief Project Grants	93.914	4,250,844
HIV Care Formula Grants	93.917	<u>139,217</u>
		<u>\$ 27,596,946</u>

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report was (were):

 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

Significant deficiency(ies) noted considered material weakness(es)? Yes No

Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major Federal Awards programs described:

Significant deficiencies noted considered material weakness(es)? Yes No

Significant deficiencies noted that are not considered to be a material weakness? Yes No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major Federal Awards was (were):

 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

7. The City's major programs were:

Cluster/Program	CFDA Number
Food Stamps Cluster	10.551, 10.561
Shelter Plus Care	14.238
HOME Investment Partnerships Program	14.239
Community Development Block Grants – Section 108	
Loan Guarantees	14.248
WIA Program Cluster	17.258, 17.259, 17.260
Youth Opportunity Grants	17.263
Airport Improvement Program	20.106
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low Income Home Energy Assistance	93.568
Child Care Cluster	93.575, 93.596
Head Start	93.600
Child Welfare Services – State Grants	93.645
Foster Care	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Medical Assistance Program	93.778
HIV Emergency Relief Project Grants	93.914
Urban Areas Security Initiatives	97.008

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$3,000,000.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes No

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
06-01	<p>Grant Receivables and Deferred Revenue</p> <p>Criteria or Specific Requirement: Grant receivables and deferred revenue should be reconciled and properly reported based on award documents, receipts and expenditures.</p> <p>Condition: Amounts recorded in several instances could not be supported based on the awarding documents, receipts and expenditure activity for the grant period. The largest errors were a result of prior year receivables not being reversed and a receivable balance from a project determined not to be a grant in which all revenue had been recognized in the previous year.</p> <p>Context: Errors netting to a \$2,950,000 overstatement of net assets/fund balance were found in 13 of the 41 account balances tested. Grants receivable and deferred revenue, as of December 31, 2006, totaled \$41,247,000 and \$4,423,000, respectively, after adjustments.</p> <p>Effect: An adjustment of \$2,500,000 was recorded to decrease the grant receivable balance and grant revenue. Additionally, passed entries totaling \$757,000 were proposed to further decrease these balances.</p> <p>Cause: These errors resulted from a lack of understanding at the agency level as to proper accounting for grants and the calculation the balances of the receivables and deferred revenue at year-end. In addition, there was a lack of adequate review of the agency's journal entries prior to recording and adjusting the receivables.</p> <p>Recommendation: The City needs to assure that agencies understand the calculations that should be performed in determining year-end grant receivable and deferred revenue balances. The utilization of a formal grant rollforward schedule at the agency level would provide a good framework for these calculations. Such a schedule would also provide a document that could be reviewed and approved as support for year-end journal entries and balances by the Controller's office.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding. The City was aware of the issue at year-end and in 2007 initiated a project to close old grants that have expired, which includes correcting grant receivable balances that have carried over from prior years. In addition, the Controller's Office will work with agencies to ensure they understand how to reconcile and prepare year-end grant receivable and deferred revenue entries. The Controller's Office will also develop a year-end schedule that agencies will prepare and that the Controller's Office will review as support of the year-end journal entries.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-02	<p>Municipal Airport System – Capital Assets</p> <p>Criteria or Specific Requirement: Capital asset records should be maintained in sufficient detail to allow an organization to determine the net book value of assets that eventually will be disposed of or replaced so that the proper dollar amounts can be removed from the records at that time. Additionally, only assets that meet pre-established dollar capitalization thresholds and that have lives in excess of one year should be capitalized. Also, normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives should be expensed rather than capitalized.</p> <p>Condition: The Airport System</p> <ol style="list-style-type: none"> 1. Records capitalized interest as a separate line item in its depreciation schedule rather than allocating the capitalized interest to specific capital asset additions. Thus, if capital asset items are disposed of in subsequent periods, the amount of capitalized interest associated with the assets is not identifiable. 2. Capitalizes items with insignificant dollar costs under the theory that the items are part of a capitalizable project. 3. Capitalizes certain repair and maintenance costs that do not meet the capitalization criteria. 4. Fails to remove the original cost and related accumulated depreciation of capitalized items subsequently replaced by other capital additions. 5. Does not have an adequate process in place to determine when projects in construction in progress are complete and should be transferred to assets in service so that depreciation can commence. <p>Context: The Airport System’s total capital assets, net of accumulated depreciation, as of December 31, 2006, totaled \$3,342,913,582.</p> <p>Effect: An adjustment of \$6.6 million was recorded to eliminate repair and maintenance costs capitalized in prior years that should have been expensed. Additionally, passed entries for \$7.0 million were proposed to remove other costs that should not have been included in capital assets as of December 31, 2006.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Cause: The Airport System does not have an adequate system in place to review the recording of capital asset transactions for propriety of amounts capitalized.</p> <p>Recommendation: The Airport System needs to assure that a review be performed of capital asset transactions prior to their recording, by someone knowledgeable of the criteria for such capitalization. Additionally, a process needs to be put into place so that individuals responsible for the oversight of construction projects report the date the project is placed in service to accounting personnel responsible for maintaining capital asset records.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The Airport system substantially agrees with the finding and recommendation that capital asset transactions be reviewed by someone knowledgeable of the criteria for capitalization and that a procedure be in place for determining when projects are placed in service.</p> <p>The Airport recognized the need for greater attention to capital asset accounting and took several steps in 2006 and early 2007 to strengthen our procedures. The Airport put in place in 2006 a new upgraded fixed asset system and instituted a more detailed review process for all transactions, including the determination of capitalize versus expense accounting up front, by the Fixed Asset Senior Accountant. In addition, the Airport engaged a financial consulting firm to evaluate capital asset accounting procedures and to recommend ways to strengthen them. The detailed review in 2006 brought to light many capitalization issues, including how to properly account for replacement assets, what constitutes an improvement/upgrade as compared to a repair and maintenance item, and the timing of the capitalization of project costs. As a result of this higher level review process, the Airport put in place in 2007 new policies and procedures to address these issues and a number of corrective actions were taken. The Airport's primary focus for new and ongoing projects is to determine in the early stages of a capital projects life and with the direct input of the accounting staff what project costs should be capitalized what should be properly expensed, what related costs should be written off, and when capitalized project costs should be put in service.</p> <p>The Airport does agree that the current practice of recording capitalized interest as one asset and not allocating to the individual assets needs to be changed. The Airport is in the process of reclassifying for 2006 and 2007 the repair and maintenance costs that were capitalized instead of properly recorded as an expense.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-03	<p>Wastewater Management Enterprise Fund – Capital Assets</p> <p>Criteria or Specific Requirement: Capital asset records should be maintained in sufficient detail to allow an organization to determine the net book value of assets that eventually will be disposed of or replaced so that the proper dollar amounts can be removed from the records at that time. Additionally, only assets that meet pre-established dollar capitalization thresholds and that have lives in excess of one year should be capitalized. Also, normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives should be expensed rather than capitalized. Additionally, capital asset subsystems should be reconciled on a monthly basis to all applicable general ledger accounts.</p> <p>Condition: Wastewater Management Enterprise Fund has not developed and implemented policies, procedures or controls to ensure the proper recording of capital assets. As a result, capital asset balances reported in the subsystem were not reconciled to the general ledger. Adjustments were posted to record additions, deletions, as well as to correct depreciation expense and accumulated depreciation. Also, the Collection Infrastructure System is not maintained in sufficient detail to allow Wastewater Management Enterprise Fund to monitor the system to see what portions have been replaced, if any. Thus, it is difficult to ascertain if an addition is truly an addition or replacement that requires an account adjustment. Also, depreciation policies are not being consistently applied by Wastewater Management Enterprise Fund with respect to when depreciation commences on assets placed in service and in establishing the length of service lives for capital assets transferred from other funds (<i>e.g.</i> curb and gutter assets transferred from governmental funds to Wastewater Management Enterprise Fund had 40-year lives, while Wastewater Management Enterprise Fund assigned 50-year lives to the assets).</p> <p>Also, capitalized interest, before adjustment, on construction in progress was not limited to the interest cost incurred during the period as required by Financial Accounting Standards Board Statement No. 34, <i>Capitalization of Interest Cost</i>.</p> <p>Context: Wastewater Management Enterprise Fund reported capital assets of approximately \$413,200,000 as of December 31, 2006, net of accumulated depreciation of approximately \$186,000,000, with Collection Infrastructure Systems representing approximately \$330,000,000 of that net book value, exclusive of construction in progress.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Effect: Several adjustments were required to correct capital asset recording for 2006.</p> <p>Cause: Wastewater Management Enterprise Fund has not committed sufficient personnel resources to the recording and review of capital asset transactions.</p> <p>Recommendation: Wastewater Management Enterprise Fund should i) adhere to its written policies covering capital assets so that there is a consistent application of policies for the capitalization of fixed assets; ii) maintain curb and gutter capital asset costs in sufficient detail in the subledger system so that the date placed in service, location, lineal feet and cost of all curb and gutter repairs and replacements are readily determinable and, if necessary, sufficient information is available for a corresponding disposal of curb and gutters that are replaced; iii) use the same estimated useful lives for capital assets transferred from other City funds as was used by the transferring fund unless engineering evidence is available to support the change in estimated useful lives; and iv) assure that a process is in place for the recording, reconciliation and review of capital asset transactions in the accounting system so that costs are calculated and captured in accordance with generally accepted accounting principles and disposals are properly removed from the accounting records in the proper accounting period.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The City agrees with the comment. Wastewater Management currently reconciles assets between its subsidiary system and the general ledger on a quarterly basis, but will begin reconciling on a monthly basis. Adjusting entries will be proposed as necessary. The Controller's Office and Public Works will review the process, useful lives, asset values, capitalization requirements and transfer process. As required, City policy or fiscal rules will be modified. In addition, we will ensure that training is provided.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-04	<p>Wastewater Management Enterprise Fund – Accounting Function</p> <p>Criteria or Specific Requirement: The accounting function that entails the approval, recording, reconciliation and reporting of accounting transactions is most effectively done on a daily or, in some cases, a monthly basis, to assure accurate interim reporting and timely remediation of differences between subledgers and the general ledger.</p> <p>Condition: Currently, a significant portion of Wastewater Management Enterprise Fund’s accounting functions are performed only on a year-end basis. These functions include maintenance of the construction-in-progress details and rollforwards, reconciliation of major asset and liability accounts such as deferred revenue, accrued revenue and allowance for doubtful accounts, and preparation of interim financial statements.</p> <p>Context: Several key reporting classifications on the statement of net assets are impacted, which have a corresponding impact on the statement of revenues, expenses and changes in net assets.</p> <p>Effect: Performing key accounting functions only at year-end delays the audit process, makes research and resolution of differences between subledgers and the general ledger more difficult and increases the likelihood of inaccurate interim financial reporting or account maintenance.</p> <p>Cause: Wastewater Management Enterprise Fund has not committed sufficient personnel resources to the accounting function to allow for timely and accurate monthly processing (approval and recording), reconciliation and reporting of financial transactions.</p> <p>Recommendation: We recommend the Wastewater Management Enterprise Fund perform all necessary accounting procedures, including reconciliations, on a daily, or, if applicable, monthly basis and that interim financial statements be prepared and reviewed by appropriate management personnel.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Views of Responsible Officials and Planned Corrective Actions: The City agrees with the comment. Wastewater Management is an agency under the Department of Public Works. For the past couple of years, the Department of Public Works has been consolidating many of the financial and human resource activities and created a Deputy Manager responsible for these areas. The Deputy Manager has created an Agency Controller position that will report to him and be responsible for all accounting functions within Public Works. This will increase the pool of accountants and allow for cross-training of staff to ensure there is a depth of knowledge related to the accounting and financial reporting processes.</p> <p>Currently, Wastewater Management performs many of the accounting functions monthly: balance sheet, operations statement, cash flow, revenue reconciliation to Peoplesoft, and reconciliation of asset and liability accounts. The Agency Controller will ensure that this is expanded to other areas such as construction-in-progress, major asset and liability accounts and deferred revenue, accrued revenue, and allowance for doubtful accounts.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-05	<p>Municipal Airport System – Deferred Refunding</p> <p>Criteria or Specific Requirement: Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments</i>, paragraph 92, requires that proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets be presented using the economic resources measurement focus and the accrual basis of accounting.</p> <p>Condition: The Municipal Airport System (the Airport System) failed to accrue interest expense from the interest payment date immediately preceding a current refunding of debt to the date of the refunding. Rather, the Airport System deferred the entire amount of the next scheduled interest payment subsequent to the date of the refunding for the refunded bonds.</p> <p>Context: The Airport System has used the same methodology on all refundings since its adoption of GASB Statement No. 23, <i>Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities</i>.</p> <p>Effect: A passed entry that would have reduced beginning net assets by \$43.6 million, increased current year interest expense by \$1.9 million and increased long-term debt by \$45.5 million, was proposed to reflect the financial statement impact of this error.</p> <p>Cause: The Airport System interpreted the provisions of GASB 23 to allow for the inclusion of previously accrued interest expenses as part of the reacquisition price under GASB 23.</p> <p>Recommendation: The Airport System should begin recognizing interest expense on bonds to be refunded up to the refunding date on all future bond refundings.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The Airport System has looked into this matter extensively and we believe that the Airport’s historic practice of applying GASB 23 as the basis for accruing interest expense has been correct and applied consistently since the release of that accounting standard. We note that this issue has not been raised in prior audits of the Airport by other independent accounting firms in spite of the fact that GASB 34 was issued in June of 1999.</p> <p>When this issue was first raised during the year’s audit, we asked GASB for their opinion about the Airport’s interpretation of the authoritative guidance we have followed. We have not yet received their response to this inquiry. As a result, we can neither agree nor disagree with this finding, but will consider changes in our accounting method if appropriate once we receive this opinion.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding
06-06	<p>Finding: Eligibility</p> <p>CFDA No. 93.778 – Medical Assistance Program (Medicaid; Title XIX)</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all required information regarding each potential Medicaid case is correctly entered into the Colorado Benefit Management System (CBMS) so that proper eligibility determinations can be made by CBMS. In addition, information entered into CBMS must be supported by documentation in the file.</p> <p>Condition: The City does not have procedures adequately enforced over the input of data into CBMS to ensure eligibility is determined by CBMS based on complete and accurate data.</p> <p>Questioned Costs: Questioned costs are unknown as CBMS determines the monthly cash assistance benefit payments and the changes in payments due to the exceptions below cannot be determined.</p> <p>Context: We tested 50 case files for eligibility and noted the following 29 errors in a total of 23 cases:</p> <ol style="list-style-type: none"> 1. 2 instances in which the client’s needy newborn eligibility continued improperly, due to a failure to update or close the case by the case worker 2. 1 instance in which the client’s reported place of birth did not agree with the information in CBMS 3. 1 instance where the client did not have an application or redetermination for the first 10 months of 2006, however, they were eligible per CBMS during this period 4. 1 instance where the client reported owning a vehicle, but this was not verified or recorded in CBMS 5. 1 instance where there was no documentation to support citizenship for the client 6. 2 instances where the client was recorded in CBMS as being verified by the passport, however, no copy was maintained in the case file 7. 5 instances where a Social Security number (SSN) was verified per CBMS by viewing Social Security Administration documents, however, there were not copies of these documents in the case files

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
8.	1 instance where CBMS shows that a client's redetermination documentation was received, however, this documentation was not in the client's case file
9.	3 instances where the birth certificate was used for verification purposes per CBMS, but there was no supporting documentation in the case file
10.	1 instance where the client was an alien, however, CBMS shows that the client was a United States citizen and they are eligible for benefits
11.	2 instances where the client reported having income, however, this was not verified or recorded in CBMS
12.	1 instance where the client's date of birth was not recorded properly in CBMS
13.	1 instance where evidence of the client's death was missing from the case file
14.	1 instance where the client had cash value life insurance, but this was not verified or recorded in CBMS
15.	1 instance in which the client's case should have closed, but did not close in a timely manner
16.	1 instance where CBMS shows that the client is a citizen of the United States, but the case file documentation shows that the individual is a permanent resident
17.	1 instance where the client's SSN was verified by State Verification and Exchange System (SVES), however, documentation of this was not available, nor was it possible to re-perform the verification
18.	1 instance in which the client reported that their income had ended, however, this was not verified or recorded in CBMS
19.	1 instance where the case was not processed timely per federal rules
20.	1 instance in which the client's case file did not have evidence of citizenship, the client was recorded as a citizen in CBMS

Effect: By not implementing adequate controls over data input, the State's CBMS system may be determining eligibility based on incorrect or incomplete data or data could be entered that is not supported with information contained in the case file. Ultimately, by not having the appropriate controls in place regarding the input into CBMS, benefits could be provided to ineligible applicants or denied to eligible applicants.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Cause: The City did not implement adequate internal controls to ensure proper information was entered in CBMS or that information entered into CBMS was properly supported by documentation included in the case files.</p> <p>Recommendation: We recommend that the City enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. The review should include an examination of the sample files for completeness and should ensure that the information within CBMS is properly supported by information in each case. Once the review of case files has been completed, proper follow-up procedures should be performed to ensure any discrepancies, inaccuracies or missing information noted are properly resolved.</p> <p>Views of Responsible Officials and Planned Corrective Actions: In accordance with Department Agency Letter GEN-06-16, beginning May 2007, Denver County has re-implemented the supervisory round-table review methodology in order to address timely review of eligibility determinations and follow-up with timely correction to errors found. In addition, a database was developed to monitor trends and deficiencies at all levels.</p> <p>The County also implemented quarterly citizenship and identity review beginning in August 2006. With time, the quarterly reviews, in addition to the commitment of formal ongoing training for staff and supervisors, as well as detailed desk-aid tools regarding updates and changes to this area will significantly improve the knowledge base and compliance of staff and supervisors.</p> <p>There are, however, 3 specific “context” areas that the County disagrees with:</p> <ul style="list-style-type: none">▶ Context Point 4: Per Manual Regulation 8.102.1, one exempt vehicle is allowed. The County feels that this finding may be a result of misinterpretation of program regulations. In addition, effective June 1, 2006, the asset test for Medicaid was eliminated as part of program eligibility requirements.▶ Context Points 7 and 9: Per Manual Regulation 8.105, minimal verification is required and this documentation circumstance does not affect eligibility or benefit issuance. The County feels that this finding may be a result of misinterpretation of program regulations.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Auditor Rebuttal:

- **Context Point 4:** Our comment is not that the one vehicle is not allowed, the point is that the information available is not being input into CBMS, which could affect eligibility in the future or on other programs that use the same data. We believe good internal controls and practice would be for all information obtained to be input into CBMS. Allowing workers to select which information is entered risks human error.
- **Context Points 7 and 9:** We are not saying that this specifically affects eligibility, however, 42CFR sections 435.91 and 435.92 require the verification of the SSN. If the county verifies either the SSN or birth certificate by viewing the document, a copy should be maintained to support the fact that this verification occurred. This is a documentation issue.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-07	<p>Finding: Eligibility</p> <p>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all required information regarding to the TANF case is correctly entered into the Colorado Benefit Management System (CBMS) so that proper eligibility determinations can be made by CBMS.</p> <p>Condition: The City did not implement adequate controls over the input of data into CBMS to ensure that eligibility is determined by CBMS based on complete and accurate data.</p> <p>Questioned Costs: Questioned costs are unknown as CBMS determines the monthly cash assistance benefit payments and the changes in payments due to the exceptions below cannot be determined.</p> <p>Context: We tested 50 case files for eligibility for the year ended December 31, 2006, and noted the following 17 issues in a total of 14 cases:</p> <ol style="list-style-type: none">1. 2 instances where the Monthly Status Reports (MSR) were shown as received in CBMS, however, there was no MSR in the case file2. 4 cases with one or more missing MSRs. CBMS was showing that these were “no change” and not sending out the MSR when it was required to verify eligibility3. 6 instances where the Social Security number was verified by viewing the card per CBMS documentation, however, there was no documentation to support this in the case file4. 1 instance where the Income Eligibility Verification System (IEVS) reported income was not recorded in the case documentation in CBMS5. 2 instances with one or more eligibility periods not covered by Individual Responsibility Contracts (IRC)6. 2 cases with missing immunization records

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Effect: By not implementing adequate controls over data input, the State’s CBMS system may be determining eligibility based on incorrect or incomplete data. Data could be entered that is not supported with information contained in the case file and the ultimate benefit paid may be for the wrong amount.</p> <p>Cause: The City did not implement adequate internal controls to ensure 1) proper information was entered into CBMS and 2) IRCs and MSRs were being obtained for the period of benefits.</p> <p>Recommendation: We recommend that the City implement data review procedures that require program supervisors to perform reviews of case files and retain records of the reviews. In addition, the City should develop a formal policy regarding information to be obtained and retained in the case file.</p> <p>Views of Responsible Officials and Planned Corrective Actions: In accordance with Department Agency Letter GEN-06-16, beginning May 2007, Denver County (the county) has re-implemented the supervisory round-table review methodology in order to address timely review of eligibility determinations and follow-up with timely correction to errors found. In addition, the County has provided IEVS training to staff and supervisors in June 2006, as well as ticklers and alerts training in March 2007, in order to educate staff on proper procedure for taking timely action on reported changes.</p> <p>In September of 2006, the Department separated the eligibility piece from the case management in order to ensure that the Individual Responsibility Contract’s (IRC) are completed. The Office of Economic Development will address the compliance of this finding in their monthly case file reviews.</p> <p>There are, however, 2 specific “context” areas that the County disagrees with:</p> <ul style="list-style-type: none">▶ Context Point 2: The lack of verification of eligibility was due to a CBMS issue where CBMS was identifying the case as a “no change” and not sending the MSR. This issue was caused by the State system, CBMS. In 2005, a CBMS helpdesk ticket for this CBMS problem and change request occurred to correct the system error. This ticket has become change request 1812. The State Department of Human Services is also exploring expediting this change request, as they recognize the significant impact it will make for processing.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>▶ Context Point 3: Manual Regulation 8.105.1 allows for the counties to obtain minimal verification and does not mandate the County to obtain a copy of the Social Security card. This can be obtained by client declaration in the application or the card may be viewed by the worker. Prior to November 6, 2006, each individual County was allowed discretion as to what would be copied and placed into a file.</p> <p>On November 6, 2006, Agency letter GEN-06-05-P was issued by the State Department of Human Services, which documents the approval of this process that Denver County follows. This is a State-wide policy concerning case file documentation for Food Stamps and Colorado Works. In addition, and in an effort to significantly reduce citizenship and identity documentation errors in compliance to DRA and HB1023, the County's Quality Improvement team has implemented quarterly citizenship and identity reviews beginning in August 2006.</p>
	<p>Auditor Rebuttal:</p> <p>➤ Context Point 2: We understand that CBMS did not send the MSR's, however, it is still a finding as they were required.</p> <p>➤ Context Point 3: We understand that the SSN can be obtained from the application and have accepted this in the files we reviewed. Our finding stems from those cases where CBMS states that the SS card was verified. Without a copy of the card in the file, there is no evidence that the card was viewed and there is no audit support or documentation that this verification occurred.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-08	<p>Finding: Special Tests and Provisions</p> <p>CFDA No. 10.551, 10.561 – Food Stamps Cluster</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all required information regarding to Food Stamp cases is correctly entered into the Colorado Benefit Management System (CBMS) so that proper eligibility determinations can be made by CBMS. Information entered into CBMS must be supported by documentation in the file.</p> <p>Condition: The City did not implement adequate controls over the input of data into CBMS to ensure that eligibility is determined by CBMS based on complete and accurate data.</p> <p>Questioned Costs: Questioned costs are unknown as CBMS determines the monthly cash assistance benefit payments and the changes in payments due to the exceptions below cannot be determined.</p> <p>Context: We tested 50 case files for eligibility for the year ended December 31, 2006, and noted the following 17 issues in 14 cases:</p> <ol style="list-style-type: none">1. 1 instance where the value of a vehicle was verified, but not recorded in CBMS2. 1 instance where documentation to support a bank account in CBMS was missing from the case file3. 1 instance where a Social Security number was verified per CBMS by viewing documents, however, there were not copies of these documents in the case file4. 5 instances where the birth certificate was used for verification purposes per CBMS, but there was no documentation in the case file to support the verification5. 1 instance where the client reported owning a vehicle, however, this was not verified or recorded in CBMS6. 1 instance IEVS reported income was not recorded in CBMS7. 1 instance where CBMS shows that the client is a citizen of the United States, but the case file documentation shows that he is a permanent resident8. 1 instance where the client reported having income, but this was not verified or recorded in CBMS9. 1 instance where the client reported having expenses and had documentation for these, but they were not recorded in CBMS10. 1 instance where the client reported having a bank account and this was not verified or recorded in CBMS

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>11. 1 instance where a case worker improperly used the effective begin dates, which retroactively discontinued the client's eligibility for 2006</p> <p>12. 1 instance where the client's benefits were retroactively re-approved incorrectly at a higher payment level back to August 2004. Benefits were paid for the full retroactive period and an attempted recovery was made only for the months of October, November and December 2006</p> <p>13. 1 instance where the client owned vehicles, which were recorded in CBMS as having a \$0 value. There was no documentation verification of the value in the case file</p>
	<p>Effect: By not implementing adequate controls over data input, the State's CBMS system may be determining eligibility based on incorrect or incomplete data. Data could be entered that is not supported with information contained in the case file and the ultimate benefit paid may be for the wrong amount. Additionally, not having appropriate controls in place regarding the input of payments allows the opportunity for payments that are either for incorrect amounts or not in accordance with City policy.</p> <p>Cause: The City did not implement adequate controls to ensure that the correct information was entered into CBMS.</p> <p>Recommendation: We recommend that the City enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample. The review should include an examination of the sample files for completeness and should ensure that the information within CBMS is properly supported by information in each case. Once the review of case files has been completed, proper follow-up procedures should be performed to ensure any discrepancies, inaccuracy, or missing information noted are properly resolved.</p> <p>Views of Responsible Officials and Planned Corrective Actions: In accordance with Department Agency Letter GEN-06-16, beginning May 2007, Denver County has re-implemented the supervisory round-table review methodology in order to address timely review of eligibility determinations and follow-up with timely correction to errors found. In addition, the County has provided IEVS training to staff and supervisors in June 2006, as well as ticklers and alerts training in March 2007, in order to educate staff on proper procedure for taking timely action on reported changes.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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The County's Quality Improvement Team also implemented quarterly citizenship and identity reviews beginning in August of 2006. The Department will also require a consistent practice of obtaining verification of the declared resource or expenses. It is important to note that the State has issued numerous versions of documentation and the Department is now in the process of staffing a new training team to address the ongoing changes in CBMS and the follow-up training of staff's needs.

The Department has a Fraud Control and Recovery unit to assist with the establishment and collection of claims. In April 2007, the department provided training to all staff on the recovery and claim process. In this training, staff was provided with the most current copy of the correct usage of effective begin and end dates, which will likely assist in the decrease of errors in this area.

There are, however, 5 specific "context" areas that the County disagrees with:

- ▶ **Context Points 1, 5 and 13:** The entry of a vehicle, nor the value of a vehicle, impacts Food Stamp benefit eligibility or issuance, as all vehicles with the exception of recreational vehicles, are exempt as a resource for the Food Stamp program. Agency letter FA#-02-22-I, dated 05-20-2001, has been provided to BKD as a point of reference to our statement concerning this finding.
- ▶ **Context Point 3:** A physical copy of a Social Security Cards is not a requirement of the Food Stamp program. Manual regulation 4.4213 only requires that the client provide a Social Security number or verification of the application for a Social Security number. If there is a discrepancy in a client's Social Security number, the worker will get an IEVS notification indicating the number does not match and then the technician is required to obtain a copy of the card from the client.
- ▶ **Context Point 4:** Manual regulations 4.4212 and 4.4212.2 does not require the Department to obtain a copy of the client's birth certificate for Food Stamp program, unless the client's citizenship status is questionable. The information can be obtained from the client's own declaration during the interview or taken from the information provided by the client in the application. A copy of a clients Social Security card or birth certificate does not apply to nor affect eligibility for Food Stamp benefits.

The birth certificate findings are now being addressed as part of the implementation of DRA and HB-1023 rules and the department has implemented quarterly reviews for citizenship and identity.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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On November 6, 2006, Agency letter GEN-06-05-P was issued by the State Department of Human Services. This is a State-wide policy as to case file documentation for Food Stamps and Colorado Works. Prior to the issuance of this Agency Letter, each individual County was allowed discretion as to what would be copied and placed into a file.

Auditor Rebuttal:

- ▶ **Context Points 1, 5 and 13:** Our comment is not that the one vehicle is not allowed, the point is that information that is available is not being input into CBMS, which could affect eligibility in the future or on other programs that use the same data.
- ▶ **Context Point 3:** We understand that the SSN can be obtained from the application and have accepted this in the files we reviewed. Our finding stems from those cases where CBMS states that the SS card was verified. Without a copy of the card in the file, there is no evidence that the card was viewed and there is no audit support or documentation of this verification.
- ▶ **Context Point 4:** Under 7CRF 273 the county is required to assess citizenship. In our testing, the exceptions noted were for those persons where citizenship was documented by viewing the birth certificate. Without a copy of the birth certificate, there is no evidence in the client file that a birth certificate was viewed. The county must be able to prove that they performed the required documentation. Without this copy, there is no proof.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-09	<p>Finding: Activities Allowed or Unallowed, Allowable Costs/Cost Principles</p> <p>CFDA Nos. 10.551, 10.561 – Food Stamps Cluster CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) CFDA No. 93.563 – Child Support Enforcement CFDA No. 93.568 – Low Income Home Energy Assistance CFDA Nos. 93.575, 93.596 – Child Care Cluster CFDA No. 93.645 – Child Welfare Services CFDA No. 93.658 – Foster Care – Title IV-E CFDA No. 93.659 – Adoption Assistance CFDA No. 93.667 – Social Services Block Grant CFDA No. 93.778 – Medical Assistance Program</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that they have sufficient documentation supporting all attributes associated with payroll expense.</p> <p>In recording employee’s time spent on different Program Areas, ABA-98-2-A describes three allowed procedures that an entity must follow in documenting the time of their employees. One of the three methods must be selected and include “100% direct to a program,” “100% time reporting,” and “Random Moment Sampling (RMS) cost pools.”</p> <p>Condition: The City did not implement adequate controls over the recording of employee time so there was sufficient documentation to show the cost was recorded properly.</p> <p>Questioned Costs: The payroll expense recorded during the year for the Department of Human Services was \$44,320,737. We selected 50 of the 26,277 payroll transactions totaling \$80,886. We noted questioned costs of \$21,860 in 14 of the employee’s payroll transactions tested.</p> <p>Context: We tested 50 employee files for proper recording of employee’s time in accordance with OMB Circular A-87 for the year ended December 31, 2006, and noted the following 14 issues:</p> <ol style="list-style-type: none"> 1. 4 instances where the cost pool was not properly allocated per the supporting documentation. The individuals were allocated to specific cost pools, but per supporting documentation they should have been allocated to Various-Pooled (0500-7000)

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	2. 2 instances where the employees time was split between cost pools, with no documentation to support or documentation that did not support the split
	3. 2 instances where the employee’s time could have been more properly recorded in a specific cost pool instead of Various-Pooled (0500-7000). Not consistent in reporting to cost pools
	4. 3 instances where the cost pool indicated on the 6-month Certification of Payroll did not agree to the cost pool expensed
	5. 1 instance where a logical basis for allocating costs to CORE was not supported by the documentation provided
	6. 1 instance where the employee’s 6-Month Certification of Payroll did not support the amount of time allocated to the sampled cost expenditure
	7. 1 instance where a 6-month certification was not provided for an employee who was recorded 100% to program

In addition, we noted that there were inconsistencies in the recording of employees into the cost pools. Based on our discussions with management, we noted that employees can be assigned to the cost pools in a way to maximize the Federal funding. We observed instances where costs pools were changed based on available funding. These procedures do not result in a consistent application of the costs being charged to the Federal programs.

Effect: By not implementing adequate controls over the recording of employees’ time in accordance with Federal regulations, and by not recording the costs in a consistent manner, the costs may be considered unallowable and may not be reimbursable with Federal funds.

Cause: The City did not implement adequate controls to ensure that expenses associated with employee time is properly recorded and reported into Colorado Fiscal Management System (CFMS) cost pools. In addition, this coding is the responsibility of one employee and the review process for this coding is limited.

Recommendation: We recommend that the City establish and follow policies and procedures so that all indirect expenditures are recorded and reported into CFMS consistently and in accordance with OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*.

Views of Responsible Officials and Planned Corrective Actions: The City and County concurs with the majority of the finding.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>The City recognizes that there are inconsistencies in the recording of employees into the cost pools; however, all written guidance from the State has allowed inconsistent treatment in this area. The City has made conscious decisions that have been discussed and evaluated thoroughly by management to transfer specific work units into other cost pools, and has documented those decisions. According to all State guidance received prior to June 2007, these are allowable and accurate applications of cost pool principles.</p> <p>Subsequent to the issuance of this finding, the State has declared its intentions to revise the guidance issued to counties in this area, and has stated its agreement with this finding. Although the revised guidance will not be issued until after July 2007, the City will make cost pool corrections retroactive to January 1, 2007, to conform with this finding.</p> <p>Specific responses to the context points are as follows:</p> <ul style="list-style-type: none">▶ Context Point 1: The City concurs with this comment. The City will correct the cost pools used for these employees.▶ Context Point 2: Per CDHS instructions, it is allowable to split employees between Child Welfare and CORE Services, or between multiple CORE Services programs, without requiring any time reporting by the employees. This is the one exception to the requirement for 100% time reporting, contained in Agency Letter ABA-02-04-A. This exception is documented in “CFMS Coding – Presentation for 2003 Breckenridge Accounting Conference – Lennie Bottorff – Presenter.” <p style="padding-left: 40px;">The CORE Services program managers determine the allocation percentages prior to the beginning of each CORE Services fiscal year. The allocations are congruent with the CORE Services Plan, which is approved by DHS management and by CDHS CORE Services administration. The allocation percentages are provided, in writing, to Financial Services, and are then entered into the payroll reporting system. This applies to two of the three instances. This is not an error.</p> <ul style="list-style-type: none">▶ Context Point 3: The City concurs with this comment. This was allowable and accurate, according to all written guidance provided to the City by CDHS, up to and through July 2007. However, given the State’s decision to issue revised guidance to counties, the City will revise its usage of cost pools to be congruent with BKD’s findings.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<ul style="list-style-type: none">▶ Context Point 4: Certifications are required at least once every six months. In some of the sample items, the employee changed functions/programs during the 6-month certification period. The employee was coded to the correct cost pool each month, but the cost pool accurately changed during the 6-month certification period. Therefore, the program charged at the sample payroll date was different from the program certified at the 6-month mark. Employees were charged to the LEAP program in which they were working, each month. This is not an error. ▶ Context Point 5: Per CDHS instructions, it is allowable to split employees between Child Welfare and CORE Services, or between multiple CORE Services programs, without requiring any time reporting by the employees. The CORE Services program managers determine the allocation percentages prior to the beginning of each CORE Services fiscal year. The allocations are congruent with the CORE Services Plan, which is approved by DHS management and by CDHS CORE Services administration. The allocation percentages are provided, in writing, to Financial Services, and are then entered into the payroll reporting system. This is not an error. ▶ Context Point 6: The employee was inappropriately included on a 6-month certification list of employees working for the TANF program, and program manager inaccurately certified employee as 100% TANF worker, even though only a small percentage of her time was dedicated to and charged to TANF. However, the employee completed 100% time reporting for each pay period during the year, and the TANF program was accurately charged according to the detailed time tracking records. Program manager signing 6-month certification did so in error. ▶ Context Point 7: The City agrees that an error was made, as the employee was omitted from the 6-month certification of her work in the LEAP program. However, the employee was accurately charged to the program in which she worked, according to less formal communication and documentation available. The Federal program was accurately charged for this employee's work.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Auditor Rebuttal:</p> <p>Context Points 2 and 5: Per Agency Letter ABA-02-04-A, it specifically states that “staff cannot be split . . . unless they adhere to requirements for 100% time reporting.” The presentation referenced did not specifically state that this type of split was allowed.</p> <p>Context Point 4: We understand that the certifications are only required every 6 months. In each sampled item listed the certification was for the months of April and May 2006 and listed the employee and certified that they were to be charged to LEAP L100-5100, which is indirect services for LEAP activities. In each instance noted the employee was actually charged to L300-5200, which is LEAP OUTREACH. This appears to be a different cost pool and if the employees were to be charged to OUTREACH the certification should have indicated this. It did not.</p> <p>Context Point 6: It appears that controls are not effective over the certification process if a manager can sign a certification in error and the processing of the time from the time reporting is different than the certification.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-10	<p>Finding: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Availability</p> <p>CFDA Nos. 10.551, 10.561 – Food Stamps Cluster CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) CFDA No. 93.563 – Child Support Enforcement CFDA No. 93.568 – Low Income Home Energy Assistance CFDA Nos. 93.575, 93.596 – Child Care Cluster CFDA No. 93.645 – Child Welfare Services CFDA No. 93.658 – Foster Care – Title IV-E CFDA No. 93.659 – Adoption Assistance CFDA No. 93.667 – Social Services Block Grant CFDA No. 93.778 – Medical Assistance Program</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all payments are recorded on the City’s basis of accounting for these programs.</p> <p>Condition: There were \$403,149 in payments that were made in the first week of 2007, which were reported to the State and included on the SEFA in 2006.</p> <p>Questioned Costs: Unknown.</p> <p>Context: During our review of payments that were made to the State, we noted a large number of payments that were made in the first week of 2007 that were being recorded in the uploads to CDHS as being 2006 payments. These payments are for programs that are reported on a cash basis as disclosed in the notes to the schedule of expenditures of Federal Awards.</p> <p>Effect: When payments are recorded in the incorrect period, the City is not following allowable cost rules and costs may be deemed by the Federal government to be unallowable. The City may also be reporting payments after the period of availability for grants if they are not recording payments in the proper period.</p> <p>Cause: The City did not have controls in place to ensure that all payments are reported in the proper period.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Recommendation: We recommend that the City implement the necessary internal controls to ensure that payments are reported in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The department acknowledges that certain payments issued in the first few days of January 2007 were reported to the State's December 2006 reporting period. These payments were also recorded in the City's books in December 2006. The department will implement necessary procedures to assure that the period in which payments are made coincides with the State's reporting month. Funding allocations from the State are either on a fiscal year beginning July 1st or October 1st of each year. As a consequence, there are no questions of period of availability.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-11	<p>Finding: Procurement and Suspension and Debarment</p> <p>CFDA Nos. 10.551, 10.561 – Food Stamps Cluster CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) CFDA No. 93.563 – Child Support Enforcement CFDA No. 93.568 – Low Income Home Energy Assistance CFDA Nos. 93.575, 93.596 – Child Care Cluster CFDA No. 93.645 – Child Welfare Services CFDA No. 93.658 – Foster Care – Title IV-E CFDA No. 93.659 – Adoption Assistance CFDA No. 93.667 – Social Services Block Grant CFDA No. 93.778 – Medical Assistance Program</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: Per 2 CFR 180, all non-federal entities are prohibited from contracting with or making sub-awards under covered transactions with parties that are suspended or debarred or whose principals are suspended or debarred. They are also required to follow their own internal policies and procedures related to procurement. Policies for the City and County of Denver are described in Executive Order #8.</p> <p>Condition: The City did not maintain documentation to support their compliance with the regulation in all instances.</p> <p>Questioned Costs: None.</p> <p>Context: We selected a sample of 30 contracts to verify that the City was following their procedures for having documentation of insurance and review of the excluded party list. Of the 30 contracts we selected, 8 were either local funds or below the threshold for testing suspension and debarment. In the remaining contracts we noted a total of 11 exceptions.</p> <ol style="list-style-type: none"> 1. 4 contracts where the City provided insurance documents that had been faxed to the City after we requested the documentation. The City was not maintaining this information on an annual basis 2. 6 contracts without current insurance coverage documentation 3. 1 contract where the City could not provide documentation that they had verified the contractor was not on the excluded party list

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Effect: By not verifying whether contractors are not on the excluded party list, the City risks making payments to a contractor that has been suspended or debarred in violation of Federal regulations. By not verifying that contractors are insured, they are at risk for not being covered by insurance in an instance of loss.</p> <p>Cause: The Department of Human Services did not have controls in place to properly review and verify that policies and procedures were followed.</p> <p>Recommendation: We recommend that the City maintain a list of contracts and/or transactions that fall under the guidelines. For each contract, the City should review the Excluded Parties List on an annual basis and prior to awarding a contract and that they implement policies and procedures to ensure that all contractors maintain current insurance coverage. Both of these requirements should be documented in the contractor's file.</p> <p>Views of Responsible Officials and Planned Corrective Actions: Effective by December 31, 2007, the department will ensure that one or more of the following assurances will be in place for suspension and debarment: 1) contract language requiring the contractor to notify the department should they become suspended or debarred; 2) certifications from the contractor that they are not suspended or debarred; or 3) printed copy from EPLS verifying that the contractor is not presently suspended or debarred. Annually, the department will check the EPLS for all contractors.</p> <p>The department will also work with the City's Risk Management Office to verify that verification of insurance requirements are being met and will have such validations in file by March 31, 2008.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-12	<p>Finding: Allowable Costs/Cost Principles</p> <p>CFDA Nos. 10.551, 10.561 – Food Stamps Cluster CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF) CFDA No. 93.563 – Child Support Enforcement CFDA No. 93.568 – Low Income Home Energy Assistance CFDA Nos. 93.575, 93.596 – Child Care Cluster CFDA No. 93.645 – Child Welfare Services CFDA No. 93.658 – Foster Care – Title IV-E CFDA No. 93.659 – Adoption Assistance CFDA No. 93.667 – Social Services Block Grant CFDA No. 93.778 – Medical Assistance Program</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is responsible for establishing policies and procedures to ensure that employee’s time is accurately expensed into the appropriate direct or indirect cost pools in accordance with OMB Circular A-87.</p> <p>Condition: The City does not have policies and procedures in place to insure that employee’s time is accurately reported into the State’s Colorado Fiscal Management System (CFMS).</p> <p>Questioned Costs: The payroll expense recorded during the year for the Department of Human Services was \$44,320,737. We selected 50 of the 26,277 payroll transactions totaling \$80,886. We noted questioned costs of \$3,658 in 2 of the employee’s payroll transactions tested.</p> <p>Context: We selected 50 payroll expenditures to test the cost pool and the amount recorded. We noted two instances where an employee was recorded to the wrong cost pool. The error was not detected until a subsequent year and the payment was retroactively changed. As a result, the State will allocate the corrected pool in a different year than the original expenditure creating a difference from the amount reported as of year-end in the schedule of expenditures of Federal Awards.</p> <p>Effect: By not establishing policies and procedures to ensure that employees are being reported into the appropriate cost pools, the schedule of expenditures of Federal Awards will not be correct as of the City’s year-end.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Cause: The City, specifically the Department of Human Services, does not have controls in place to ensure that employee's time is properly reported into the appropriate cost pool, and that corrections, when required, are recorded in the proper calendar year.</p> <p>Recommendation: We recommend that the City establish policies and procedures to ensure that employee's time is properly recorded to the associated cost pools. If a correction is required, it should be recorded prior to the City's year-end.</p> <p>Views of Responsible Officials and Planned Corrective Actions: The City concurs with the finding.</p> <p>The City operates on a December 31 year end. The State operates on a June 30 year end. DHS conducts reviews of payroll (and other expenditure) coding several times during the year. Those reviews include a full verification of the accuracy of payroll coding to cost pools, by working with the program managers to verify which programs each employee is benefiting. During the reviews, it is common to detect needed corrections and adjustments.</p> <p>The City will formalize the review schedule, to ensure that a full-scale review takes place during the last quarter of the City's fiscal year, with the intent to minimize corrections and adjustments made in the subsequent year, which impact the SEFA from the previous year. The City will also continue to perform reviews in the last quarter of the State fiscal year, and will continue to make correcting entries, if needed.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-13	<p>Finding: Special Tests and Provisions: Issuance Document Security</p> <p>CFDA Nos. 10.551, 10.561 – Food Stamps Cluster</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: Security measures outlined in Colorado Electronic Benefit Transfer Bulletin, Volume 4, Number 3, require at least two people, not from the card issuance staff, to destroy the EBT cards, record the cards that have been destroyed and sign the Destruction Logs for EBT Cards (EBTCard-7) report.</p> <p>Condition: Destruction of EBT cards was being performed by issuance staff and there was no supervision of the individuals destroying the cards.</p> <p>Questioned Costs: None.</p> <p>Context: We selected three destruction logs from each of the three sites where EBT cards are issued. We noted that in 8 of the 9 instances there was no supervisory observation of the destruction and in one instance there was only 1 issuance worker who signed the destruction log.</p> <p>Effect: Established control procedures were not followed placing the City at risk of loss.</p> <p>Cause: The City did not have adequate controls in place to ensure that EBT cards were being properly destroyed in accordance with their policy.</p> <p>Recommendation: Each EBT Card issuance site should implement procedures to ensure the destruction of cards is completed and witnessed by non-issuance staff and the supervisor in accordance with the policy.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Views of Responsible Officials and Planned Corrective Actions: The County concurs with this finding.

Due to major staff changes and shortages, the controls that were in place for the EBT process went through an adjustment period in order to accommodate the workload. The County has recently recognized this area as a deficiency in a recent State Management Evaluation (ME) finding. Since identification of this finding, collaborative efforts with the Family and Adult Services division and Quality Improvement has developed an action plan that will focus on making drastic improvements in the EBT function as a whole. The action planning includes mutual efforts with the State Department of Human Services specific to training and educating EBT staff of policy and consistent best practice. Further action includes the development of formal ongoing and alternative processes to address bulk card access in vault, destruction process of EBT cards, bulk card reconciliation, and the importance of separation of duties for EBT staff and supervisors. The DHS Financial Services Division also serves a role in this corrective action in the monthly responsibility for bulk inventory management and reporting to the State as required. The County EBT policy has also been updated and presented to all Family and Adult staff in order to address proper protocol and compliance surrounding EBT processing standards. Ongoing compliance monitoring will occur at the onset of implementation for EBT controls improvements set in place by the EBT supervisors and Branch Managers.

A revised EBT policy was put into place May 31, 2007.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-14	<p>Finding: Matching and Earmarking</p> <p>CFDA No. 14.238 – Shelter Plus Care</p> <p>Criteria: Per 24 CFR 582.110 and 582.105, the City must provide or ensure the provision of supportive services that are at least equal in value to the aggregate amount of rental assistance funded by HUD and a maximum of 8% of the grant may be used to pay the costs of administering housing assistance.</p> <p>Condition: The county does not have procedures in place to properly track and document that the matching and earmarking requirements have been met.</p> <p>Questioned Costs: Undeterminable.</p> <p>Context: We requested documentation for 2 of the 4 subrecipients to test for matching and earmarking provisions. The County was not able to provide support for either of these requirements.</p> <p>Effect: Since the grant specifically requires matching and earmarking, funding is at risk if these requirements are not met.</p> <p>Cause: The county does not have procedures in place to gather the required information from subrecipients to document that the county is meeting the matching and earmarking requirements.</p> <p>Recommendation: We recommend that the county establish procedures to obtain this information from subrecipients and to document that the matching and earmarking requirements of the Shelter Plus Care program are being met.</p> <p>Views of Responsible Officials and Planned Corrective Actions: DHS agrees to establish and adopt formal procedures to track and document matching and earmarking requirements from subrecipients are satisfied. DHS will require each subrecipient, for each of the Shelter Plus Care project being managed, to provide reports specific to matching and earmarking, immediately prior to any DHS on-site project monitoring. Should the subrecipient experience challenges in meeting this requirement, DHS will provide Training/Technical Assistance to ensure the sufficient capacity is developed and maintained.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-15	<p>Finding: Reporting</p> <p>CFDA Nos. 17.258, 17.259, 17.260 – WIA Program Cluster</p> <p>Pass-through Colorado Department of Labor.</p> <p>Criteria: It is the City’s responsibility to establish procedures to ensure that expenditures are recorded in the period in which they occur to ensure proper reporting and reimbursement.</p> <p>Condition: The City does not have procedures in place to ensure that expenses paid after the City cut-off date were accrued in the proper year.</p> <p>Questioned Costs: None.</p> <p>Context: This program had expenditures during 2006 of \$6,975,763. During our review of payments, we noted 3 out of 30 payments totaling \$1,390, with a sample value of \$49,713, that were for 2005, but were being recorded in 2006.</p> <p>Effect: The City reports this program on an accrual basis, however, a complete accrual was not made as of year-end.</p> <p>Cause: The City has policies established for year-end cut-off and accrual of expenditures. However, due to the timing of contractor invoicing, this policy did not allow for all expenditures to be accrued.</p> <p>Recommendation: We recommend that the City implement the necessary internal controls and reviews to ensure that expenditures are accrued and reported in the proper period. This should include follow-up with all grantees and vendors to ensure that invoices are received by the City in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We agree with this finding in principle. However, the 2005 expenditures recorded in 2006 were less than 1% of the total expenditures. We will strengthen our procedures, but will have to continue to have a cut-off date in order to produce a timely Schedule of Expenditures of Federal Awards.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-16	<p>Finding: Subrecipient Monitoring</p> <p>CFDA Nos. 17.258, 17.259, 17.260 – WIA Program Cluster</p> <p>Pass-through Colorado Department of Labor.</p> <p>Criteria: It is the City’s responsibility to establish subrecipient monitoring policies and procedures to ensure that subrecipients are meeting contractual agreements and are in compliance with Federal laws and regulations.</p> <p>Condition: The City does not have procedures in place to ensure that corrective action occurs when deficiencies are noted in monitoring activities.</p> <p>Questioned Costs: None.</p> <p>Context: We selected 2 of 8 subrecipients for the program and requested documentation of the monitoring that was performed during the year. We noted 1 instance where follow-up documentation of the corrective action was not available for findings discovered during initial monitoring procedures.</p> <p>Effect: Corrective action is critical to the integrity of the program and the monitoring procedures. If deficiencies are noted and there is no corrective action, the City risks losing Federal reimbursement for the program or may be required to repay amounts previously received.</p> <p>Cause: The City does not have policies in place within the WIA program to obtain and document corrective actions occurred in a timely manner.</p> <p>Recommendation: We recommend that the City establish policies and procedures to ensure that documentation is maintained for all follow-up actions taken under subrecipient monitoring and that this follow-up occurs in a timely manner.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Views of Responsible Officials and Planned Corrective Actions: Agree. DWD will add the following to its monitoring package: The corrective action plan shall identify the action that the contractor will initiate to correct the problem and the estimated date the problem will be resolved. The contractor may be required to provide a monthly progress report during any month that a corrective action plan implementation is pending or incomplete. This report will describe the progress the entity has made in the past month toward correcting those problems identified in the corrective action plan. At the discretion of the DWD Contract Administrator, further reviews may be implemented. DWD reserves the right to conduct unannounced or unscheduled monitor reviews as appropriate. The contractor will be issued a written statement to acknowledge the resolution of a corrective action.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-17	<p>Finding: Special Tests and Provisions</p> <p>CFDA No. 14.239 – HOME Investment Partnerships</p> <p>Criteria: The per unit investment of HOME funds may not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act, including area-wide high cost exceptions approved by HUD.</p> <p>Condition: The City has a policy used to document compliance with the requirement, however, this documentation was not available in all files reviewed.</p> <p>Questioned Costs: None.</p> <p>Context: We selected 5 project files to test that the City documented the per unit investment of HOME funds. We noted the following:</p> <ol style="list-style-type: none">1. 5 project files where the City was unable to provide documentation of the calculation of the per unit investment, however, we were able to determine that the HOME funds did not exceed the limit <p>Effect: By not having documentation of the per unit investment in the project files, the City is not able to document that they are in compliance with the special provisions of the grant and may risk current and/or future grant dollars.</p> <p>Cause: The City did not have documentation of their review and calculation to ensure that all required documentation was clearly presented in the project files and that amounts were within the limits established by the program.</p> <p>Recommendation: We recommend that the City follow their policy and document procedures performed to ensure that all project files are complete and in compliance.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We partially agree. We implemented the policy to document compliance on contracts beginning in 2006 and moved forward. Unfortunately, the project files reviewed were all initiated prior to 2006, although there were expenditures incurred during the year under review.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-18	<p>Compliance Requirement: Equipment and real property management</p> <p>CFDA No. 20.106 – Airport Improvement Program</p> <p>Criteria: OMB Circular A-110, <i>Uniform Administrative Requirements for Grants and Agreements</i>, Section .34(f)(1) requires that equipment records be maintained accurately and include a description of the equipment; manufacturer’s serial number, model number, Federal stock number, national stock number, or other identification number; source of the equipment, including the award number; whether title vests in the recipient or the Federal government; acquisition date and cost; information from which one can calculate the percentage of Federal participation in the cost of the equipment; location and condition of the equipment and the date the information was reported; unit acquisition cost; and ultimate disposition data.</p> <p>Condition: The Airport’s equipment records do not contain manufacturer’s serial number, model number, Federal stock number, national stock number or other identification number; the award number related to the source of the equipment; whether title vests in the recipient or the Federal government; information from which one can calculate the percentage of Federal participation in the cost of the equipment; and condition of the equipment and the date the information was reported. Additionally, equipment is being recorded as building, which is not compliant with the requirement to maintain accurate equipment records.</p> <p>Questioned Costs: Not applicable.</p> <p>Context: Of the 30 grant expenditures tested, 5 of them were for the purchase of computer equipment. The computer equipment was recorded in buildings instead of equipment when the transfer was made between construction in progress and capital asset accounts. Also, all required information was not documented for the equipment in the records.</p> <p>Effect: DIA may not be able to comply with the equipment disposal requirements if the assets are not identified as purchased with Federal Awards and they are not in compliance with the requirements of A-110. Additionally, capital assets are not properly recorded in the general ledger under their proper categories and the estimated useful lives of equipment that are recorded as buildings exceed the estimated useful lives of equipment by a significant number of years, which causes expenses to be understated and assets to be overstated on the financial statements.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Cause: DIA does not have an adequate review process in place to monitor the recording of capital assets in the proper categories and does not have a system in place to record the required information for assets purchased with Federal Awards.</p> <p>Recommendation: All required information should be recorded for capital assets in compliance with A-110 and an adequate review process should be implemented to ensure that items are capitalized properly and accurately.</p> <p>Views of Responsible Officials and Planned Corrective Actions: Denver International Airport substantially agrees with the comment. However, we would like to clarify that DIA's equipment records do in fact contain Serial numbers for substantially all of its capital and noncapital equipment. Nevertheless, DIA has developed new policies and procedures and has put them in place in 2007 for capital assets. One of the primary focuses is the capitalization of projects and the requirement to separately identify the equipment that is associated with the project. Under the new policies and procedures relating to all project costs, DIA is reviewing and properly capitalizing the project costs in the proper asset group or expensing. DIA is developing new methods to record project costs at the time they are incurred, in line with the way they will ultimately be accounted for as an expense, building improvement, equipment, or vehicle, and the new policies and procedures address and rectify the issues raised in this recommendation.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-19	<p>Finding: Reporting</p> <p>CFDA No. 17.263 – Youth Opportunity Grants</p> <p>Subtitle D programs (National programs) serve population segments that typically experience more severe workforce problems. Accordingly, Youth Opportunity Grants (YOG) under Subtitle D of Title I aim at increasing the long employment of youth who live in empowerment zones, enterprise communities and high-poverty areas.</p> <p>Criteria or Specific Requirement: Recipients are required to file performance reporting form ETA-9087, <i>Youth Opportunity Quarterly Program Progress Report</i>. Performance reports must meet grant award reporting requirements and present all required information.</p> <p>Condition: Report did not present all of the required information.</p> <p>Questioned Cost: None.</p> <p>Context: We tested 2 reports submitted during the year, 1 financial report and 1 performance and noted the following issue:</p> <ol style="list-style-type: none"> 1. The performance report did not contain all the required information such as job activities, employment and school activities of the participants <p>Effect: The submission of incomplete reports could jeopardize the program.</p> <p>Cause: The City does not have proper forms to ensure that all required information is presented as indicated within the grant award.</p> <p>Recommendation: We recommend that the City revise the reporting format and the compilation of information in order to ensure that all required information is presented in the quarterly reports.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We agree with this finding. The Division of Workforce Development (DWD) Youth Services Supervisor will provide the Operations Manager a copy of all quarterly reports by the second Friday of the month following the end of the quarter. Upon receipt and review of the report, any necessary revisions will be communicated to the Youth Services Supervisor. On the third Friday of the month following the end of the quarter, a completed copy of the quarterly reports will be emailed to the appropriate individuals and the Operations Manager and the DWD Compliance Officer will be carbon copied on the email.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-20	<p>Finding: Reporting</p> <p>CFDA No. 17.263 – Youth Opportunity Grants</p> <p>Criteria or Specific Requirement: It is the City’s responsibility to establish procedures to ensure that expenditures are recorded in the period in which they occur to ensure proper reporting and reimbursement.</p> <p>Condition: The City does not have procedures in place to ensure that expenses paid after the City cut-off date were accrued in the proper year.</p> <p>Questioned Costs: None.</p> <p>Context: We tested 30 expenditures totaling \$239,357 out of a total of 249 transactions totaling \$863,175 for the year ended December 31, 2006. We noted that 3 transactions in our sample totaling \$5,840 were expenditures from 2005 that were expensed and reported on the Schedule of Expenditures of Federal Awards during 2006.</p> <p>Effect: The City reports this program on an accrual basis, however, a complete accrual was not made as of year-end.</p> <p>Cause: The City has policies established for year-end cut-off and accrual of expenditures. However, due to the timing of contractor invoicing, this policy did not allow for all expenditures to be accrued.</p> <p>Recommendation: We recommend that the City implement the necessary internal controls and reviews to ensure that expenditures are accrued and reported in the proper period. This should include follow-up with all grantees and vendors to ensure that invoices are received by the City in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions: We agree with this finding in principle. However, the 2005 expenditures recorded in 2006 were less than 1% of the total expenditures and we consider the amount immaterial. We will strengthen our procedures, but will have to continue to have a cut-off date in order to produce a timely Schedule of Expenditures of Federal Awards.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-21	<p>Finding: Reporting</p> <p>CFDA No. 93.659 – Adoption Assistance – Title IV-E CFDA No. 93.658 – Foster Care – Title IV-E</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: It is the City’s responsibilities to be able to reconcile the amounts that are recorded on the Schedule of Expenditures of Federal Awards (SEFA) to their financial records.</p> <p>Condition: Adoption Assistance payments are made by the State to eligible individuals. The City has a process in place to reconcile the differences between the assistance payment reports and the expenditures that are reported in the CFMS reports, which are used to prepare the SEFA.</p> <p>Questioned Costs: Undeterminable.</p> <p>Context: We obtained the reconciliations for three months and noted that in two of the three months, the reconciliation between the amounts reported on CFMS and the payments per TRAILS had not been performed. The difference for the month of May was \$5,139 and the difference for the month of September was \$789,119.</p> <p>Effect: If reconciliations are not performed, incorrect payments could go undetected or a material misstatement of the expenditures for this program could occur and not be corrected.</p> <p>Cause: The City stopped completing these reconciliations during the year.</p> <p>Recommendation: We recommend that the City begin reconciling the assistance payment reports from the TRAILS system with the CFMS expenditure reports.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Views of Responsible Officials and Planned Corrective Actions: The County concurs with this finding.

The reconciliation of these costs is multi-step and very complex. The reconciliations that were complete were not sufficient to find the errors. The reconciliations require that the TRAILS payroll reports (payments authorized) be reconciled to the JP Morgan EBT report (payments issued). Both reports contain adoption assistance payments, out of home placement payments, Chafee Independent Living payments, CORE Services and Case Services payments. Each report contains different components of these programs, and there are timing differences which also occur. Differences between the two are identified by the City, and then are tracked until fully resolved. The City performs this reconciliation and cumulative tracking on a monthly basis. Although the finding language notes that the reconciliations stopped during the year, they did not. They were completed for each month in the year, with a cumulative spreadsheet tracking each item's status from month to month.

Additional reconciliations needed are:

1. EBT data to CFMS – For the audit, the CDHS accounting manager performed this reconciliation for the three sample months selected. He recognized that the reconciliation identified the discrepancies between the two sources, but could not explain why some of them occurred, or even which was accurate
2. CFMS data to Schedule of Federal Financial Assistance
3. Schedule of FFA to SEFA

The City has hired a Senior Accountant to perform reconciliations. This reconciliation will become part of that person's assigned duties. The City will also work with CDHS to resolve the discrepancies identified.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-22	<p>Finding: Eligibility</p> <p>CFDA No. 93.568 – Low Income Home Energy Assistance</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all required information regarding eligibility is obtained and recorded in the LEAP system for each eligible individual and that adequate documentation is available to support eligibility.</p> <p>Condition: The City does not have procedures in place to ensure that the beneficiary’s eligibility is properly documented.</p> <p>Questioned Costs: Undeterminable.</p> <p>Context: We tested 30 LEAP cases for eligibility and for proper documentation of their eligibility. Out of the 30 cases we tested we noted a total of 8 exceptions:</p> <ol style="list-style-type: none">1. 6 instances where adequate documentation was not provided to show that the beneficiary was vulnerable as required by the program2. 1 instance where citizenship documentation was not complete3. 1 instance where the file did not document verification of the second adult in the household being unemployed <p>Effect: By not having adequate controls in place over LEAP eligibility, the City risks making payments to ineligible individuals.</p> <p>Cause: The City did not have proper controls in place to ensure that the documentation in the case file for the eligible beneficiary was complete and verified.</p> <p>Recommendation: We recommend that the City institute and follow procedures to adequately document individuals’ eligibility for the LEAP program.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Views of Responsible Officials and Planned Corrective Actions: The County concurs with much of the finding, however, we disagree with one part of the finding.</p> <p>The County received initial instructions from the State LEAP program office that were inadequate and inconsistent in the direction given concerning the citizenship and identity requirements, for Denver County. This resulted in confusion with both workers and clients for what documentation was required. The County would also like to note that there has been a major change in management and supervision at the LEAP office, in addition to staff turnover, which has also contributed to the adjustment period of change.</p> <p>In an effort to significantly reduce citizenship and identity documentation errors in compliance to DRA and HB1023, the Quality Improvement team has implemented quarterly citizenship and identity reviews beginning in August 2006. With time, the quarterly reviews, in addition to the commitment of formal ongoing training for staff and supervisors regarding updates and changes to this area, will significantly improve the knowledge base and compliance of staff and supervisors in the citizenship and identity arena.</p> <p>County supervisors of the LEAP program are required to conduct weekly reviews of eligibility determinations made by staff. As a monitoring and deficiency identification method, the Quality Improvement unit of the Department has also implemented a weekly re-review of supervisor case reviews in November 2006, which will impact and likely decrease the 2006-2007 LEAP program year findings. As a final follow-up piece, corrective action planning will occur as a result of any identification of deficiency trends for staff and supervisors.</p> <p>Context Point 1: Per Volume 3.755.41, manual regulation does not require the County to have a specific written procedure for determination of vulnerability. The client is only required to provide appropriate documentation of heating costs and the documentation then is validated by worker through collateral contact with property owner in order to establish vulnerability and meet the vulnerability requirements. Denver County recognizes the benefit of a written procedure in order to develop consistency in practice and monitoring accountability to policy and will explore the development, implementation, training and monitoring of written procedure and policy in this area.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-23	<p>Finding: Subrecipient Monitoring</p> <p>CFDA Nos. 93.575, 93.596 – Child Care Cluster</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is responsible for ensuring that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations, and provisions of contracts. Therefore, the City must establish and implement procedures for their monitoring of subrecipients to ensure compliance with Federal regulations.</p> <p>Condition: A subrecipient award was made on March 28, 2006. The City did not have a monitoring plan in place for this subrecipient for the period ended December 31, 2006.</p> <p>Questioned Costs: Undeterminable.</p> <p>Context: We tested subrecipient contracts to evaluate subrecipient monitoring were being conducted in accordance with federal regulations. We noted that the City did not have a subrecipient monitoring policy in place for the year ended December 31, 2006. Additionally, no subrecipient monitoring took place prior to year-end. Monitoring that occurred subsequent to year-end found that internal case reviews had not been performed by the subrecipient from April 2006 through August 2006. In addition, subrecipient case file reviews performed in September, November and December contained questioned items with no follow-up documentation.</p> <p>Effect: By not establishing a subrecipient monitoring plan and not conducting timely reviews, a large number of errors in eligibility and other compliance requirements could have gone unnoticed and the risk of payments being made for ineligible individuals or other activities would create unallowable costs is high.</p> <p>Cause: The City, specifically the Department of Human Services, did not have controls in place to properly review and verify that set policies and procedures were being appropriately followed by their subrecipients and that subrecipient activities were in accordance with Federal program requirements.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Recommendation: We recommend that the City establish a subrecipient monitoring policy to ensure that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations and provisions of contracts.

Views of Responsible Officials and Planned Corrective Actions: The City and County concurs with this finding.

The Aspen Family Services (AFS) Child Care contract was implemented on March 1, 2006. Since the inception of the contract, the Department of Human Services has spent a significant amount of time with AFS to build capacity, provide program advice and develop formal processes. DDHS performed on-site monitoring during January and February of 2007.

In an effort to transition into a formalized process of monitoring subrecipients, the Department of Human Services is developing a subrecipient monitoring policy and has dedicated a full-time employee to this effort. The policy addresses such issues as: in-house desk review or on-site visits; specific forms for documentary evidence of assessing internal controls and associated risk; plus schedules are in development to track monitoring processes and applicable OMB A-133 reporting and related follow through. The Department of Human Services anticipates this policy will be implemented by September 30, 2007.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-24	<p>Finding: Eligibility/Allowable Costs/Unallowable Costs</p> <p>CFDA Nos. 93.575, 93.596 – Child Care Cluster</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is responsible for establishing policies and procedures to ensure that funds are expended in accordance with Federal regulations. Per 42 USC 9858k(b), no funds may be used for services provided during the regular school day.</p> <p>Condition: The City did not have policies or procedures in place for the period ended December 31, 2006, to ensure that participants of the Child Care program are not receiving awards during typical school hours.</p> <p>Questioned Costs: Undeterminable.</p> <p>Context: The City does not have procedures either internally or at the subrecipient to monitor that child care services were not provided during normal school hours.</p> <p>Effect: By not establishing policies and procedures to monitor services, participants could be receiving services during school hours, which is unallowable under Federal regulations.</p> <p>Cause: The City, specifically the Department of Human Services, did not have controls in place to ensure that services were being awarded to participants during the allowed time period (<i>i.e.</i>, outside of normal school hours).</p> <p>Recommendation: We recommend that the City establish policies and procedures to ensure that subrecipients monitor that participants only receive benefits for services outside of normal school hours.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
	<p>Views of Responsible Officials and Planned Corrective Actions: The County does not concur with this finding.</p> <p>The County follows the federally approved methodology to determine authorizations mandated by the State. In accordance with the Colorado State Plan for Child Care and Development Fund Services for FFY 2006-2007, which has provided guidance in administering the child care program with applicable Federal laws and regulations, Denver County has followed the outline of part 3 Description of Child Care Services section 1.1 Certificate Payment System (3.1.1) which states, "A certificate is generated after the parent has selected a provider. The certificate is child specific and establishes payment rates, the number of monthly units of child care for each child, start and end dates, and amount of parent fees. The parent keeps one copy and another is sent directly to the provider."</p> <p>This process ensures that the County submits payment to providers based on the approved number of monthly part-time or full-time units. The State office has directed that counties authorize by full and part-time units, not by the hour as there is no record of what hour of the day the care is authorized to begin and end. The Federal government has only recently begun work on audits for child care, which will result in future requirements for audit procedures. Denver County has developed and monitored a process for the payment of unit hours as best practice. This ensures that a review of case comments occurs with receipt of each billing sheet from providers, if any anomaly is identified, the business office contacts the subrecipient regarding the anomaly and will request a correct billing sheet. No payment is granted until review occurs and discrepancy is addressed and corrected through a problem log.</p> <p>Denver County recognizes that a written policy or procedure documenting this process, in addition to adjoining deeper review elements, would be a good accountability measure.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-25	<p>Finding: Eligibility</p> <p>CFDA No. 93.658 – Foster Care – Title IV-E CFDA No. 93.645 – Child Welfare Services</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all required procedures are performed timely and that adequate documentation exists to support an individual’s eligibility, which includes case reviews of the Family Services Plan performed at least every 90 calendar days (State Staff Manual Volume 7.301.3 Family Services Plan Review and Updates).</p> <p>Condition: There was not sufficient documentation to show that the required 90 day reviews were performed completely and timely.</p> <p>Questioned Costs: Questioned costs are unknown.</p> <p>Context: We tested 30 case files for eligibility for the year ended December 31, 2006 and noted the following 4 issues:</p> <ol style="list-style-type: none">1. 3 instances where the reviews were not being completed within 90 days2. 1 instance in which the caseworker did not sign the review to signify their involvement or agreement with the review <p>Effect: If there is not proper documentation to support eligibility, the costs related to these individuals could be considered unallowable. As noted above, there is required documentation missing on eligible individuals and as such these costs may be determined to be unallowable.</p> <p>Cause: The City did not implement adequate controls to ensure that eligibility determinations are proper and that all costs are allowable.</p> <p>Recommendation: We recommend that the City implement the necessary internal controls and case reviews to ensure that the 90 day reviews are completed fully and timely.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Views of Responsible Officials and Planned Corrective Actions: The County concurs with this finding.

The Family Service Plan is to be reviewed in a conference with the caseworker and supervisor every 90 calendar days. Currently, the individual supervisors are responsible for tracking and completing the 90 day reviews on each case. The Colorado Trails computer system will be utilized to assist in tracking and documenting 90-Day Reviews. In addition, case supervision that occurs during the 90 day review process is to be documented on the FSP-5A and both the caseworker and supervisor will sign and date the FS-5A to signify that the review occurred timely. An application has been developed to prompt and monitor the 90-day review requirement. The scheduled date of implementation for this application is October 1, 2007.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
06-26	<p>Finding: Earmarking</p> <p>CFDA No. 93.667 – Social Services Block Grant (SSBG)</p> <p>Pass-through Colorado Department of Human Services.</p> <p>Criteria: The City is required to have sufficient internal controls in place to ensure that all programs served meet the requirements of allowable costs as described in OMB Circular A-133. Funds transferred into SSBG from TANF funds must benefit children and their families that are below the 200% poverty level (42 USC 604(d)(3)(A)).</p> <p>Condition: The City does not have adequate controls over the transfer of TANF funds into SSBG to ensure that those funds benefited individuals below the 200% poverty level.</p> <p>Questioned Costs: \$11,237,601 was transferred into SSBG from TANF during the year. We were unable to determine how much of these funds were spent on individuals below 200% poverty level.</p> <p>Context: During our testing, no support or documentation could be provided to support controls insuring that the funds transferred into SSBG from TANF were only used for children and their families who are below the 200% poverty level.</p> <p>Effect: By not implementing adequate controls over funds transferred from TANF to SSBG, the City may expend funds on other participants served by SSBG that may not meet the 200% poverty level.</p> <p>Cause: The City has not established a control procedure to monitor this requirement.</p> <p>Recommendation: We recommend that the City establish controls over the earmarking of funds transferred from TANF to SSBG to ensure that these funds are used on participants living below 200% of the poverty level. Supporting documentation should be established detailing procedures and results to ensure that this Federal requirement is met.</p>

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2006

Reference Number	Finding
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Views of Responsible Officials and Planned Corrective Actions: The City and County concurs with this finding.

The Colorado Department of Human Services currently has no reports available to counties to provide exact documentation supporting the earmarking requirements. As a surrogate, the department will work with the state to develop an acceptable algorithm to calculate the amount of state and local funds spent on populations served through Child Welfare Services in families at or below 200% of poverty. The department will use the algorithm for the calendar year ending December 31, 2007.

These corrective actions are tentatively scheduled to be completed by February 29, 2008.

City and County of Denver
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2006

Reference Number	Summary of Finding	Status
05-01	Need for Improved Accounting and Reporting of Capital Assets.	Partially implemented – See current year findings 06-02 and 06-04
05-02	Accounting and Financial Reporting – The City should improve its financial reporting.	Implemented
05-03	Deferred Compensation Fund Financial Reporting – The City should develop and implement procedures over financial reporting for the Plan.	Implemented
05-04	Environmental Services Financial Reporting – The City should develop and implement review procedures over the Environmental Services Fund financial reporting.	Implemented – Stand-alone financial statements were not issued for 2006
05-05	Wastewater Management Enterprise Fund (Wastewater Management) Financial Reporting – Wastewater Management should educate an employee, other than the Controller, of the financial reporting and audit processes so that this person could assist the Controller.	Not implemented – See current year finding 06-05
05-06	Accounting for Debt Transactions – The City should implement procedures to ensure accounting principles are properly implemented for refunding debt issuances and ensure principal payments are properly posted to the general ledger throughout the year.	Partially implemented – See current year finding 06-03
05-07	Weakness in Information Technology General Controls – The City should continue to develop and implement standard general IT control policies and procedures throughout its departments and agencies for each system.	Implemented
05-08	Old Age Pension and Aid for Needy and Disabled State Programs – The Department of Human Services should work with the State to evaluate and strengthen its current processes and controls for reviewing and monitoring eligibility determinations and related benefit payments.	Implemented
05-09	Food Stamps Cluster – The City should obtain guidance from the State regarding the appropriate procedure on the preparation of the FS-46 report.	Implemented
05-10	Child Welfare Services, Foster Care – Title IV-E, Temporary Assistance for Needy Families, Child Support Enforcement, Child Care Cluster, Urban Areas Security Initiative <i>Suspension and Debarment</i> – the City should create formal agreements with each provider/vendor, which includes a standard clause certifying that the provider/vendor is not suspended or debarred, as well as reviewing the GSA listing to ensure compliance is maintained.	Partially implemented – See current year finding 06-11

City and County of Denver
Summary Schedule of Prior Audit Findings (continued)
Year Ended December 31, 2006

Reference Number	Summary of Finding	Status
05-11	Child Welfare Services, Foster Care – Title IV-E <i>Eligibility and Activities Allowed/Allowable Costs</i> – The City should establish the necessary internal control tracking and monitoring mechanisms to ensure the review process is operating effectively.	Partially implemented – See current year finding 06-25
05-12	Child Welfare Services – State Grants, Foster Care – Title IV-E <i>Special Tests and Provisions</i> – The City should develop a system to monitor the amount of annual training attended by caseworkers.	Implemented
05-13	Shelter Plus Care <i>Subrecipient monitoring</i> – The City should strengthen monitoring procedures over subrecipients receiving funds for the Shelter Plus Care program.	Partially implemented – See current year finding 06-14
05-14	Home Investment Partnerships Program (HOME) <i>Subrecipient monitoring</i> – The City should follow through with their implementation of formal monitoring policies.	Implemented
05-15	Community Development Block Grants – Section 108 Loan Guarantees (HUD Section 108) <i>Reporting</i> – The City should continue to review their grant agreements with HUD to ensure that all required reports are submitted timely.	Implemented
05-16	Community Development Block Grants – Section 108 Loan Guarantees (HUD Section 108) <i>Cash management</i> – The City should implement a process to monitor cash balances.	Implemented
05-17	Youth Opportunity Grants <i>Reporting</i> – The City should implement controls to ensure that reporting requirements are met.	Implemented
05-18	Temporary Assistance for Needy Families (TANF) <i>Eligibility and Activities Allowed/Allowable Costs</i> – The City should implement case file review and implement policies governing the input and authorization of supportive payments.	Not implemented – See current year finding 06-07
05-19	Temporary Assistance for Needy Families (TANF) <i>Special Tests and Provisions – Income Eligibility Verification System (IVES)</i> – The City should develop and implement a consistent process for the IVES case alerts.	Implemented.
05-20	Temporary Assistance for Needy Families, Child Support Enforcement, Child Care Cluster <i>Activities Allowed/Allowable Costs</i> – The City should strengthen controls to ensure they are in compliance with Colorado Agency Letter ABA-98-2-A, <i>Coding of Positions in APPLS for Welfare Reform and Cost Allocation</i> .	Not implemented – See current year finding 06-09 and 06-12

City and County of Denver
Summary Schedule of Prior Audit Findings (continued)
Year Ended December 31, 2006

Reference Number	Summary of Finding	Status
05-21	Child Support Enforcement <i>Special Tests and Provisions</i> – The City should establish more formal controls, with appropriate documentation, to monitor client files for compliance and ensure they are completed timely within federal guidelines.	Implemented
05-22	Child Care Cluster <i>Eligibility and Activities Allowed/Allowable Costs</i> – Procedures for obtaining, completing, reviewing and maintaining eligibility and attendance monitoring documents should be strengthened.	Partially implemented – See current year finding 06-23
05-23	Adoption Assistance <i>Activities Allowed/Allowable Costs and Eligibility</i> – The City should evaluate and strengthen its current process for obtaining, completing, reviewing and maintaining documentation related to eligibility and allowability.	Implemented
05-24	Medical Assistance Program <i>Eligibility</i> – The City should enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review.	Not implemented – See current year finding 06-06
05-25	Urban Areas Security Initiative <i>Activities Allowed/Allowable Costs</i> – The City should have qualified program management personnel sign off on purchase requisitions to ensure that all purchase requisitions have been reviewed and approved for allowable activities and costs.	Implemented
05-26	Urban Areas Security Initiative <i>Activities Allowed/Allowable Costs</i> – Management should prepare certifications for employees who work on a single federal award to be completed at least semiannually and signed by the employee or the employee’s direct supervisor.	Implemented
05-27	Food Stamps Cluster <i>Special Tests and Provisions: Issuance Document Security</i> – Each EBT Card issuance site should implement procedures to ensure the destruction of cards is completed and witnessed by two nonissuance staff members.	Partially implemented – See current year finding 06-13