

# **City and County of Denver**

Single Audit Reports

December 31, 2007



**City and County of Denver**  
**Single Audit Reports**  
**Year Ended December 31, 2007**

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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**

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 13, 2008, which contained references to the reports of other auditors and contained an explanatory paragraph regarding a restatement of beginning net assets for the Denver Airport System, a business-type activity of the City. 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, Inc., Denver Urban Renewal Authority, Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North BID, Downtown Denver BID, Colfax BID, Denver Metro Convention and Visitor's Bureau, Inc., and Gateway Village General Improvement District 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 Denver Art Museum, Inc., Denver Museum of Nature and Science, Cherry Creek North BID, Downtown Denver BID, Colfax BID and Denver Metro Convention and Visitor's Bureau, Inc., component units included in the financial statements of the aggregate discretely presented component units and the financial statements of Gateway Village General Improvement District, a component unit included in the financial statements of the aggregate remaining fund information, 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 07-01, 07-02, 07-03, 07-04, 07-05, 07-06, 07-07 and 07-08 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 07-01, 07-02, 07-03, 07-04, 07-05 and 07-06 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 13, 2008.

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 and 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 13, 2008



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

Audit Committee  
City and County of Denver  
Denver, CO

### ***Compliance***

We have audited the compliance of 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, 2007. 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 Denver Urban Renewal Authority (DURA), a discretely presented component unit, which expended \$2,436,144 in federal awards during the year ended December 31, 2007, 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.

Audit Committee  
City and County of Denver

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 requirements applicable to those federal programs.

CFDA#	Program	Type	Type of Opinion	Finding #
16.710	Public Safety Partnership and Community Policing Services Grants	Subrecipient Monitoring	Qualified	07-09
93.575, 93.596	Child Care Cluster	Subrecipient Monitoring	Qualified	07-10
14.239	HOME Investment Partnerships Program	Davis-Bacon Act	Qualified	07-11
14.239	HOME Investment Partnerships Program	Subrecipient Monitoring	Qualified	07-12
14.239	HOME Investment Partnerships Program	Earmarking	Qualified	07-13
93.645	Child Welfare Services	Eligibility	Qualified	07-14
93.778	Medical Assistance Program	Eligibility	Qualified	07-15
10.551, 10.561	Food Stamp Cluster	Special Tests and Provisions	Qualified	07-16
93.575, 93.596	Child Care Cluster	Eligibility/Allowable Costs	Qualified	07-17

In our opinion, except for the noncompliance described above, 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, 2007. 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 07-18, 07-19, 07-20, 07-21, 07-22, 07-23, 07-24, 07-25, 07-26, 07-27, 07-28, 07-29, 07-30, 07-31, 07-32, 07-33, 07-34, 07-35, 07-36, 07-37 and 07-38.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the 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 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 as defined below. 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 07-09, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, 07-16, 07-17, 07-18, 07-19, 07-20, 07-21, 07-22, 07-23, 07-24, 07-25, 07-26, 07-27, 07-28, 07-29, 07-30 and 07-31 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 07-09 and 07-10 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, 2007, and have issued our report thereon dated June 13, 2008, which contained references to the reports of other accountants and contained an explanatory paragraph regarding a restatement of beginning net assets for the Denver Airport System, a business-type activity of the City. 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 governing body, management 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 13, 2008

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Agriculture</b>				
Food Stamp Program (n)	Colorado Department of Human Services		10.551	\$ 61,302,907
State Administrative Funding for the Food Stamp Program	Colorado Department of Human Services		10.561	<u>7,344,343</u>
<b>Total Department of Agriculture</b>				<u>68,647,250</u>
<b>Department of Commerce</b>				
Economic Adjustment Assistance			11.307	<u>101,380</u>
<b>Department of Housing and Urban Development</b>				
Community Development Block Grants (CDBG)/ Entitlement Grants			14.218	23,381,638
Community Development Block Grants/State's Program	Colorado Department of Local Affairs/Division of Housing	H6CDB05057G, H7CDB06043G	14.228	597,476
Emergency Shelter Grants Program			14.231	431,467
Shelter Plus Care			14.238	1,854,462
HOME Investment Partnerships Program			14.239	7,547,344
Housing Opportunities for Persons with AIDS			14.241	1,235,086
Community Development Block Grants/Brownfields Economic Development Initiative Community	Colorado Department of Local Affairs/Division of Housing	H6CDBG05041G	14.246	106,978
Development Block Grant - Section 108 Loan Guarantee Program (HUD Section 108) Lead Based Paint Hazard Control in Privately-Owned Housing			14.248	3,629,287
			14.900	<u>611,480</u>
<b>Total Department of Housing and Urban Development</b>				<u>39,395,218</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Justice</b>				
High Intensity Drug Trafficking Area (HIDTA)/Property Confiscation Part E - Developing, Testing and Demonstrating Promising New Programs	Inter-Government Agreement		16.000	2,098,761
	Colorado Division of Criminal Justice		16.541	2,823
National Criminal History Improvement Program (NCHIP)	Institute for Law and Justice	20-RU-15b-27-1	16.554	35,567
National Institute of Justice Research, Evaluation, and Development Project Grants	Colorado Division of Criminal Justice		16.560	194,891
Backlog Reduction Crime Victim Assistance	Colorado Division of Criminal Justice	25-VA-2-90	16.575	41,726
Crime Victim Compensation	Colorado Division of Criminal Justice	26-VC-2, H20067-VC-GX-0029	16.576	750,000
	Colorado Division of Criminal Justice, Colorado Department of Public Safety	24-DB-15a-52-1, 24-DB-04-47-01, 24-DB-15a-42-2	16.579	10,566
Byrne Formula Grant Program			16.580	41,029
Edward Byrne Memorial State and Local Law Enforcement Assistance Drug Court Discretionary Grant Program			16.585	80,440
	Colorado Division of Criminal Justice-Office for Victims of Crime	25-VW-2-47, 26VW-2-47	16.588	76,018
Violence Against Women Formula Grant			16.590	329,177
Grant to Encourage Arrest Policies and Enforcement of Protection Orders			16.606	1,000,000
State Criminal Alien Assistance Program			16.607	12,100
Bulletproof Vest Partnership Program	Colorado Division of Criminal Justice	26-CP-1-121-3	16.609	33,047
Community Prosecution and Project Safe Neighborhoods Public Safety Partnership and Community Policing Services Grants			16.710	3,368,905

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Enforcing Underage Drinking Laws Program	State of Colorado, Department of Revenue, Liquor Enforcement Division	TAA 07/00036	16.727	22,009
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Division of Criminal Justice	26-DJ-02-28-1	16.738	214,991
Forensic DNA Capacity Enhancement Program			16.741	71,223
Forensic Casework DNA Backlog Reduction Program			16.743	44,365
Anti-Gang Initiative	Colorado Division of Criminal Justice	26-AG-01-503-1	16.744	61,351
Criminal and Juvenile Justice and Mental Health Collaboration Program	Colorado Judicial Department, Denver Juvenile Drug Court		16.745	<u>28,766</u>
<b>Total Department of Justice</b>				<u>8,517,755</u>
<b>Department of Labor</b>				
Employment Services	Colorado Department of Labor and Employment	07 KAA 0004, 08 KAA 0004	17.207	1,763,865
Disabled Veterans' Outreach Program (DVOP)	Colorado Department of Labor and Employment	07 KAA 0004, 08 KAA 0004	17.801	19,750
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	07 KAA 0004, 08 KAA 0004	17.804	17,894
Homeless Veterans Reintegration Project			17.805	<u>297,573</u>
<b>Subtotal Employment Services Cluster</b>				<u>2,099,082</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
WIA Adult Programs	Colorado Department of Labor and Employment	06 KAA 0004, 07 KAA 0004, 08 KAA 0004	17.258	2,261,803
WIA Youth Activities	Colorado Department of Labor and Employment	06 KAA 0004, 07 KAA 0004, 08 KAA 0004 05 KAA 0004, 06 KAA 0004, 07 KAA 0004 06WF26DC, 06WFDC/07WF01DC, 06WFDC/07WF16DC, 06WFDC/07WF22DC, 06WFDC/07WF24DC, 06WFDC/08WF03DC, 06WFCD/08WF06DC, 06WFDC/08WF04DC, 06WFDC/08WF16DC	17.259	1,878,858
WIA Dislocated Workers	Colorado Department of Labor and Employment, Colorado Department of Local Affairs	06WFDC/08WF03DC, 06WFCD/08WF06DC, 06WFDC/08WF04DC, 06WFDC/08WF16DC	17.260	<u>2,063,868</u>
<b>Subtotal WIA Cluster</b>				<u>6,204,529</u>
Employment and Training Administration Pilots, Demonstrations and Research Projects	Colorado Department of Labor and Employment	06 KAA 0209	17.261	2,352,171
Youth Opportunity Grants			17.263	2,517
Work Incentive Grants	Colorado Department of Local Affairs	06WFCD/L7DPNDC, 06WFDC/L7YTGDC	17.266	<u>97,212</u>
<b>Total Department of Labor</b>				<u>10,755,511</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Transportation</b>				
Airport Improvement Program			20.106	1,580,841
		13020 14171 14170 20024		
		14785 14442 15198 15162		
		15233 15232 15398 15170		
Highway Planning and Construction	Colorado Department of Transportation, RTD	15759 15673 16017 16015 16016	20.205	10,033,833
State and Community Highway Safety	Colorado Department of Transportation	07 HTS 00033	20.600	<u>18,603</u>
<b>Total Department of Transportation</b>				<u>11,633,277</u>
<b>National Foundation on the Arts and the Humanities</b>				
Museum for America Grants			45.301	28,050
National Leadership Grants			45.312	364,068
State Library Program			45.313	<u>368,096</u>
<b>Total National Foundation on the Arts and the Humanities</b>				<u>760,214</u>
<b>Veterans Health Administration, Department of Veterans Affairs</b>				
VA Homeless Providers Grant and Per Diem Program			64.024	<u>47,692</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Environmental Protection Agency</b>				
Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act			66.034	14,374
Community Action for a Renewed Environment (CARE) Program			66.035	1,434
Performance Partnership Grants from Environmental Health Risks	Colorado Department of Public Health and Environment	PO FAA AIR0500102	66.605	1,776
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			66.802	515,139
Solid Waste Management Assistance Grants			66.808	10,613
Brownfields Pilots Cooperative Agreements			66.811	105,216
Brownfields Assessment and Cleanup Cooperative Agreements			66.818	<u>2,432</u>
<b>Total Environmental Protection Agency</b>				<u>650,984</u>
<b>Office of Energy Efficiency and Renewable Energy, Department of Energy</b>				
State Energy Program	Governor's Office of Energy Management and Conservation	PO 06-164	81.041	10,000
<b>Department of Energy-xxx</b>				
State Energy Program-xxx	Colorado Department of Local Affairs, Division of Emergency Management	4EM78917	83.552	<u>36,787</u>
				<u>46,787</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Education</b>				
Rehabilitation Services Vocational Rehabilitation Grants to States	Colorado Department of Local Affairs	06WFDC/07WF01DC, POIHA REHB0810, 06WFDC/08WF03DC	84.126	87,606
Special Education Grants for Infants and Families with Disabilities	Denver Early Childhood Connections		84.181	219
Literacy for Incarcerated Adults			84.255	<u>163,767</u>
<b>Total Department of Education</b>				<u>251,592</u>
<b>State Energy Program Special Projects</b>				
Help America Vote Act Requirements Payments	State of Colorado, Department of State	POVAA060000000077	90.401	<u>(35,000)</u>
<b>Department of Health and Human Services</b>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Denver Regional Council of Governments	EX05027, EX06061, EX06059	93.044	171,542
Special Programs for the Aging Title IV and Title II Discretionary Projects	Colorado Department of Human Services		93.048	115,034
Enhance the Safety of Children Affected by Parental Methamphetamine or other Substance Abuse			93.087	1,151
Injury Prevention and Control Research and State Community Based Programs	Colorado Department of Public Health and Environment	PC FLA PPG07000008	93.136	3,050
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Colorado Department of Human Services	PO ADA 07011, PO IHM ADA07	93.243	218,855
Drug-Free Communities Support Program Grants			93.276	144,115

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Centers for Disease Control and Prevention Investigations and Technical Assistance Abandoned Infants	Colorado Department of Public Health and Environment, Denver Health and Hospital Authority	PO FHA EPI0700240, E1589C-1, OE FHA EPI08000025, P.O. #OE FHA EPI06000161	93.283	127,110
			93.551	246,128
Promoting Safe and Stable Families	Colorado Department of Human Services	PO IHA CWSX0701228	93.556	432,955
Temporary Assistance for Needy Families	Colorado Department of Human Services		93.558	26,275,065
Child Support Enforcement	Colorado Department of Human Services		93.563	8,530,353
Child Support Enforcement Research	Colorado Department of Human Services		93.564	482,510
Refugee and Entrant Assistance-State Administered Programs	Colorado Department of Human Services		93.566	64,888
Low-Income Home Energy Assistance	Colorado Department of Human Services		93.568	4,176,863
Community Services Block Grant	Colorado Department of Labor and Employment	L6CSBG13, L7CSBG13	93.569	948,749
Child Care Resource Development Block Grant	Colorado Department of Human Services	OEIHACCLC0700003	93.575	5,950,121
Refugee and Entrant Assistance - Targeted Assistance Grants	Colorado Department of Human Services	06 IHA 00414, 07 IHA 00425	93.584	234,122
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services		93.596	13,452,975
Head Start			93.600	7,667,503

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
Voting Access for Individuals with Disabilities - Grants to State	Colorado Department of State, HAVA Division	42 U.S.C. 15421	93.617	120
Child Welfare Services-State Grants	Colorado Department of Human Services		93.645	891,458
Adoption Opportunities	Colo. Coalition of Adoptive Families	90-CO-1004	93.652	27,494
Foster Care-Title IV-E	Colorado Department of Human Services		93.658	13,815,552
Adoption Assistance	Colorado Department of Human Services		93.659	3,987,252
Social Services Block Grant	Colorado Department of Human Services		93.667	15,046,786
Chafee Foster Care Independent Living	Colorado Department of Human Services		93.674	265,436
Medical Assistance Program	Colorado Department of Human Services		93.778	6,301,766
HIV Emergency Relief Project Grants			93.914	5,367,173
HIV Care Formula Grants	Colorado Department of Public Health and Environment	PO FHA SOD0200190, FHA 05-00283	93.917	<u>485,826</u>
<b>Total Department of Health and Human Services</b>				<u>115,431,952</u>
<b>Corporation for National &amp; Community Services</b>				
AmeriCorps	Governor's Commission on Community Support: AmeriCorps	06AC058687, 06AFHCO0010	94.006	<u>242,094</u>

**City and County of Denver**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Cluster/Program	Federal Agency/ Pass-through Entity	Pass-through Identifying Number If Applicable	CFDA Number	Amount
<b>Department of Homeland Security</b>				
Urban Areas Security Initiatives	Colorado Department of Local Affairs, Division of Emergency Management	5EM75717U	97.008	3,092,733
Emergency Food and Shelter National Board Program	Metro Denver Emergency Food and Shelter Board	LRO ID 101200-016	97.024	21,250
Public Assistance Grants	Colorado Department of Local Affairs, Division of Emergency Management	7EM79B17	97.036	1,644,846
Emergency Management Performance Grants	Colorado Department of Local Affairs, Division of Emergency Management	6EM17	97.042	41,578
Assistance to Firefighters Grant			97.044	7,809
Homeland Security Grant Program	Colorado Department of Local Affairs	7EM76717, 7EM75517L, 8EM75B17	97.067	2,251,943
Law Enforcement Terrorism Prevention Program	Colorado Department of Local Affairs	5EM75517L, 5EM75717U	97.074	91,804
Buffer Zone Protection Plan (BZPP)	Colorado Department of Local Affairs	6EM75B17, 8EM75B17	97.078	41,247
Transportation Security Administration DTSA20-03-A-01854			97.000	<u>636,973</u>
<b>Total Department of Homeland Security</b>				<u>7,830,183</u>
<b>Total Federal Expenditures</b>				<u>\$ 264,276,889</u>

(n) noncash federal award

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

**Notes to Schedule**

1. 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, 2007. The schedule does not include \$2,436,144 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 federal resources and eligibility requirements are met, or on the accrual basis at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund except for the following programs, which are reported in the schedule of expenditures of federal awards on the cash basis:

Food Stamp 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
Child Welfare Services	93.645
Foster Care	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Chafee Foster Care Independent Living Program	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**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

**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 the City's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the City, in the amount of approximately \$164,392,000, of which \$96,095,714 is the Federal share. The revenue and expenditures associated with these federal programs are not recognized in the City's basic financial statements.

**4. State Information Technology System**

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

**5. Revolving Loan Fund**

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, 2007, are as follows:

Neighborhood Development Loans	\$ 4,608,000
Economic Development Loans	43,979,000
Housing Development Loans	<u>73,335,000</u>
	121,922,000
Less allowance for uncollectibles	<u>(41,351,000)</u>
Notes receivable, net	<u><u>\$ 80,571,000</u></u>

**City and County of Denver**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

**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:

<b>Program</b>	<b>CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
State Administrative Funding for the Food Stamp Program	10.561	\$ 55,963
Community Development Block Grants	14.218	7,445,133
Community Development Block Grants/State's Program	14.228	520,000
Emergency Shelter Grants Program	14.231	303,984
Shelter Plus Care	14.238	1,647,918
HOME Investment Partnerships Program	14.239	1,462,704
Housing Opportunities for Persons with AIDS	14.241	1,187,157
Lead Based Paint Hazard Control in Privately-Owned Housing	14.900	611,480
Public Safety Partnership and Community Policing Services Grants	16.710	590,227
WIA Adult Programs	17.258	191,774
WIA Youth Activities	17.259	963,096
WIA Dislocated Workers	17.260	97,121
WIA Pilots, Demonstrations, and Research Projects	17.261	2,055,052
Work Incentive Grants	17.266	22,000
Temporary Assistance for Needy Families	93.558	2,000,645
Community Services Block Grant Discretionary Awards-Community Food and Nutrition	93.569	450,268
Child Care Resource Development Block Grant	93.575	1,105,004
Refugee and Entrant Assistance-Targeted Assistance Grants	93.584	11,200
Head Start	93.600	6,250,808
HIV Emergency Relief Project Grants	93.914	4,964,934
HIV Care Formula Grants	93.917	480,629
		<u>\$ 32,417,097</u>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2007**

**Summary of Auditor's Results**

1. The opinion(s) expressed in the independent accountants' report was (were):  
(Check each description that applies)
- 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 deficiency(ies) noted considered material weakness(es)?     Yes     No
- Significant deficiency(ies) 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):  
(Check each description that applies. If any other than unqualified apply, also list the name of each major program by the type of opinion applicable to that program.)
- 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, 2007**

7. The City's major programs were:

Cluster/Program	CFDA Number
Food Stamp Cluster	10.551, 10.561
Shelter Plus Care	14.238
HOME Investment Partnerships Program	14.239
Public Safety Partnerships and Community Policing Services Grants	16.710
WIA Program Cluster	17.258, 17.259, 17.260
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
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

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, 2007**

**Findings Required to be Reported by Government Auditing Standards:**

Reference Number	Finding
07-01	<p><b>Finding: Denver Department of Human Services (DDHS) – Reconciliations and Communications</b></p> <p><b>Criteria or specific requirement:</b> Accrued liability and grant receivables accounts should be reconciled on a timely basis and accounts that are incorrect or uncollectible should be adjusted.</p> <p><b>Condition:</b> We encountered significant delays in the return of responses to our accrued liability analytical inquiries relating to DDHS. After many weeks we obtained information that ultimately led to the determination that the accrual accounts being questioned, and several others, were significantly overstated. This overstatement resulted in an audit adjustment of approximately \$1.8 million. In addition, we discovered a DDHS grant receivable that was not valid and should be written off.</p> <p><b>Context:</b> The overstatement of the accrual accounts netted to an error of approximately \$1,800,000 while the error in the grant receivable equaled approximately \$715,000. Total DDHS grants payable and grant receivables were \$3,200,000 and \$2,300,000, respectively, as of December 31, 2007.</p> <p><b>Effect:</b> A net adjustment of approximately \$1,800,000 was recorded to decrease the accrued liability accounts. Additionally, a passed entry totaling approximately \$760,000 was proposed to decrease the grant receivables balance.</p> <p><b>Cause:</b> Failure to timely reconcile and review the various DDHS accounts was the primary cause of the errors noted. The individual responsible for reconciling this account had left DDHS in March 2007 and had not been replaced and apparently the liability accounts had not been reconciled since that time. The grant receivables account in question had been established many years ago and had not been properly reconciled and monitored over the years.</p> <p>While these issues could have been avoided through the accurate and timely reconciliation of the accounts, a weakness was also noted in the overall control environment of DDHS. First, there appears to be a weakness in the training and staffing functions of DDHS. The main reason the liability reconciliations were not performed was that the key employee who handled these reconciliations left DDHS and there was either no other employee who was familiar with the reconciliation process who could have continued the process, or there was not adequate staffing to fill this role.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p>Secondly, there was a lack of communication between DDHS and the Controller's Office that exacerbated this situation. It took many weeks to receive a response from DDHS regarding our analytic inquires and several attempts made by the Controller's Office to obtain the responses were ignored. Hence, we did not receive the responses that ultimately led to the significant adjustment until very late in the audit process. This caused delays and inefficiencies in the preparation of the City and County of Denver's Comprehensive Annual Financial Report (CAFR). If the issue was communicated earlier in the process, the Controller's Office could have assisted in the resolution of the matter.</p> <p><b>Recommendation:</b> The City and County of Denver needs to impress upon DDHS the importance of communication between the Controller's Office and DDHS. Furthermore, DDHS should immediately assess its staffing requirements and ensure that those requirements are met. Finally, the City and County of Denver needs to assure that agencies understand the importance and need for timely and accurate reconciliations in order to maintain accurate financial reporting.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees.</p> <p>Name of contact person responsible for corrective action: June Allen, DDHS.</p> <p>Corrective action planned: The City and County of Denver will impress upon agencies the importance of communication and reconciliations. (Please see subsequent comment titled, "<i>Various Agencies-Reconciliation of Accounts</i>"). Denver Department of Human Services agrees that there is a need to reconcile and review all DDHS accounts more timely. Denver Department of Human Services believes that most accounts are reconciled on a monthly basis; however the liability account and the adjustment to the grant receivable account are exceptions to this. The grant receivable account in question is an unusual fund, and not truly a grant. The accountant that prepared the 2007 accrual entry misunderstood the nature of the fund, and the error in the entry was inadvertently overlooked on review. This is an isolated incident, with unusual circumstances, and not indicative of a pattern.</p> <p>Anticipated completion date: October 31, 2008.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-02	<p><b>Finding: Municipal Airport System – Transaction Review and Performance of Analytics</b></p> <p><b>Criteria or specific requirement:</b> Transactions and general ledger balances should be reviewed, reconciled, and properly reported by checking mathematical computations and by reviewing the underlying data, including contracts, bond documents, etc., to be sure that correct reports are used for the calculations, that the methodology applied to the data is reasonable, and that the results fall within expected ranges.</p> <p><b>Condition:</b> The Municipal Airport System, as lessor, has numerous operating lease agreements with concessionaires, car rental facilities and airlines whereby a portion of the Municipal Airport System’s revenues derived from such agreements is based on the revenues of the lessee. The Municipal Airport System also receives aviation fuel tax revenue from the State of Colorado based on usage of fuel at the Airport. Prior audits of the lease agreements have determined underpayments to the Municipal Airport System under the terms of the agreements. Additionally, during 2007 the Municipal Airport System determined that it had been underpaid by the State for aviation fuel tax for the period 2003-2007. In addition, during the course of the audit, misstatements were discovered by the auditors and management in losses on deferred refundings, accrued interest payable, capitalized interest, interest expense, other revenue and expense, and assets held for disposition.</p> <p><b>Context:</b> The discovery by management of underpaid aviation fuel tax resulted in payment by the State to the Municipal Airport System of approximately \$18 million and the discovery by management of misposting of cash receipts to other revenue and expenses resulted in a decrease in assets held for disposition and other revenues and expenses of \$2.1 million. Additionally, the misstatements discovered by the auditors netted to a \$9.2 million understatement of interest expense.</p> <p><b>Effect:</b> Adjustments were recorded to correct the misstatements.</p> <p><b>Cause:</b> While the Municipal Airport System currently prepares quarterly interim financial statements that include a management’s discussion and analysis, it does not have a formalized process for the review and research of variances in reported data between periods or from expectations based on volumes of business or other key indicators. Its current review process does not appear to include an effective detailed analysis of the information used to prepare the calculations that underlie transactions, reviewing the periods used in accrual calculations to make sure they coincide with the period covered by the financial statements, or that the correct accounting theory is applied to the determination of amounts to be recorded.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Recommendation:</b> We recommend the Municipal Airport System develop a formal process for the oversight of its reported data that incorporates tests of contracts for compliance with revenue provisions, the use of analytics to determine if reported revenues and expenses are consistent with expectations of management, and the evaluation of underlying support for calculations to ensure that the information is the correct information, the results of the calculations are reasonable based on expectations, and that the periods used in the calculations are correct.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The Municipal Airport System agrees.</p> <p>Name of contact person responsible for corrective action: Laura Trujillo, Municipal Airport System.</p> <p>Corrective action planned: The Municipal Airport System has currently put in place a new policy and procedures for financial reporting and analysis. Airport management was instrumental in identifying the decrease in the State fuel tax by attending quarterly meetings that were held by the Department of Revenue and Department of Transportation to discuss the decrease which led to the finding of the State fuel tax. Management has taken corrective action to correct the bond accounting function error which was in part due to the large volume of bond deals that happened at the Airport within a short timeframe. Correction to interest expense and deferred refunding was done with the 2008A bond transaction. Because of the review process in place, Airport management was able to identify journal vouchers that needed to be adjusted each quarter and at year-end; this process will continue.</p> <p>Anticipated completion date: July 1, 2008.</p>
07-03	<p><b>Finding: Municipal Airport System – Capital Assets</b></p> <p><b>Criteria or specific requirement:</b> 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. All capital assets meeting the capitalization policy should be recorded on the capital asset detail. A physical inventory of all capital assets should be completed annually as a part of the internal controls over capital assets.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Condition:</b> The Municipal Airport System:</p> <ul style="list-style-type: none"><li>• Performs a physical inventory of only a relatively small sample of items from one of the three capital asset categories once every three years.</li><li>• Failed to record certain buildings and equipment, paid for with special facilities bond proceeds, as capital assets or to detect this exception through internal control monitoring activities.</li><li>• Had not completed review of all construction in progress projects to determine their status and proper treatment as of year end. The Airport established new procedures in 2007 that facilitate regular meetings of representatives from finance and engineering to review projects for propriety of capitalization and project completion dates. In addition, the Airport developed new capital asset detail reports to provide accurate detailed support and enhance management's monitoring capabilities. Although implementation of these procedures enhanced the capital asset reporting function, the review team was unable to complete its review of all projects prior to year end.</li></ul>
	<p><b>Context:</b> The Municipal Airport System's total capital assets, net of accumulated depreciation, as of December 31, 2007 totaled approximately \$3.47 billion.</p>
	<p><b>Effect:</b> A net adjustment of approximately \$124.4 million was required to restate prior year capital asset amounts to record assets not previously reported, net of eliminations of improperly capitalized items, and a net adjustment of approximately \$5.6 million was required for 2007 activity.</p>
	<p><b>Cause:</b> New policies and procedures for review of project accounts were not implemented until September 2007 due to staff turnover, which did not provide sufficient time for a full review of all projects. In addition, completion of a physical inventory of a sample of items does not provide adequate monitoring controls over capital assets. In addition, at the time of the Airport's construction in 1995, a complete and proper review of special facilities bond documents was not performed to determine ownership of the financed facilities.</p>
	<p><b>Recommendation:</b> The Municipal Airport System should establish policies and procedures for a review of bond documents/loan agreements to determine how property, financed by such agreements, is titled. The Municipal Airport System is strongly encouraged to continue its development of procedures to improve communication on projects and ensure proper capitalization of construction in progress items. A physical inventory should be performed annually of capital assets. If it is not considered feasible to inventory all items, a threshold should be determined for examination of assets.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The Municipal Airport System agrees.</p> <p>Name of contact person responsible for corrective action: Laura Trujillo, Municipal Airport System.</p> <p>Corrective action planned: The Municipal Airport System has a procedure in place to identify the new bond and loan agreements for property that is financed by such agreements. The Special Facility bonds were dated in 1992 and 1999. Because of the current procedures in place, Airport management was able to identify the assets associated with the Special Facility bonds and determine that the Airport owned title on them and that they should be recorded on the Airport's general ledger. The Municipal Airport System is currently in the final stage of reviewing all of the construction in progress projects. The Municipal Airport System has had a summit meeting with all the necessary parties to work on developing a more efficient capital projects management program. The Municipal Airport System will develop a new physical inventory process to use for the September inventory performed.</p> <p>Anticipated completion date: September 30, 2008.</p>
07-04	<p><b>Finding: Various Agencies – Reconciliation of Accounts</b></p> <p><b>Criteria or specific requirement:</b> All accounts, regardless of materiality, should be accurately and timely reconciled at both year end and throughout the year. This not only helps to ensure accurate financial recording, but also is a vital component of a sound internal control environment.</p> <p><b>Condition:</b> Several agencies did not timely and accurately perform reconciliations at year end or during the year and various accounting issues were not properly communicated to the Controller's Office. Specifically we observed:</p> <ul style="list-style-type: none"> <li>• Cash account reconciliations at the Public Trustee were incomplete and inaccurate.</li> <li>• The Office of Economic Development (OED) received an asset as a result of a defaulted loan. This asset was not recorded by OED, nor was it reported to the Controller's Office to be recorded.</li> <li>• OED was still reconciling loan accounts when our final audit procedures began and many adjustments were made by the agency during the audit.</li> <li>• The Controller's Office discovered several cash accounts in Treasury that related to housing deposits. These accounts had never been recorded and the Controller's Office was not previously aware of the existence of these accounts.</li> </ul>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<ul style="list-style-type: none"> <li>• Overstated receivable and deferred revenue balances were discovered at Community Planning and Development (CPD).</li> <li>• The Municipal Airport System decided to adopt Governmental Accounting Standards Board (GASB) Statement No. 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>, near the end of the audit. One enterprise or agency cannot unilaterally adopt new accounting standards without the reporting entity adopting the same pronouncements.</li> </ul> <p><b>Context:</b> Errors ranged from approximately \$213,000 at Public Trustee to \$3.2 million in OED. The unrecorded cash accounts in Treasury were approximately \$1.2 million. While the net difference in the overstatement of receivables and deferred revenue in CPD was immaterial, the overstatement of the asset account was \$830,000 while the overstatement to the liability account was \$824,000.</p> <p><b>Effect:</b> The City and County of Denver recorded adjustments for all of these items. In addition, a passed adjustment was proposed for the prior year effect of the housing cash accounts in the amount of approximately \$1,700,000. All of these items significantly hindered and delayed the audit process.</p> <p><b>Cause:</b> Failure to perform timely and accurate reconciliations and inadequate communication between the agencies and the Controller’s Office were the primary causes for these errors. This is especially true in the case of the housing accounts at Treasury and the omission of recording the asset at OED. In the case of Treasury, Treasury was aware of these accounts, but due to the nature of the cash accounts, did not believe it proper to record them. The same is true regarding the asset at OED, however OED independently determined that the asset should not be recorded. When the Controller’s Office ultimately became involved in both of these issues, the determinations made by the agencies proved to be inaccurate. If the Controller’s Office had initially been involved in the discussion regarding the proper treatment of these items, the proper accounting determination would have been made and additional time and work would have been avoided.</p> <p><b>Recommendation:</b> The City and County of Denver agencies must implement controls to ensure that timely and accurate reconciliations are being performed throughout the year, and especially at year end. In addition, communication between the agencies and the Controller’s Office should be improved and the Controller’s Office should be involved in all significant accounting determinations and decisions. While training and staffing may also be contributing to the lack of reconciliations, and the resulting adjustments, improving communication between the agencies and the Controller’s Office could greatly reduce the need for these types of adjustments in the future.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees.</p> <p>Name of contact person responsible for corrective action: Beth Machann, City and County of Denver Controller.</p> <p>Corrective action planned: The Controller’s Office will evaluate the controls in place to ensure timely and accurate reconciliations. We will implement a quarterly process to ensure reconciliations are occurring and a revised year-end process to ensure review of reconciliations, journals and agency processes. In addition, the Controller will meet with each agency to stress the importance of communication and any specific concerns related to the agency. The Controller’s Office has communicated the specific issues addressed above and found the primary causes were a turnover of staff and a lack of understanding of accounting treatment. The Controller’s Office will take all of these into consideration in the implementation of a revised process.</p> <p>Anticipated completion date: September 30, 2008.</p>
07-05	<p><b>Finding: Wastewater Management Enterprise Fund – Capital Assets</b></p> <p><b>Criteria or specific requirement:</b> 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, replaced or transferred out of construction in process, so that the proper dollar amounts can be removed or transferred from the records at that time. Additionally, capital asset subsystems should be reconciled to all applicable general ledger accounts on a monthly basis.</p> <p><b>Condition:</b> While significant improvements were made during 2007 to the capital asset recording function, adjustments were required to correct additions and deletions as well as remove a land purchase which had been recorded in the capital asset records twice.</p> <p>In addition, depreciation policies used by Wastewater Management Enterprise Fund with respect to when depreciation commences on assets placed in service are not consistent with the City and County of Denver’s depreciation policies (<i>i.e.</i> the City and County of Denver’s policy provides that depreciation commences in the month subsequent to the asset being placed in service while Wastewater Management Enterprise Fund commences depreciation in the month the asset is placed in service).</p> <p>Also, capitalized interest 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>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Context:</b> Wastewater Management Enterprise Fund reported capital assets of approximately \$668,620,000 as of December 31, 2007 and accumulated depreciation of approximately \$197,030,000 for a net book value of approximately \$471,590,000.</p> <p><b>Effect:</b> Several adjustments that aggregated to a net decrease in capital assets of approximately \$2.4 million were required to correct capital asset recording for 2007.</p> <p><b>Cause:</b> In previous years, Wastewater Management Enterprise Fund had not committed sufficient personnel resources to the recording and review of capital asset transactions. Resources committed in the current year were spent predominantly correcting prior year information. In addition, Wastewater Management Enterprise Fund had turnover in several key accounting positions which were not filled until immediately before, or even subsequent to, year end. Another issue complicating the recording of capital assets is the budgetary requirement to initially record all capital assets as expenditures.</p> <p><b>Recommendation:</b> Wastewater Management Enterprise Fund should adhere to the City and County of Denver's written policies covering capital assets so that there is a consistent application of policies for the capitalization of fixed assets. Such adherence to City and County of Denver policies would also help 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, disposals are properly removed from the accounting records in the proper accounting period, and transfers from construction in process are properly captured.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees.</p> <p>Name of contact person responsible for corrective action: Don Andriese, Department of Public Works.</p> <p>Corrective action planned: Wastewater Management will follow written policies and capitalize, reconcile, and update a capital asset roll-forward worksheet on a monthly basis.</p> <p>Anticipated completion date: September 30, 2008.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-06	<p><b>Finding: Wastewater Management Enterprise Fund – Accounting Function</b></p> <p><b>Criteria or specific requirement:</b> 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><b>Condition:</b> Currently, a significant portion of Wastewater Management Enterprise Fund’s accounting functions is 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, allowance for doubtful accounts, and preparation of financial statements. In addition, numerous journal entries were prepared and/or posted incorrectly making the research and reconciliation process increasingly more difficult.</p> <p><b>Context:</b> Several key reporting classifications on the statement of net assets are impacted by the failure to perform accounting functions timely, which have a corresponding impact on the statement of revenues, expenses and changes in net assets.</p> <p><b>Effect:</b> 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><b>Cause:</b> Wastewater Management Enterprise Fund did not commit sufficient personnel resources to the accounting function in early 2007, to allow for timely and accurate monthly processing (approval and recording), reconciliation and reporting of financial transactions. In addition, Wastewater Management Enterprise Fund had turnover in several key accounting positions which were not filled until immediately before, or even subsequent to, year end. Once the positions were filled, adequate training was not provided on the accounting system to allow proper research and reconciliation of accounts.</p> <p><b>Recommendation:</b> 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. In addition, journal entries should be reviewed more closely to ensure they are accurately prepared and posted. Also, adequate training should be provided to all accounting personnel on an as-needed basis.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees.</p> <p>Name of contact person responsible for corrective action: Don Andriese, Department of Public Works.</p> <p>Corrective action planned: Wastewater Management will perform all necessary accounting procedures and reconciliations on a monthly basis. A monthly reporting package will be prepared by accounting staff and reviewed by appropriate management personnel. Journal entries will be prepared by senior/staff accountants, then reviewed by the accounting supervisor, approved by Wastewater Management's controller, and submitted to the Controller's office for final review and posting. In addition to one-on-one training, a cross-training program within the public works accounting team has been initiated to ensure depth and coverage for all senior accountants.</p> <p>Anticipated completion date: September 30, 2008.</p>
07-07	<p><b>Finding: Municipal Airport System – Cutoff of Cash Receipts</b></p> <p><b>Criteria or specific requirement:</b> Cash receipts should be posted against accounts receivable on the date the cash is received.</p> <p><b>Condition:</b> The City and County of Denver processed Airport System cash receipts received prior to January 1, 2008 on January 2, 2008.</p> <p><b>Context:</b> The cash received on December 31, 2007 totaled \$2.3 million.</p> <p><b>Effect:</b> Cash was understated and accounts receivable were overstated as of December 31, 2007.</p> <p><b>Cause:</b> The cash was not processed in a timely manner.</p> <p><b>Recommendation:</b> The City and County of Denver should process cash receipts on a timely basis or report reconciling items properly so that transactions can be reported properly in the financial statements.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The Municipal Airport System agrees.</p> <p>Name of contact person responsible for corrective action: Beth Machann, City and County of Denver Controller.</p> <p>Corrective action planned: At the beginning of 2008 the City and County of Denver put in place a check scanning process which enabled the bank to post the deposit the same day the Municipal Airport System received the cash. This ensures the deposits are posted in the Municipal Airport System accounting system, the bank, and the City and County of Denver's central accounting system on the same day to avoid any potential timing issues.</p> <p>Anticipated completion date: July 1, 2008.</p>
07-08	<p><b>Finding: Public Trustee office – Lack of Sufficient Controls Over Outstanding Checks</b></p> <p><b>Criteria or specific requirement:</b> Adequate controls should be maintained over all disbursements. These controls should allow for proper monitoring and reconciliation of outstanding checks.</p> <p><b>Condition:</b> The Public Trustee Office allows checks to be picked up at the office by the payee. While attempting to reconcile cash accounts, due partially to our audit procedures, the Agency discovered several checks that had not been picked up by the payee and had not been properly recorded. Furthermore, these checks were discovered in a desk drawer, not a secure location. The Public Trustee Office has had great difficulty in reconciling its cash accounts and accounting for outstanding checks.</p> <p><b>Context:</b> The Public Trustee Office, in conjunction with assistance from the Controller's Office, has spent several months in 2007 trying to reconcile the cash accounts and resolving the issues and questions surrounding the outstanding checks. However, at year end, this process was not completed and will continue into 2008.</p> <p><b>Effect:</b> The Public Trustee Office discovered approximately \$40,000 in checks that had not been picked up by the payee. While performing our outstanding check testing, we noted that the outstanding check listing contained approximately \$3,800,000, of which \$450,000 of these checks should not have been included on the list, because they were already voided and payment had been stopped. We also observed that there were approximately \$217,000 in checks that have been outstanding since 2006 and prior.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Cause:</b> The employee position at the Public Trustee Office that is responsible for the reconciliation of the cash accounts, and the outstanding check listing, was vacant for many months during 2007. It appears that the reconciliations were not performed while this position was vacant.</p> <p><b>Recommendation:</b> The Public Trustee Office must become current on all reconciliations and resolve the issues relating to the outstanding checks. Upon completion, the Public Trustee Office should cross-train employees to perform this function to ensure that if this position becomes vacant again, the reconciliations will still remain current.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The Public Trustee Office agrees.</p> <p>Name of contact person responsible for corrective action: Lisa Sandoval, City and County of Denver Clerk and Recorder's Office.</p> <p>Corrective action planned: The Public Trustee Office has been and is taking specific actions to address this issue. The Controller's Office initiated a project during 2007 to assist the Public Trustee Office in reconciling its accounts and establishing a new process with strong internal controls. The Public Trustee Office's bank reconciliations are being done monthly and are current as of May 2008. In an effort to improve its accounting practices, the senior accountant is using a separate "book account" to balance each bank account's activity.</p> <p>The Public Trustee Office is in the process of researching and verifying the previously noted stale dated and outstanding checks from 2007 and prior. We plan to make an adjustment to the bank balance for this account in PeopleSoft by July 31, 2008, so it will reflect accurate balances going forward.</p> <p>Because the Public Trustee Office's bank accounts are being reconciled in an accurate and timely manner, the Public Trustee Office is now able to easily identify stale dated checks and outstanding checks at the end of each month. The senior accountant is currently reviewing these items monthly and is working with the Public Trustee Office to investigate any outstanding checks over 30 days old and/or outstanding checks for large dollar amounts.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p>The Public Trustee Office is also working to implement a new check request process that should provide more internal controls over how checks are generated and disbursed. This new process will improve the senior accountant's ability to track checks more closely. All checks issued and waiting to be picked up will be kept in the safe, as before. All checks that are mailed and returned will also be kept in the safe. Periodically the senior accountant will submit all stale dated and unclaimed checks to the City and County of Denver Treasury as unclaimed money. The Public Trustee Office will also, on an ongoing basis, keep a list of all checks submitted to the City and County of Denver, should the Public Trustee Office get a request for the funds in the future.</p> <p>We plan to have written procedures by August 31, 2008 and will provide cross-training as suggested to avoid repeating this issue in the future.</p> <p>Anticipated completion date: September 30, 2008.</p>

**Findings Required to be Reported by OMB Circular A-133:**

- 07-09      **Finding:** Subrecipient Monitoring
- CFDA No. 16.710 - Public Safety Partnership and Community Policing Servicing Grants**
- Criteria:** The City and County of Denver is responsible for ensuring that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations and provisions of contracts.
- Condition:** The City and County of Denver did not monitor the sole subrecipient under the grant.
- Questioned Costs:** Undeterminable.
- Context:** We selected the sole subrecipient under the grant and noted no monitoring had taken place during the year.
- Effect:** By not establishing an adequate subrecipient monitoring plan and not conducting timely reviews, errors in eligibility and other compliance requirements could remain undetected.
- Cause:** The City and County of Denver did not have procedures in place to ensure subrecipients are monitored for compliance with grant requirements.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow subrecipient monitoring procedures. Monitoring should document procedures performed, results of the testing and follow-up action to ensure that subrecipients are appropriately determining eligibility and are expending funds in accordance with applicable laws, regulations and provisions of contracts.</p> <p><b>Views of responsible officials and planned corrective actions:</b>            The City and County of Denver agrees. The City and County of Denver has a Fiscal Accountability Rule on Grant Management and a Procedure for Subrecipient Monitoring. The Police Department did not follow that procedure; however, they are in the process of establishing and implementing their internal policies and procedures related to compliance. In addition, the Controller’s Office is putting together a Grant Management review process to be completed in October of 2008.</p> <p><b>Responsible Person:</b> Kelli Bennett, Director of Financial Reporting &amp; Analysis, Controller’s Office</p>
07-10	<p><b>Finding:</b> Subrecipient Monitoring</p> <p><b>CFDA No. 93.575, 93.596 - Child Care Cluster</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is responsible for ensuring that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations and provisions of contracts.</p> <p><b>Condition:</b> A subrecipient award was made on March 28, 2006, and subsequently amended during 2007. The City and County of Denver did not have an adequate monitoring plan in place for this subrecipient for the period ended December 31, 2007.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested the subrecipient monitoring documents for the sole subrecipient for the year ended December 31, 2007, and noted the following issues:</p> <ol style="list-style-type: none"> <li>1. The subrecipient was not made aware of award information in the contract, including CFDA #, Federal dollars, audit requirements, etc.</li> <li>2. No documentation of follow-up of identified deficiencies was provided to document corrective action.</li> </ol>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p>3. The subrecipient received over \$500,000 during the year. The Denver Department of Human Services did not have an audit or program specific audit of the subrecipient for 2006 or 2007 as of the date of our fieldwork.</p> <p><b>Effect:</b> By not establishing an adequate subrecipient monitoring plan and not conducting timely reviews, errors in eligibility and other compliance requirements could have gone unnoticed and there is a risk of payments being made for ineligible individuals or activities.</p> <p><b>Cause:</b> The Denver Department of Human Services did not have controls in place to properly monitor and review program specific information from the subrecipient to ensure compliance with Federal program requirements.</p> <p><b>Recommendation:</b> We recommend that the Denver Department of Human Services institute and follow subrecipient monitoring procedures. Documentation of monitoring should include procedures performed, results of the testing and follow-up action.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver, Department of Human Services will include award information for subrecipients in contracts and agreements; document any and all follow-up procedures performed with regard to subrecipients corrective action plans; and take steps to ensure that subrecipients abide by applicable audit requirements.</p> <p><b>Responsible Person:</b> Stan Wilmer, CPA, Performance Improvement and Accountability Division</p> <p><b>Anticipated Completion Date:</b>  September 30, 2008</p>
07-11	<p><b>Finding:</b> Davis-Bacon Act</p> <p><b>CFDA No. 14.239 – HOME Investment Partnerships Program</b></p> <p><b>Criteria:</b> The City and County of Denver is required to monitor contractors for compliance with the Davis-Bacon Act.</p> <p><b>Condition:</b> The City and County of Denver did not monitor all contractors during 2007 for compliance with the Davis-Bacon Act.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested three contracts for compliance with the Davis-Bacon Act and noted one contract did not have documentation of monitoring procedures performed.</p> <p><b>Effect:</b> Contractors may not be in compliance with the requirements of the Davis-Bacon Act, which could risk the funding under this grant.</p> <p><b>Cause:</b> The City and County of Denver has not appropriately monitored all contractors.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure all contracts subject to the Davis-Bacon Act are monitored for compliance from the beginning of the contract.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees with this finding. The contract in question was the Denver Housing Authority (DHA). Due to limited OED staffing, current year's monitoring efforts were prioritized. OED's monitoring visit to DHA was delayed and scheduled in 2008 because of the following reasons: a) DHA already conducts an in-house compliance monitoring for Davis-Bacon Act; in OED's perspective, this renders DHA's risk of non-compliance lesser compared to other contracts, although OED is still aware of its monitoring responsibility, b) the project was in its initial stages; actual construction effort began in 2008, and c) the only reimbursement in 2007 was made on December 6, 2007, for repair work performed on an emergency basis that accounts for approximately 5% of the \$649,500 original construction budget; there were minimal records at that time. OED will strive to complete 100% Davis-Bacon monitoring of all contracts.</p> <p>Effective April 1, 2008, OED consolidated its contracts and compliance units under one manager who will implement the subrecipient monitoring procedures.</p> <p><b>Responsible Person:</b> Nancy Strudwick, Manager of Contracts and Compliance</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-12	<p><b>Finding:</b> Subrecipient Monitoring</p> <p><b>CFDA No. 14.239 - HOME Investment Partnerships Program</b></p> <p><b>Criteria:</b> The City and County of Denver is responsible for ensuring that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations and provisions of contracts.</p> <p><b>Condition:</b> The City and County of Denver did not monitor subrecipients for required eligibility determinations.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> Subrecipients were responsible for determining participant eligibility for the program. We selected two of the five subrecipients for testing and noted documentation did not exist to support monitoring of eligibility determinations.</p> <p><b>Effect:</b> By not monitoring eligibility determinations, ineligible participants may be receiving benefits.</p> <p><b>Cause:</b> The City and County of Denver did not have controls in place to monitor the subrecipients to ensure compliance with Federal program requirements.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow subrecipient monitoring procedures. The monitoring should document procedures performed, results of the testing and follow-up action to ensure that subrecipients are appropriately determining eligibility and are expending funds in accordance with applicable laws, regulations and provisions of contracts.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees. Effective April 1, 2008, the Office of Economic Development consolidated its contracts and compliance units under one manager who will implement the subrecipient monitoring procedures.</p> <p><b>Responsible Person:</b> Nancy Strudwick, Manager of Contracts and Compliance</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-13	<p><b>Finding:</b> Eligibility, Subrecipient Monitoring</p> <p><b>CFDA No. 14.239 – HOME Investment Partnerships Program</b></p> <p><b>Criteria:</b> The City and County of Denver is responsible for ensuring that 100% of home ownership assistance funds are invested in dwelling units occupied by low-income families.</p> <p><b>Condition:</b> Sufficient documentation did not exist to support that the City and County of Denver was monitoring subrecipients to ensure that the eligibility component was followed.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> No documentation could be provided to support that the eligibility requirements were monitored.</p> <p><b>Effect:</b> Contractors may not be in compliance with eligibility requirements.</p> <p><b>Cause:</b> The City and County of Denver has not appropriately monitored contractors.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow subrecipient monitoring procedures. The monitoring should document procedures performed, results of the testing and follow up action to ensure that subrecipients are appropriately determining eligibility and are expending funds in accordance with applicable laws, regulations and provisions of contracts.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees. Effective April 1, 2008, OED consolidated its contracts and compliance units under one manger who will implement the subrecipient monitoring procedures.</p> <p><b>Responsible Person:</b> Nancy Strudwick, Manager of Contracts and Compliance</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-14	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.645 – Child Welfare Services</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all required information regarding eligibility is obtained and retained in the case file.</p> <p><b>Condition:</b> The City and County of Denver did not implement adequate controls over case files to ensure that required documentation is complete and retained in the file.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested 15 case files for eligibility unique to Child Welfare for the year ended December 31, 2007, and noted 5 cases where the required court order or SS-4 was not located in the file.</p> <p><b>Effect:</b> By not implementing adequate controls over data input, the proper determination of Child Welfare eligibility cannot be established.</p> <p><b>Cause:</b> The City and County of Denver did not have proper controls in place to ensure that the documentation in the case file required to establish eligibility was obtained and retained.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow procedures to adequately document individuals’ eligibility for the Child Welfare program.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services will request a State waiver from the use of the SS-4 since there are other documentation areas utilized to determine eligibility and provide notification to the client of child welfare services.</p> <p><b>Responsible Person:</b> Ron Mitchell, Child Welfare Divisions</p> <p><b>Anticipated Completion Date:</b>  August 31, 2008</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-15	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.778 - Medical Assistance Program (Medicaid; Title XIX)</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver 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 Benefits 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><b>Condition:</b> The City and County of Denver 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><b>Questioned Costs:</b> Questioned costs are unknown as CBMS determines the monthly assistance benefit payments and the changes in payments due to the exceptions below cannot be determined.</p> <p><b>Context:</b> We tested 60 case files for eligibility for the year ended December 31, 2007, and noted the following 14 issues:</p> <ol style="list-style-type: none"> <li>1. Two 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.</li> <li>2. One instance in which the client's name within CBMS did not agree to their social security card.</li> <li>3. One instance where earned income within CBMS does not agree to the case file.</li> <li>4. Four instances where the vehicle information within CBMS did not agree to the case files.</li> <li>5. One instance where a photocopy of the client's social security card was not documented in the case file.</li> <li>6. One instance where the address information within the CBMS did not agree to the case file.</li> <li>7. Two instances where the eligibility did not end timely for participants that transferred from medical assistance (MA) sites.</li> <li>8. One instance where the pregnancy information within CBMS did not agree to the case file.</li> <li>9. Two instances where redetermination was not documented within the case file.</li> </ol>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	10. Two instances where the bank account information within CBMS did not agree to the case file.
	11. One instance where employment information within CBMS did not agree to the case file.
	12. One instance where the redetermination did not occur timely.
	13. One instance where eligibility did not end timely.
	14. One instance where the address documented within CBMS and the case file was not Denver County.

**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.

**Cause:** The City and County of Denver 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.

**Recommendation:** We recommend that the City and County of Denver 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.

**Views of responsible officials and planned corrective actions:**

**The City and County of Denver partially agrees with this finding.**

**Corrective Action Plan:**

The City and County of Denver Department of Human Services will continue to address the input of data into CBMS through supervisory case file reviews and Quality Improvement re-reviews and case file monitoring. The City and County of Denver Department of Human Services disagrees with findings where cases originated in other counties and Medical Assistance (MA) sites.

**Responsible Person:** Pam Flowers, Family and Adult Division

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Anticipated Completion Date:</b> August 1, 2008</p> <p><b>Auditor Rebuttal:</b> We agree that MA sites have been granted authority to determine eligibility and that the City and County of Denver is not originally responsible for these determinations, however, we only tested files with some type of indication that the file/case had been moved to the City and County of Denver. We therefore believe responsibility had transferred.</p>
07-16	<p><b>Finding:</b> Special Tests and Provisions</p> <p><b>CFDA No. 10.551, 10.561 - Food Stamp Cluster</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all required information regarding Food Stamp cases is correctly entered into the Colorado Benefits 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><b>Condition:</b> The City and County of Denver 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><b>Questioned Costs:</b> Questioned costs are unknown as CBMS determines the monthly assistance. Benefit payments and the changes in payments, due to the exceptions below, cannot be determined.</p> <p><b>Context:</b> We tested 50 case files for eligibility for the year ended December 31, 2007, and noted the following 12 issues in a total of 10 cases:</p> <ol style="list-style-type: none"><li>1. One instance where the application was not complete.</li><li>2. One instance where the participant's address was not in Denver County.</li><li>3. Four instances where the identification source documented in CBMS did not agree to the case file.</li><li>4. Two instances where the rent amount documented in CBMS did not agree to the case file.</li><li>5. One instance where the student status in CBMS did not agree to the case file.</li><li>6. One instance where bank account balance information in CBMS did not agree to the case file.</li></ol>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p>7. Two instances where mandatory work registration information in CBMS did not agree to the case file.</p> <p><b>Effect:</b> 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 incorrect. Additionally, not having appropriate controls in place regarding the input of client information creates the opportunity for payments that are either for incorrect amounts or are not in accordance with Federal program guidelines.</p> <p><b>Cause:</b> The City and County of Denver did not implement adequate controls to ensure that the correct information was entered into CBMS.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver enforce eligibility review procedures that require case supervisors to perform reviews and retain documentation of their review. 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 the case file. Once the review of case files has been completed, proper follow-up procedures should be performed to ensure any issues noted are properly resolved.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b> The City and County of Denver Department of Human Services will continue to address the input of data into CBMS through supervisory case file reviews and Quality Improvement re-reviews and case file monitoring. The Family and Adult Services' Agency Trainers will re-train staff on the correct process to update addresses, residence screens and transfer cases to the proper county of residence.</p> <p><b>Responsible Person:</b> Lynda Proctor, Family and Adult Division</p> <p><b>Anticipated Completion Date:</b> September 30, 2008</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-17	<p><b>Finding:</b> Eligibility/Allowable Costs/Unallowable Costs</p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>CFDA Nos. 93.575, 93.596 – Child Care Cluster</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all required information regarding eligibility is obtained and accurately recorded in the Child Care Automated Tracking System (CHATS) for each eligible individual and that adequate documentation is available to support eligibility. Per 42 USC 9858k(b), no funds may be used for services provided during the regular school day.</p> <p><b>Condition:</b> The City and County of Denver does not have sufficient internal controls to ensure that all required information was obtained and accurately recorded in the CHATS system. Additionally, the City and County of Denver did not have procedures in place to ensure that participants of the Child Care program are not receiving awards during typical school hours.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> Expenditures during the year were \$16,520,868. We tested 30 Child Care cases with provider reimbursement payments totaling \$11,381 for eligibility during the year ended December 31, 2007, and noted the following 6 issues across 30 cases:</p> <ol style="list-style-type: none"><li>1. Six instances where there was no verification that the child was less than 13 years of age.</li><li>2. Five instances where the parental fee was not calculated properly.</li><li>3. Two instances where the parental fee was not assessed.</li><li>4. One instance where eligibility did not discontinue timely.</li><li>5. One instance where redetermination did not occur timely.</li><li>6. 30 instances where documentation was not obtained to ensure that no fees were reimbursed for services provided during the normal school day.</li></ol> <p><b>Effect:</b> If there is not proper documentation to support eligibility, the costs related to these individuals could be considered unallowable. By not establishing policies and procedures to monitor the eligibility requirements, participants could be receiving services during periods that they are not allowed, or the City and County of Denver could reimburse providers for child care costs that are not proper.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Cause:</b> The City and County of Denver, specifically the Denver Department of Human Services, did not have controls in place to properly review and verify that eligibility requirements were met.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow procedures to adequately and accurately document individuals' eligibility for the Child Care program within the CHATS system.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver partially agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The subrecipient Aspen Family Services (AFS) will train staff to review income calculations and continue monitoring case files through supervisor reviews. The City and County of Denver Department of Human Services disagrees with context points where the agency complied with the stipulation of State eligibility rules and specific guidance.</p> <p><b>Responsible Person:</b> Betty C. de Baca, Child Care Assistance Program</p> <p><b>Anticipated Completion Date:</b>  October 31, 2008</p>
07-18	<p><b>Finding:</b> Earmarking, Subrecipient Monitoring</p> <p><b>CFDA No. 14.238 – Shelter Plus Care</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls to monitor earmarking requirements and ensure a maximum of 8% be used to pay the costs of administering the program.</p> <p><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure that all expenditures are adequately supported.</p> <p><b>Questioned Costs:</b> The beneficiary payments made during the year were \$1,854,462. We selected 30 of the 171 transactions totaling \$424,878 to test for allowable costs and cost principles. We noted questioned costs of \$16,802 in nine of the expenditures.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Context:</b> We tested 30 expenditures for allowable costs and earmarking requirements and noted nine expenditures lacked sufficient documentation to support administrative expenditures. We also tested four subrecipients and noted support did not exist to support the City and County of Denver was monitoring subrecipients for earmarking.</p> <p><b>Effect:</b> By not having adequate controls in place over Shelter Plus Care administrative payments and subrecipient monitoring, the City and County of Denver risks making payments for unallowable activities.</p> <p><b>Cause:</b> The City and County of Denver did not have proper controls in place to ensure that subrecipients are adequately monitored and that the documentation supports the expenditures.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver establish policies and procedures to obtain this information from subrecipients and carefully review each invoice submitted for reimbursement for the required support.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services acknowledges the need to improve controls around Shelter Plus Care administration charges being equal to 8% or actual administration costs incurred, whichever is lower. Appropriate staff members are meeting to develop requirements and processes which will be communicated to and then followed by our subrecipient providers.</p> <p><b>Responsible Person:</b> Ken White, Contracting Services</p> <p><b>Anticipated Completion Date:</b>  August 1, 2008</p>
07-19	<p><b>Finding:</b> Period of Availability of Federal Funds</p> <p><b>CFDA No. 14.238 – Shelter Plus Care</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls to ensure expenditures are recorded in the period they occur.</p> <p><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure expenses paid after the cut-off date were accrued in the proper year.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested 30 expenditures with a sample value of \$424,878 for allowable costs and noted one expenditure of \$9,153 for 2006. This expenditure was recorded in 2007.</p> <p><b>Effect:</b> The program is reported on the accrual basis. By not properly accruing the expenditures, the financial statements and schedule of expenditures of federal awards are misstated.</p> <p><b>Cause:</b> The City and County of Denver did not have proper controls in place to ensure that all expenditures were recorded or accrued in the proper period.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure that expenditures are accrued and reported in the proper period.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services will create a report that identifies Shelter Plus Care contracts and audit year. The agency will use these reports and accounts payable information to determine the status of payments for the contract service months within the audit year. Depending on the status the City and County of Denver Department of Human Services will accrue or not accrue unpaid months.</p> <p><b>Responsible Person(s):</b> Ken White, Contracting Services  Susan Bawn, Financial Services Division</p> <p><b>Anticipated Completion Date:</b>  October 1, 2008</p>
07-20	<p><b>Finding:</b> Period of Availability of Federal Funds</p> <p><b>CFDA No. 14.239 – HOME Investment Partnerships</b></p> <p><b>Criteria:</b> It is the City and County of Denver’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>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure expenses paid after the City and County of Denver cut-off date were accrued in the proper year.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> This program had expenditures during 2007 of \$7,547,344. During our review of payments, we noted 1 out of 33 payments totaling \$1,654, with a sample value of \$1,619,037, which was for 2006, but was being recorded in 2007. We also noted during our testing of cash draws, \$124,045 of 2005 and 2006 expenses being paid and recorded as expenditures during 2007.</p> <p><b>Effect:</b> The program is recorded on the accrual basis, however, a complete accrual was not made as of year end.</p> <p><b>Cause:</b> The City and County of Denver has established policies for year end cut-off and accrual of expenditures. However, due to timing of contractor invoicing, this policy did not allow for all expenditures to be accrued.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure that all 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 and County of Denver in a timely manner.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver partially agrees. The City and County of Denver has established policies for year end cut-off and accrual of expenditures. Year end reminders are sent to contractors regarding up-to-date submission of their reimbursement billings. OED engages other agency staff, such as those in support services and contracting units, to promote awareness in capturing year end expenditures by requesting them to follow-up with vendors or contractors assigned to them. Spreadsheets are developed and used to analyze current expenditures, and to determine year end accruals to be journalized into PeopleSoft. The staff worked diligently utilizing this approach to ensure that expenses are reported in the proper year. However, invoices received after the preliminary financial report submission date are beyond our control and thus cannot be captured in this report. OED will continue to explore options to improve this process.</p> <p><b>Responsible Person:</b> Chiquita McGowin, Manager of Finance and Information Services.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-21	<p><b>Finding:</b> Period of Availability of Federal Funds</p> <p><b>CFDA No. 16.710 – Public Safety Partnership and Community Policing Services Grants (COPS)</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls to ensure expenditures are recorded in the period they occur.</p> <p><b>Condition:</b> The City and County of Denver does not have adequate procedures to ensure expenditures were accrued in the proper year.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> Expenditures within the program were \$4,491,831 (Federal Share of \$3,368,905) in 43 transactions. We tested nine expenditures with a value of \$1,762,248 for allowable costs and noted one expenditure of \$58,301 for a 2006 expenditure was recorded in 2007.</p> <p><b>Effect:</b> The program is recorded on the accrual basis, however, a accurate accrual was not made as of year end.</p> <p><b>Cause:</b> The City and County of Denver has established policies for year end cut-off and accrual of expenditures. However, due to timing of contractor invoicing, this policy did not allow for all expenditures to be accrued.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure that all 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 and County of Denver in a timely manner and an estimate made of known contracts for which an invoice was not received.</p> <p><b>Views of responsible officials and planned corrective actions:</b>  The City and County of Denver agrees. The City and County of Denver does have policies and procedures in place to ensure expenditures are accrued and reported in the proper period. Denver Police Department did not follow these procedures. The Controller’s Office will provide additional training to ensure agencies understand the policies. In addition, the Controller’s Office will modify its year end processes to identify accruals that have not been made.</p> <p><b>Responsible Person:</b> Kelli Bennett, Director of Financial Reporting &amp; Analysis, Controller’s Office</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-22	<p><b>Finding:</b> Reporting</p> <p><b>CFDA No. 16.710 - Public Safety Partnership and Community Policing Services Grants</b></p> <p><b>Criteria:</b> The City and County of Denver is required to accurately report expenditures on the schedule of expenditures of federal awards (SEFA).</p> <p><b>Condition:</b> The City and County of Denver does not have internal controls in place to verify expenditures are correctly recorded on the SEFA.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We noted that expenditures reported on the SEFA were reported including both Federal funds and local match funds. An auditor proposed entry was recorded to correct the misstatement.</p> <p><b>Effect:</b> Expenditures on the SEFA could be materially misstated.</p> <p><b>Cause:</b> The City and County of Denver does not verify only Federal expenditures are reported.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver establish procedures to verify only Federal expenditures are reported on the SEFA and ensure those responsible for reporting are aware of Federal requirements.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees with the finding. The year end reporting package that agencies complete will be revised so that matching funds are identified and excluded from being reported on the SEFA. This change will be made by October 31<sup>st</sup>.</p> <p><b>Responsible Person:</b> Kelli Bennett, Director of Financial Reporting &amp; Analysis, Controller's Office</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-23	<p><b>Finding:</b> Equipment and real property management</p> <p><b>CFDA No. 20.106 – Airport Improvement Program</b></p> <p><b>Criteria:</b> OMB Circular A-110 (A-110), <i>Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations</i>, Section .34(f)(3) requires that “a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization and continued need for the equipment.”</p> <p><b>Condition:</b> The Airport System does not perform a complete physical inventory at least once every two years for the equipment purchased with federal funds.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> Machinery and equipment was approximately \$603 million at cost as of December 31, 2007, which is 13% of the Airport System’s depreciable assets. The assets acquired using federal funds is not currently monitored.</p> <p><b>Effect:</b> The Airport System may not be able to comply with the equipment disposal requirements if the assets are not identified as purchased with federal awards, if complete physical inventories are not conducted, and the Airport System is not in compliance with the requirements of A-110.</p> <p><b>Cause:</b> The Airport System does not have an adequate inventory process in place to monitor the continued existence of equipment purchased with federal awards.</p> <p><b>Recommendation:</b> We recommend that a list of equipment that has been purchased with Federal Awards be compiled and a physical inventory of that list be conducted at least once every two years to comply with the requirements of A-110.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees. The Airport will develop a new physical inventory process by September 30, 2008, which will include the equipment purchased with federal funds. The Airport can identify by project number the equipment purchased with federal funds and will do a complete inventory of federally-funded equipment every two years.</p> <p><b>Responsible Person:</b> Laura Trujillo, Department of Aviation</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-24	<p><b>Finding:</b> Allowable Costs/Cost Principles and Period of Availability</p> <p><b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all payments are recorded in the proper period.</p> <p><b>Condition:</b> The City and County of Denver did not implement adequate controls over the input of data into SFMS to ensure that federal funds were used in the proper period. The administrative expense recorded during the year for the Denver Department of Human Services (DDHS) was \$13,475,540. We selected 10 of the 180 transactions totaling \$429,272.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested 10 items for allowable costs and cost principles of direct administrative expenditures for the year ended December 31, 2007, and noted one instance where an invoice totaling \$3,851 for 2004-2006 services was paid in 2007.</p> <p><b>Effect:</b> By not implementing adequate controls over data input, the City and County of Denver risks violating the period of availability. The program is reported on a cash basis on the SEFA, so the schedule is properly stated based on the payment date. The effect is, however, that 2007 funds were used to pay expenditures of 2004-2006.</p> <p><b>Cause:</b> The Denver Department of Human Services does not have controls in place to ensure that expenditures are accrued and paid timely.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver implement the necessary internal controls to ensure expenditures are accrued and paid timely.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver disagrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The SEFA was correct as of the City and County of Denver’s year-end, as the payment was issued in 2007, and was also reported in 2007 in the State’s CFMS system.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p>The costs associated with the payment in question area are allowable in the TANF regulations, whether incurred and paid in the same fiscal year or not. The fact that unspent TANF funds are allowed to be carried forward in reserves from year to year suggest that funds from one fiscal year can be used for multiple year costs.</p> <p>Effective June 1, 2008, the City and County of Denver will modify its practice related to payment of TANF supportive service costs incurred by Office of Economic Development (OED). OED will pay all TANF supportive service costs directly to vendors, and will request reimbursement from DDHS on monthly Internal Billing Transfer to DDHS.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b> August 1, 2008</p>
07-25	<p><b>Finding:</b> Allowable Costs/Cost Principles</p> <p><b>CFDA No. 93.568 – Low-income Home Energy Assistance Program (LEAP)</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all payments to beneficiaries are allowable and supported by sufficient documentation.</p> <p><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure that the beneficiary payments are properly documented and approved for the eligible program year.</p> <p><b>Questioned Costs:</b> The payments made during the year for the Denver Department of Human Services was \$4,176,863. We selected 30 of the 38,289 customers during 2007 with payments totaling \$3,625. We noted questioned costs of \$73 in two of the payments tested.</p> <p><b>Context:</b> We tested 30 case files for allowability of beneficiary payments for the year ended December 31, 2007, and noted in two cases where underlying documentation did not exist to support payment amounts.</p> <p><b>Effect:</b> By not having adequate controls in place over LEAP payments, the City and County of Denver risks making payments for unallowable activities.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Cause:</b> The City and County of Denver did not have proper controls in place to ensure that adequate documentation was maintained in the case file.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow procedures to adequately document the allowability of LEAP benefits.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services will continue to monitor accuracy in processing eligibility and documentation through supervisor case reviews and Quality Improvement re-reviews. Based on review outcomes, training needs will be identified and training will be established as follow-through. In addition, the City and County of Denver Department of Human Services will request assistance from the state LEAP office to assist in the follow-through of training needs, where additional clarification and direction is necessary.</p> <p><b>Responsible Person:</b> Kate Owen, Family and Adult Division</p> <p><b>Anticipated Completion Date:</b>  August 1, 2008</p>
07-26	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.658 – Foster Care – Title IV-E</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver 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><b>Condition:</b> There was not sufficient documentation to show that the required 90-day reviews were performed completely and timely.</p> <p><b>Questioned Costs:</b> Undeterminable.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Context:</b> We tested 50 case files for eligibility for the year ended December 31, 2007, and noted the following three issues in a total of 12 cases:</p> <ol style="list-style-type: none"><li>1. Four cases that did not have 90-day reviews conducted on a timely basis.</li><li>2. Seven cases that did not have a timely supervisor review.</li><li>3. One case where the file was closed but legal custody was documented as remaining with DDHS.</li></ol> <p><b>Effect:</b> If there is not proper documentation to support eligibility, the costs related to these individuals could be considered unallowable.</p> <p><b>Cause:</b> The City and County of Denver did not implement adequate controls to ensure that eligibility determinations are proper and that all costs are allowable.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver implement the necessary internal controls to ensure that the 90-day reviews are completed fully and timely.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b> The City and County of Denver Department of Human Services has established a monitoring tool to assist workers and supervisors to ensure compliance of this standard. The management tool was established in the fall of 2007. The Department of Human Services will continue to use this as a tool for self monitoring. The agency will also develop a written policy recording the requirement of the checklist prior to the closure of a service case and provide training to staff on how to properly close a case.</p> <p><b>Responsible Person:</b> Jude Liguori, Child Welfare Divisions</p> <p><b>Anticipated Completion Date:</b> August 31, 2008</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-27	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.659 – Adoption Assistance</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all required information regarding an Adoption Assistance case is correctly entered into the Colorado Trails (TRAILS) system so proper eligibility determinations can be made and proper payment rates applied.</p> <p><b>Condition:</b> The City and County of Denver did not implement adequate controls over the input of data into TRAILS to ensure that eligibility is based on complete and accurate data.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested 50 case files for eligibility for the year ended December 31, 2007, noting the following two issues in a total of four cases:</p> <ol style="list-style-type: none"><li>1. Three cases where the rate paid did not agree to the subsidy agreement.</li><li>2. One case where a payment was made from an incorrect funding stream</li></ol> <p><b>Effect:</b> If there is not proper documentation to support eligibility, the costs related to these individuals could be considered unallowable.</p> <p><b>Cause:</b> The City and County of Denver did not implement adequate controls to ensure that eligibility determinations were proper and that all costs were allowable per the agreements.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver implement review procedures that require program supervisors to perform reviews of case files and retain documentation of the review. In addition, the City and County of Denver should develop a formal policy regarding information to be retained in the case file.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>            The instances of incorrect rates being paid to adoptive parents resulted from a flaw in Trails, where the correctly entered rate was not successfully updated in the fiscal / payment section of the system. Trails has since been modified to alert users whenever this failure to update occurs. The City and County of Denver Department of Human Services has implemented additional controls to verify payment accuracy. The agency will perform an annual 100% review of funding sources in Trails for all adoption subsidy cases, comparing the funding source in Trails to the documentation in the Revenue Generation Unit financial file.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b>            July 1, 2008</p>
07-28	<p><b>Finding:</b> Period of Availability of Federal Funds</p> <p><b>CFDA No. 17.258, 17.259, 17.260 – WIA Program Cluster</b></p> <p><b>Pass-through Colorado Department of Labor and Employment, Colorado Department of Local Affairs</b></p> <p><b>Criteria:</b> It is the City and County of Denver’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><b>Condition:</b> The City and County of Denver does not have effective procedures in place to ensure expenses paid after the cut-off date were accrued in the proper year.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> Expenditures in the program were \$6,204,529 during the year. We tested 30 expenditures totaling \$102,387 for allowable costs. In our sample we noted two 2006 expenditures totaling \$4,254 that were expensed in 2007. Additionally, 2008 insurance expenses were recorded during 2007 and allocated to various grants. Of this allocation, \$12,145 was allocated to the WIA Program Cluster and expensed during 2007.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Effect:</b> The program is recorded on the accrual basis, however, a complete and accurate accrual was not made as of year end.</p> <p><b>Cause:</b> The City and County of Denver has established policies for year end cut-off and accrual of expenditures. However, due to timing of contractor invoicing, this policy did not allow for all expenditures to be accrued.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure that all 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 and County of Denver in a timely manner. The accrual should include an estimate from the purchase order for any invoices not received timely.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>We agree. The two Fall 2006 tuition invoices were received by the agency in May 2007 and July 2007, after the City and County of Denver's cut-off date for recording accruals.</p> <p>The City and County of Denver has established policies for year end cut-off and accrual of expenditures. Year end reminders are sent to contractors regarding up-to-date submission of their reimbursement billings. OED engages other agency staff, such as those in support services and contracting units, to promote awareness in capturing year end expenditures by requesting them to follow-up with vendors or contractors assigned to them. Spreadsheets are developed and used to analyze current expenditures, and to determine year end accruals to be journalized into PeopleSoft. The staff worked diligently utilizing this approach to ensure that expenses are reported in the proper year. However, invoices received after the preliminary financial report submission date are beyond our control and thus cannot be captured in this report. OED will continue to explore options to improve this process.</p> <p><b>Responsible Person:</b> Chiquita McGowin, Manager of Finance and Information Services.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
07-29	<p><b>Finding:</b> Reporting</p> <p><b>CFDA No. 93.658 – Foster Care – Title IV-E</b>  <b>CFDA No. 93.659 – Adoption Assistance</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to be able to reconcile amounts recorded on the SEFA to their financial records.</p> <p><b>Condition:</b> Payments are made by the State to eligible individuals through the TRAILS system. The City and County of Denver does not reconcile payment reports and the expenditures reported within CFMS.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We noted that routine reconciliations are not being performed to reconcile amounts reported within CFMS and TRAILS.</p> <p><b>Effect:</b> If reconciliations are not performed, incorrect payments may remain undetected or a material misstatement of expenditures could occur without correction.</p> <p><b>Cause:</b> The City and County of Denver does not perform regular reconciliations from the TRAILS system to CFMS.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver reconcile assistance payment reports from the TRAILS system with the CFMS expenditure reports on a regular basis.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding:</b></p> <p><b>Corrective Action Plan:</b>  In October 2007, the City and County of Denver Department of Human Services hired a Senior Accountant to perform this and other reconciliations. The Senior Accountant received training from State accounting and systems personnel, and from DDHS personnel, and implemented a monthly reconciliation process of this, and other programs.</p> <p>The City and County of Denver Department of Human Services would like to note that, for the three sample months selected, this reconciliation was completed, without exception.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b>  January 31, 2008</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-30	<p><b>Finding:</b> Procurement</p> <p><b>CFDA Nos. 10.551, 10.561 – Food Stamp Cluster</b>  <b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b>  <b>CFDA No. 93.563 – Child Support Enforcement</b>  <b>CFDA No. 93.568 – Low-income Home Energy Assistance</b>  <b>CFDA Nos. 93.575, 93.596 – Child Care Cluster</b>  <b>CFDA No. 93.645 – Child Welfare Services</b>  <b>CFDA No. 93.658 – Foster Care – Title IV-E</b>  <b>CFDA No. 93.659 – Adoption Assistance</b>  <b>CFDA No. 93.667 – Social Services Block Grant</b>  <b>CFDA No. 93.778 – Medical Assistance Program</b>  <b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> 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><b>Condition:</b> The City and County of Denver did not maintain documentation to support their compliance with the regulations in all instances.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested 20 procurement case files to determine that documentation existed indicating that the City and County of Denver was following its procedures for documentation of insurance and review of the excluded party list. We noted the following exceptions:</p> <ol style="list-style-type: none"> <li>1. Two contracts where suspension and debarment certification did not occur on a timely basis.</li> <li>2. Five contracts where written evidence of insurance was not obtained prior to execution of the agreement or amendment to the agreement.</li> </ol> <p><b>Effect:</b> By not verifying whether contractors are on the excluded party list, the City and County of Denver 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><b>Cause:</b> The City and County of Denver, specifically the Denver Department of Human Services, did not have controls in place to properly review and verify that policies and procedures were followed.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Recommendation:</b> We recommend that the City and County of Denver maintain a list of contracts and/or transactions that fall within the guidelines. For each contract, the City and County of Denver should review the excluded parties list on an annual basis and prior to awarding a contract. It should implement policies and procedures to ensure that all contractors maintain current insurance coverage. Documentation of compliance with these requirements should be in the procurement file.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver partially agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b> Using the Contracting Services database, the City and County of Denver Department of Human Services will determine whether a prospective contractor is under contract with the department and is carrying adequate coverage. For contracts requiring insurance or identified to lapse, the prospective contractor will be notified of the need to provide verification prior to the contract being released for execution through the final collection of authorized signatures. Regarding the context of suspension and debarment, under 45 CFR 76, there are no frequency requirements associated with suspension and debarment. Hence, the City and County of Denver Department of Human Services disagree with the application of the finding as it relates to one of the exceptions noted, specific to the Center of Governmental Training. The agency will verify through the Excluded Party Listing System that the contractor has neither been suspended nor debarred.</p> <p><b>Responsible Person:</b> Jay Morein, Business Management Division</p> <p><b>Anticipated Completion Date:</b> July 1, 2008</p> <p><b>Auditor Rebuttal:</b> In our sample item there was an amendment to the contract. The Denver Department of Human Services did not determine that the contractor was not suspended or debarred at the time of the amendment, but revisited the issue six months into the amended contract. We believe this test should be met at the beginning of a contract and again prior to an amendment being signed.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
07-31	<p><b>Finding:</b> Allowable Costs or Unallowable Costs, Allowable Costs/Cost Principles and Period of Availability</p> <p><b>CFDA Nos. 10.551, 10.561 – Food Stamp Cluster</b>  <b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b>  <b>CFDA No. 93.563 – Child Support Enforcement</b>  <b>CFDA No. 93.568 – Low-income Home Energy Assistance</b>  <b>CFDA Nos. 93.575, 93.596 – Child Care Cluster</b>  <b>CFDA No. 93.645 – Child Welfare Services</b>  <b>CFDA No. 93.658 – Foster Care – Title IV-E</b>  <b>CFDA No. 93.659 – Adoption Assistance</b>  <b>CFDA No. 93.667 – Social Services Block Grant</b>  <b>CFDA No. 93.778 – Medical Assistance Program</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is responsible for establishing policies and procedures to ensure that items of cost are accurately expensed into the appropriate direct or indirect cost pools in accordance with OMB Circular A-87, <i>Cost Principles for State, Local and Indian Tribal Governments</i>, (A-87).</p> <p><b>Condition:</b> There were items of cost that were expensed to Federal programs not in accordance with A-87 during fiscal year 2007.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested 33 administrative expenditures with a value of \$378,356 to test allowable activities and cost principles for the year ended December 31, 2007, and noted the following issues with costs totaling \$88,073:</p> <ol style="list-style-type: none"> <li>1. One instance where consistent accounting treatment between like expenditures was not applied.</li> <li>2. Two instances where invoices were not paid in a timely manner.</li> <li>3. Two instances where items of costs were recorded to the incorrect program-function code.</li> <li>4. One instance where the item of cost did not represent actual costs.</li> </ol> <p><b>Effect:</b> By not recording items of cost in accordance with A-87, the costs may be deemed by the Federal government to be unallowable. The City and County of Denver may also be reporting payments after the period of availability.</p> <p><b>Cause:</b> The City and County of Denver did not have controls in place to ensure that all payments are reported in accordance with A-87.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Recommendation:</b> We recommend that the City and County of Denver establish policies and procedures to ensure that administrative expenditures are properly recorded in accordance with A-87.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services currently performs a review of sampled items monthly, to verify accuracy of several payment and coding attributes. The agency will add procedures to the purchase order management process, which will alert the agency to the fact that goods or services received may not have a corresponding invoice. The City and County of Denver Department of Human Services will continue to improve accuracy of reporting by implementing the “most restrictive cost pool” principle.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b>  July 1, 2008</p>
07-32	<p><b>Finding:</b> Allowable Costs/Cost Principles</p> <p><b>CFDA No. 14.239 – HOME Investment Partnerships</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls to ensure expenditures are allowable and all costs are supported by sufficient documentation. Under A-87, Attachment B, Section 16, fines and penalties are specifically prohibited. Under A-87, Attachment B, Section 1(c)(4), allowable advertising costs include, “other specific purposes necessary to meet the requirements of the grant.” However, under 24CFR§92.205(a) and 206, advertising costs are not necessary to meet the Federal grant requirements for this award.</p> <p><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure only allowable costs are charged to the grant.</p> <p><b>Questioned Costs:</b> \$5,263</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Context:</b> This program had expenditures during 2007 of \$7,547,344. During our review of payments, we noted two payments totaling \$5,263 out of 33 items sampled, with a sample value of \$1,619,037 that were not allowable costs. (\$4 for late fees and \$5,259 for advertising costs.)</p> <p><b>Effect:</b> Unallowable costs were charged to the grant.</p> <p><b>Cause:</b> The City and County of Denver has not appropriately reviewed expenditures for allowability.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement the necessary internal controls and reviews to ensure only allowable costs are charged to the grant.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>We agree that the \$4.17 for late fees was charged to the grant. However, we did not draw it down from the grantor.</p> <p>We disagree with the finding on advertising costs. The project was funded with HOME and the HOME regulations were applied. 24 CFR Part 92, Section 92.206 covers Eligible Project Costs. Subsection (d) covers Project Soft Costs, which must be reasonable and necessary costs incurred by the owner and associated with the development of new construction of housing. Subsection (d) provides a list of eligible soft costs but states that the list is not all inclusive. Affirmative marketing costs are listed solely as an example. Further:</p> <p style="padding-left: 40px;">The HOME manual, Building HOME further lists as soft costs examples, “affirmative marketing and marketing costs;” therefore general marketing (in addition to affirmative marketing) costs are eligible soft costs;</p> <p style="padding-left: 40px;">Advertising was conducted in compliance with Affirmative Marketing as documented by the HUD Fair Housing logo included in advertisements;</p> <p style="padding-left: 40px;">Advertising costs were reasonable and necessary costs associated with the construction of the project.</p> <p><b>Responsible Person:</b> Ami Webb, Accounting Supervisor</p>
07-33	<p><b>Finding:</b> Procurement</p> <p><b>CFDA No. 14.239 – HOME Investment Partnerships</b></p> <p><b>Criteria:</b> The City and County of Denver is required to follow its own internal policies and procedures related to procurement. Policies for the City and County of Denver are described in Executive Order #8.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Condition:</b> The City and County of Denver did not maintain documentation to support compliance with the regulation.</p> <p><b>Questioned Costs:</b> Undeterminable.</p> <p><b>Context:</b> We tested 11 contracts for compliance to verify the City and County of Denver was following the procedure for documentation of insurance coverage. We noted six files did not include required insurance documentation.</p> <p><b>Effect:</b> By not verifying contractors are insured, the City and County of Denver is at risk of loss due to insufficient insurance coverage.</p> <p><b>Cause:</b> The City and County of Denver has not maintained proof of insurance documentation within contractor files.</p> <p><b>Recommendation:</b> We recommend the City and County of Denver implement policies and procedures to ensure that all contractors maintain current insurance coverage. Documentation should be maintained in the contractor's file.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p>The City and County of Denver agrees. The consolidation of the Office of Economic Development contracts and compliance units that started on April 1, 2008, will provide consistent review to ensure documentation of insurance is maintained on file.</p> <p><b>Responsible Person:</b> Nancy Strudwick, Manager of Contracts and Compliance.</p>
07-34	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have sufficient internal controls in place to ensure that all required information to support the case file is correctly entered into the Colorado Benefits Management System (CBMS) to allow for proper eligibility determinations by CBMS. In addition, information entered into CBMS must be supported by documentation in the file.</p> <p><b>Condition:</b> The City and County of Denver did not implement adequate controls over the input of data into CBMS to ensure that eligibility determined by CBMS is based on complete and accurate data.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Questioned Costs:</b> 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><b>Context:</b> We tested 50 case files for eligibility for the year ended December 31, 2007, and noted the following three issues in a total of six cases:</p> <ol style="list-style-type: none"><li>1. Four instances where the immunization records were not located in the file.</li><li>2. One instance where there was no social security card in the file.</li><li>3. One instance where payment was made without a monthly status report (MSR) being returned.</li></ol> <p><b>Effect:</b> 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 incorrect.</p> <p><b>Cause:</b> The City and County of Denver did not implement adequate internal controls to ensure 1) proper information is entered into CBMS based on complete and accurate documentation and 2) MSRs were being obtained for the period of benefits.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver 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 file. 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 is properly resolved.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver partially agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>            The City and County of Denver Department of Human Services will revise Policy 03-23-CW Immunization Records for TANF to align with the state rules regarding receipt of immunization records. Performance Improvement and Accountability Division will conduct case reviews per quarter to ensure compliance with receipt of immunization records and citizenship and identity. The City and County of Denver Department of Human Services disagrees with context of MSRs not being obtained for the period of benefits. In 2007 it was identified that there was a system defect in CBMS which would automatically change the mail or send function to non-system determined MSRs, and would not notify the worker of this occurrence.</p> <p><b>Responsible Person:</b> Pam Flowers, Family and Adult Division</p> <p><b>Anticipated Completion Date:</b>            June 30, 2008</p> <p><b>Auditor Rebuttal:</b>            Payment of benefits requires the City and County of Denver to obtain the MSR's. The fact that there was a system issue does not relieve the City and County of Denver from its responsibility.</p>
07-35	<p><b>Finding:</b> Eligibility</p> <p><b>CFDA No. 93.568 – Low-income Home Energy Assistance Program (LEAP)</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver 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><b>Condition:</b> The City and County of Denver does not have procedures in place to ensure eligibility is properly documented.</p> <p><b>Questioned Costs:</b> The payments made during the year for the Denver Department of Human Services was \$4,686,448. We selected 30 of the 38,289 customers during 2007 with payments totaling \$3,625. We noted questioned costs of \$177 in one of the payments tested.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Context:</b> We tested 30 case files for eligibility for the year ended December 31, 2007, and noted one instance where lawful presence was not obtained for the LEAP applicant.</p> <p><b>Effect:</b> By not having adequate controls in place over LEAP eligibility, the City and County of Denver risks making payments to ineligible individuals.</p> <p><b>Cause:</b> The City and County of Denver 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><b>Recommendation:</b> We recommend that the City and County of Denver institute and follow procedures to adequately document individuals' eligibility for the LEAP program.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services will continue ongoing monitoring of LEAP procedures by conducting supervisory case file reviews, Quality Improvement re-reviews and training for the LEAP staff.</p> <p><b>Responsible Person:</b> Kate Owen, Family and Adult Division</p> <p><b>Anticipated Completion Date:</b>  September 30, 2008</p>
07-36	<p><b>Finding:</b> Special Tests and Provisions: Issuance Document Security</p> <p><b>CFDA No. 10.551, 10.561 - Food Stamp Cluster</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> 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><b>Condition:</b> An issuance clerk was also the witness for the destruction of EBT cards.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We selected three destruction logs from each of the three sites where EBT cards are issued. We noted one instance where a card issuance staff signed the Destruction Logs for EBT Cards (EBTCard-7) report.</p> <p><b>Effect:</b> Established control procedures were not followed placing the City and County of Denver at risk of loss.</p> <p><b>Cause:</b> The City and County of Denver did not have adequate controls in place to ensure that EBT cards were being properly destroyed in accordance with its policy.</p> <p><b>Recommendation:</b> Each EBT Card issuance site should implement procedures to ensure the destruction of cards is completed and witnessed by non-issuance staff.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>  The City and County of Denver Department of Human Services has implemented State training on EBT procedures and process with the state EBT office. Internally, the Performance Improvement and Accountability division continues to monitor EBT performance and compliance through random performance reviews. As a result of performance review outcomes, ongoing updates will occur in order to establish internal training needs and follow-through.</p> <p><b>Responsible Person:</b> Pam Flowers, Family and Adult Division</p> <p><b>Anticipated Completion Date:</b>  June 1, 2008</p>
07-37	<p><b>Finding:</b> Allowable Costs/Cost Principles</p> <p><b>CFDA Nos. 10.551, 10.561 – Food Stamp Cluster</b>  <b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b>  <b>CFDA No. 93.563 – Child Support Enforcement</b>  <b>CFDA No. 93.568 – Low-income Home Energy Assistance</b>  <b>CFDA Nos. 93.575, 93.596 – Child Care Cluster</b>  <b>CFDA No. 93.645 – Child Welfare Services</b>  <b>CFDA No. 93.658 – Foster Care – Title IV-E</b>  <b>CFDA No. 93.659 – Adoption Assistance</b>  <b>CFDA No. 93.667 – Social Services Block Grant</b>  <b>CFDA No. 93.778 – Medical Assistance Program</b></p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
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**Pass-through Colorado Department of Human Services**

**Criteria:** The City and County of Denver is required to have sufficient internal controls in place to ensure that there is documentation supporting all attributes associated with payroll expense. In recording employee's time spent on different Program Areas, ABA-02-04-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."

**Condition:** The City and County of Denver does not have policies and procedures in place to ensure that employee's time is accurately reported into the State's County Financial Management System (CFMS).

**Questioned Costs:** The payroll expense recorded during the year for the Department of Human Services was \$45,339,790. We selected 50 of the 28,193 payroll transactions totaling \$81,569. We noted discrepancies of \$1,809 in two payroll transactions tested. Actual questioned costs are unknown as the difference in the allocation of the costs between the pools cannot be calculated.

**Context:** We tested 50 employee files for proper recording of employee's time in accordance with A-87 for the year ended December 31, 2007, and noted one issue in two transactions where documentation supported expending payroll costs to a more restrictive cost pool.

**Effect:** By not recording items of cost in accordance with A-87, the costs may be deemed by the Federal government to be unallowable.

**Cause:** By not establishing policies and procedures to ensure that employees are being reported in the appropriate cost pools, the allocation of costs and the SEFA could be misstated.

**Recommendation:** We recommend that the City and County of Denver establish and follow policies and procedures so that all indirect expenditures are recorded and reported into CFMS consistently and in accordance with A-87.

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

Reference Number	Finding
	<p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b>            The City and County of Denver Department of Human Services has adopted the practice of assigning the most restrictive cost pool to all administrative costs, personnel and non-personnel. The agency will implement a quarterly review and verification process of 100% of agency's employees, to ensure that changes in job duties which may not be known to Human Resources are also detected and that cost pools are revised, whenever necessary.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b>            July 1, 2008</p>
07-38	<p><b>Finding:</b> Equipment and Real Property Management</p> <p><b>CFDA Nos. 10.551, 10.561 – Food Stamp Cluster</b>  <b>CFDA No. 93.558 – Temporary Assistance for Needy Families (TANF)</b>  <b>CFDA No. 93.563 – Child Support Enforcement</b>  <b>CFDA No. 93.568 – Low-Income Home Energy Assistance</b>  <b>CFDA Nos. 93.575, 93.596 – Child Care Cluster</b>  <b>CFDA No. 93.645 – Child Welfare Services</b>  <b>CFDA No. 93.658 – Foster Care – Title IV-E</b>  <b>CFDA No. 93.659 – Adoption Assistance</b>  <b>CFDA No. 93.667 – Social Services Block Grant</b>  <b>CFDA No. 93.778 – Medical Assistance Program</b></p> <p><b>Pass-through Colorado Department of Human Services</b></p> <p><b>Criteria:</b> The City and County of Denver is required to have policies and procedures that ensure the State's data destruction rules and regulations are followed.</p> <p><b>Condition:</b> The City and County of Denver does not have internal policies and procedures to ensure that the State's data destruction rules and regulations are followed.</p> <p><b>Questioned Costs:</b> None.</p>

**City and County of Denver**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended December 31, 2007**

<b>Reference Number</b>	<b>Finding</b>
	<p><b>Context:</b> We tested 30 tracked and controlled assets that were disposed of for the year ended December 31, 2007, and noted the following issues:</p> <ol style="list-style-type: none"><li>1. 18 instances where underlying documentation could not be obtained to ensure that fixed assets were disposed of in accordance with the Colorado Data Destruction policy.</li><li>2. 11 instances where underlying documentation reviewed to perform procedure was obtained from Dell (via General Services) after auditor request. Documentation was not maintained by the City and County of Denver.</li><li>3. 2 instances where “Transfer of Surplus Property (Form 13 G/S)” was not completed to track the disposal of equipment as required by Fiscal Rule 4.2</li></ol> <p><b>Effect:</b> By not following State policies and procedures for the disposal of fixed assets, specifically computer equipment, the City and County of Denver is at risk for noncompliance with HIPPA and other federal rules and regulations relating to the security and destruction of electronic data.</p> <p><b>Cause:</b> The City and County of Denver does not have policies and procedures in place to verify that they are in compliance with State rules and regulations.</p> <p><b>Recommendation:</b> We recommend that the City and County of Denver establish and follow policies and procedures so that all tracked and controlled assets are disposed of in accordance with the State’s rules and regulations.</p> <p><b>Views of responsible officials and planned corrective actions:</b></p> <p><b>The City and County of Denver agrees with this finding.</b></p> <p><b>Corrective Action Plan:</b> The City and County of Denver Department of Human Services will develop and implement a policy and procedure which assures that documentation is tracked, received and accuracy verified, for all tracked and controlled assets disposed of.</p> <p><b>Responsible Person:</b> June Allen, Financial Services Division</p> <p><b>Anticipated Completion Date:</b> October 1, 2008</p>

**City and County of Denver**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2007**

Reference Number	Summary of Finding	Status
06-01	<i>Grant Receivables and Deferred Revenue were not recorded correctly</i>	Partially Implemented. See current year management letter
06-02	Municipal Airport System - recording of <i>capital assets</i>	Not Implemented. See current year finding 07-03
06-03	Wastewater Management Enterprise Fund - recording of <i>capital assets</i>	Not Implemented. See current year finding 07-05
06-04	Wastewater Management Enterprise Fund - <i>Accounting Function</i> 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.	Not Implemented. See current year finding 07-06
06-05	Municipal Airport System - <i>Deferred Refunding</i> The Airport System should begin recognizing interest expense on bonds to be refunded up to the refunding date on all future bond refundings.	Not Implemented. See current year finding 07-02
06-06	Medical Assistance Program (Medicaid, Title XIX) <i>Eligibility</i> - The City and County of Denver should enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the review over a representative sample.	Not Implemented. See current year finding 07-15
06-07	Temporary Assistance for Needy Families (TANF) <i>Eligibility</i> - The City and County of Denver should implement data review procedures that require program supervisors to perform reviews of case files and retain records of the reviews. In addition, the City and County of Denver should develop a formal policy regarding information to be obtained and retained in the case file.	Partially Implemented. See current year finding 07-34
06-08	Food Stamp Cluster <i>Special Tests and Provisions</i> - The City and County of Denver should enforce eligibility review procedures that require case supervisors to perform reviews and retain records of the sample files for completeness and should ensure the information within CBMS is properly supported by information in each case.	Not Implemented. See current year finding 07-16

**City and County of Denver**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2007**

Reference Number	Summary of Finding	Status
06-09	Food Stamp Cluster, TANF, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care Cluster, Child Welfare Services, Foster Care Title IV-E, Adoption Assistance, Social Services Block Grant, Medical Assistance Program <i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles</i> - The City and County of Denver should 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 <i>Cost Principles for State, Local, and Indian Tribal Governments</i> .	Partially Implemented. See current year finding 07-31
06-10	Food Stamp Cluster, TANF, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care Cluster, Child Welfare Services, Foster Care Title IV-E, Adoption Assistance, Social Services Block Grant, Medical Assistance Program <i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Availability</i> - The City and County of Denver should implement the necessary internal controls to ensure that payments are reported in the proper period.	Implemented
06-11	Food Stamp Cluster, TANF, Child Support Enforcement, Low Income Home Energy Assistance, Child Care Cluster, Child Welfare Services, Foster Care Title IV-E, Adoption Assistance, Social Services Block Grant, Medical Assistance Program <i>Procurement and Suspension Debarment</i> - The City and County of Denver should ensure compliance with verification that vendors are not on the excluded party list and that they have documentation of the vendors insurance coverage.	Not Implemented. See current year finding 07-30
06-12	Food Stamp Cluster, TANF, Child Support Enforcement, Low Income Home Energy Assistance, Child Care Cluster, Child Welfare Services, Foster Care Title IV-E, Adoption Assistance, Social Services Block Grant, Medical Assistance Program <i>Allowable Costs/Cost Principles</i> - The City and County of Denver should 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.	Implemented
06-13	Food Stamp Cluster <i>Special Tests and Provisions: Issuance Document Security</i> - The City and County of Denver should implement procedures so that each EBT Card issuance site is able to ensure the destruction of cards is completed and witnessed by non-issuance staff and the supervisor in accordance with the policy.	Partially Implemented. See current year finding 07-36
06-14	Shelter Plus Care <i>Matching and Earmarking</i> - The City and County of Denver should establish procedures to obtain information from subrecipients and to document the matching and earmarking requirements of the Shelter Plus Care program are being met.	Not implemented. See current year finding 07-18

**City and County of Denver**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2007**

Reference Number	Summary of Finding	Status
06-15	WIA Program Cluster <i>Reporting</i> - The City and County of Denver should 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 and County of Denver in a timely manner.	Not implemented. See current year finding 07-28
06-16	WIA Program Cluster <i>Subrecipient Monitoring</i> - The City and County of Denver should 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.	Implemented
06-17	HOME Investment Partnerships <i>Special Tests and Provisions</i> - The City and County of Denver should follow their policy and document procedures performed to ensure that all project files are complete and in compliance.	Implemented
06-18	Airport Improvement Program - All required information should be recorded for capital assets and an adequate review process should be implemented to ensure that items are capitalized properly and accurately.	Not implemented. See current year finding 07-23
06-19	Youth Opportunity Grants <i>Reporting</i> - The City and County of Denver should revise the reporting format and the compilation of information in order to ensure that all required information is presented in the quarterly reports.	Partially implemented, however, grant has now expired
06-20	Youth Opportunity Grants <i>Reporting</i> - The City and County of Denver should implement 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 and County of Denver in a timely manner.	Partially implemented, however, grant has now expired
06-21	Adoption Assistance Title IV-E, Foster Care Title IVE-E <i>Reporting</i> - The City and County of Denver should begin reconciling the assistance payment reports from the TRAILS system with the CFMS expenditure reports.	Not implemented. See current year finding 07-29
06-22	Low-income Home Energy Assistance <i>Eligibility</i> - The City and County of Denver should institute and follow procedures to adequately document individuals' eligibility for the LEAP program.	Not Implemented. See current year finding 07-25

**City and County of Denver**  
**Schedule of Prior Audit Findings**  
**Year Ended December 31, 2007**

Reference Number	Summary of Finding	Status
06-23	<p>Child Care Cluster</p> <p><i>Subrecipient Monitoring</i> - The City and County of Denver should establish a subrecipient monitoring policy to ensure that subrecipients spend awards and document expenditures in accordance with applicable laws, regulations and provisions of contracts.</p>	<p>Not Implemented.</p> <p>See current year finding 07-10</p>
06-24	<p>Child Care Cluster</p> <p><i>Eligibility/Allowable Costs/Unallowable Costs</i> - The City and County of Denver should establish policies and procedures to ensure that participants only receive benefits for services outside of normal school hours.</p>	<p>Not Implemented.</p> <p>See current year finding 07-17</p>
06-25	<p>Foster Care Title IVE-E, Child Welfare Services</p> <p><i>Eligibility</i> - The City and County of Denver should implement the necessary internal controls and case reviews to ensure that the 90-day reviews are completed fully and timely.</p>	<p>Not implemented.</p> <p>See current year finding 07-26</p>
06-26	<p>Social Services Block Grant</p> <p><i>Earmarking</i> - The City and County of Denver should 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>	<p>Determined to be responsibility of State of Colorado</p>