



REPORT ON SINGLE AUDIT

For the year ended Dec. 31, 2013



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners
Adams County, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Adams County, Colorado (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003, and 2013-008 to be significant deficiencies.

Compliance and Other Matters

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

The County's Responses to Findings

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

Purpose of this Report

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



Greenwood Village, Colorado
June 30, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Adams County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Adams County, Colorado's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-009, 2013-010, 2013-011, and 2013-012. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, and 2013-012, that we consider to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 30, 2014

ADAMS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

<u>Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>2013 Expenditures</u>	<u>Program & Agency</u>
Department of Health and Human Services:			
<i>Passed Through Colorado Department of Human Services:</i>			
Temporary Assistance for Needy Families	93.558	\$ 11,687,199	
Promoting Safe and Stable Families	93.556	143,267	
Child Support Enforcement	93.563	2,711,423	
Low-Income Home Energy Assistance	93.568	2,578,900	
Child Care & Development Block Grant	93.575	(61,628)	
Child Care & Development Fund - Mandatory & Matching Funds	93.596	3,867,540	
Child Welfare Services-State Grants	93.645	346,083	
Educational Stability Subgrant	93.652	33,676	
Foster Care Title IV-E	93.658	4,747,175	
Adoption Assistance	93.659	1,516,139	
Social Services Block Grant	93.667	2,758,489	
Chafee Foster Care Independence Program	93.674	148,200	
Subtotal:			<u>\$ 30,476,463</u>
<i>Passed Through Colorado Department of Healthcare Policy & Financing:</i>			
Medical Assistance Program	93.778	\$ 2,456,500	
Subtotal:			<u>\$ 2,456,500</u>
<i>Passed Through Colorado Department of Public Health & Environment</i>			
MIECHV	93.505	\$ 59,430	
Subtotal:			<u>\$ 59,430</u>
<i>Passed Through Colorado Department of Local Affairs:</i>			
Community Services Block Grant	93.569	\$ 421,774	
Subtotal:			<u>\$ 421,774</u>
Direct Programs:			
Head Start	93.600	\$ 3,375,533	
Subtotal:			<u>\$ 3,375,533</u>
Total Department of Health & Human Services			<u>\$ 36,789,700</u>
Department of Agriculture:			
<i>Passed Through Colorado Department of Human Services:</i>			
Workfare Grant	10.551	\$ 150,234	
State Admin Matching Grants for Supplemental Nutrition Program	10.561	3,635,019	
Emergency Food Assistance -(Food Commodities)	10.569	387,018	
Subtotal:			<u>\$ 4,172,271</u>
<i>Passed Through Colorado Department of Public Health & Environment:</i>			
Child & Adult Care Food Program	10.558	\$ 151,824	
Subtotal:			<u>\$ 151,824</u>
Total Department of Agriculture			<u>\$ 4,324,095</u>
Department of Labor:			
<i>Passed Through Colorado Dept. of Labor & Employment:</i>			
Workforce Investment Act:			
Disabled Veterans' Outreach Program	17.801	\$ 15,000	
Local Veterans' Employment Representative Program	17.804	3,750	
Veterans Workforce Investment Program	17.805	30,563	
Unemployment Insurance - Recovery Act Program	17.225	177,407	
Trade Adjustment Assistance	17.245	28,641	
WIA Adult Program	17.258	1,717,510	
WIA Youth Activities	17.259	947,290	
Temp Labor Certification for Foreign Worker's Housing Inspection	17.273	16,999	
WIA Dislocated Workers	17.260	4,504	
WIA Dislocated Workers	17.278	762,342	
Subtotal:			<u>\$ 3,704,006</u>

ADAMS COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

<u>Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>2013 Expenditures</u>	<u>Program & Agency</u>
Wagner Peyser:			
ARRA - Employment Service/Wagner Peyser	17.207		
Employment Service/Wagner Peyser	17.207	\$ 1,391,426	
Subtotal:			<u>\$ 1,391,426</u>
Total Department of Labor			<u>\$ 5,095,432</u>
Department of Housing and Urban Development:			
<i>Direct Programs:</i>			
Community Development Block Grant/Entitlement Grants	14.218	\$ 792,743	
Housing Emergency Recovery Act - Neighborhood Stabilization Program 1 & 3	14.218	1,474,246	
Housing Emergency Recovery Act - Neighborhood Stabilization Program State	14.228	13,749	
HUD Section 108	14.248	73,969	
Emergency Shelter	14.231	89,114	
Home Investment Partnerships Program	14.239	916,455	
Subtotal:			<u>\$ 3,360,276</u>
Total Department of Housing & Urban Development			<u>\$ 3,360,276</u>
Department of Homeland Security			
<i>Passed Through Colorado Department of Local Affairs:</i>			
Emergency Management Performance Grants	97.042	\$ 79,200	
Subtotal:			<u>\$ 79,200</u>
<i>Passed Through Colorado Department of Public Safety:</i>			
Disaster Grants - Public Assistance	97.036	\$ 24,481	
Subtotal:			<u>\$ 24,481</u>
Total Department of Homeland Security			<u>\$ 103,681</u>
Department of Justice:			
<i>Direct Programs:</i>			
State Criminal Alien Assistance Program	16.606	\$ 130,781	
Subtotal:			<u>\$ 130,781</u>
<i>Passed Through State Department of Public Safety:</i>			
Crime Victim Assistance	16.575	\$ 112,239	
Sexual Assault Response Program	16.590	31,647	
Crime Victim Compensation	16.576	586,998	
Juvenile Accountability Block Grants	16.523	30,005	
Subtotal:			<u>\$ 760,889</u>
Total Department of Justice			<u>\$ 891,670</u>
Department of Transportation:			
<i>Passed Through Colorado Department of Transportation:</i>			
Highway Planning & Construction	20.205	\$ 198,319	
Total Department of Transportation			<u>\$ 198,319</u>
Corporation for National and Community Service			
<i>Passed Through Colorado Child & Parent Foundation</i>			
AmeriCorps	94.006	\$ 29,833	
Total Corporation for Federal and National Community Service			<u>\$ 29,833</u>
Department of the Interior Fish and Wildlife Service			
<i>Direct Programs:</i>			
National Wildlife Refuge Fund	15.659	\$ 111,169	
Total Department of the Interior Fish and Wildlife Service			<u>\$ 111,169</u>
Total Expenditures of Federal Awards			<u>\$ 50,904,175</u>

ADAMS COUNTY, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and non-Profit Organizations* using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

NOTE 2 – BASIS OF ACCOUNTING

Governmental funds account for the County's federal grant activity. Amounts reported in the Schedule of Expenditures of Federal Awards are recognized in the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, except in the following programs, which are reported in the Schedule of Expenditures of Federal Awards on the cash basis:

SNAP Admin	10.561
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families	93.558
Child Support Enforcement IV-D Admin	93.563
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
Child Welfare Services-State Grants	93.645
Foster Care-Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778

NOTE 3 – SUBRECIPIENTS

The following programs receiving funds from the U.S. Department of Housing Urban Development, the U.S. Department of Health and Human Services, and the U.S. Department of Agriculture provided awards to sub-recipients as follows:

Agency/Program Title	CFDA#	Amount Provided to Sub-recipients
Community Development Block Grant	14.218	\$ 487,844
CDBG - NSP	14.218/14.228	1,471,098
CDBG - Section 108	14.248	68,732
HOME - Investment Partnership Program	14.239	844,615
Emergency Shelter Grant	14.231	89,114
Community Services Block Grant	93.569	253,012

ADAMS COUNTY, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

NOTE 4 – NON-CASH BENEFITS

The County is a recipient of food commodities under The Emergency Family Assistance Program which is reported in the Schedule of Federal Expenditures under CFDA 10.569. The value of the commodities was \$387,018 in 2013.

NOTE 5 – OTHER INFORMATION

The County participates in the Food Assistance Benefits/EBT program under CFDA 10.551. These benefits totaled \$91,904,797 in 2013 which are not reflected on the Schedule of Federal Expenditures.

In 2011, the County entered into a long-term loan guarantee with US Department of Housing and Urban Development under the Section 108 Loan Guarantee Program (CDFA 14.248). The County uses the loan to provide funding to The Globeville Commercial Urban Redevelopment Area (Globeville) for the remediation of existing environmental contamination to restore the property for commercial viability to provide job opportunities in a low income community. Globeville has entered a loan agreement with the County for this funding. The County has pledged future Community Development Block Grants as security for the guaranteed loan with HUD. The County has been approved for an advance up to \$10 million. As of December 31, 2013, \$2.0 million has been advanced. Interest is payable quarterly at a variable interest rate equal to the LIBOR rate plus 0.2%. The County's first principal payment to HUD is due beginning August 1, 2016, however a payment of \$1,000,000 was made in 2012.

Globeville is responsible for making payments to the County for the principal and interest on the loan. Globeville will begin making payments to the County in 2014. At this time, the County expects Globeville to pay for 100% of the loan amount plus interest. In the unlikely event that Globeville is unable to pay, the County will be responsible for the repayment of the loan to the US Department of Housing and Urban Development. The total due from Globeville as of December 31, 2013 was \$1,803,114.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.659	Adoption Assistance
14.218	Community Development Block Grant/Entitlement Grants
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
10.561*	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.551*	Food Stamps Workfare Grant
93.600	Head Start
17.207*	Employment Service/Wagner-Peyser Funded Activities
17.801*	Disabled Veterans’ Outreach Program (DVOP)
17.804*	Local Veterans’ Employment Representative (LVER) Program
* Cluster	

Dollar threshold used to distinguish between type A and type B programs \$1,527,125

Auditee qualified as low-risk auditee? yes no

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

PART II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Please see Findings 2013-003 and Findings 2013-008 below related to the combined finding for the financial statements and federal awards for the fiscal year ended December 31, 2013.

Finding 2013-001 Understatement of Receivables

Material Weakness

Criteria: The County should ensure that revenues received after year-end which are earned prior to year-end are appropriately accrued as accounts receivable at the end of the fiscal year.

Condition: During our testing of highway user's tax revenue, we found that one month's accrual of this receivable and related revenue had not been recorded as of December 31, 2013. This was a repeat finding from the prior year.

Cause: One month's accrual of highway user's tax revenue relating to the 2013 fiscal year had not been recorded and had not been found by County staff during their internal review process.

Effect: An audit adjustment of \$873,455 was required to be made to properly record the receivable and related revenue in the Road and Bridge Fund for the County.

Recommendation:

The County should strengthen controls over the review of year-end receivables and revenues to ensure that account balances are properly recorded in the correct fiscal year. The County should incorporate this step in the year-end financial statement checklist.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The Finance Department will ensure its current year-end procedures identify and record all potential receivables.

Responsible Party: Mary Ha, General Accounting Manager, 720.523.6283

Planned Completion Date for Corrective Action Plan: December 31, 2014

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Finding 2013-002 Stormwater Utility Fund

Significant Deficiency

Criteria: A system of internal controls should be established to ensure financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: During our testing of the new Stormwater Utility Fund, which is one of the County's enterprise funds, we found that the process over the assessment and billing structure for the stormwater utility fee was not functioning in an efficient and effective manner. There was a lack of review and monitoring by the County over the third party consultant performing the initial billing determination, which led to extensive additional work by the County to correct the billings. This caused various errors in the customer billing process when the fee was initially assessed. It was also noted that a detailed review of billings by the County did not occur during the billing correction process due to the limited time period and resources allotted to remedy the issues.

Cause: An effective internal control system was not put into place to help mitigate billing issues.

Effect: The County had to undergo an extensive process to correct customer billings for any refunds due to customers.

Recommendation:

We recommend the County continue to analyze the billing process related to the stormwater utility fee billings in order to implement an effective review process over these billings prior to customers being notified of amounts due to the County.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The stormwater utility fee was implemented in 2013. The County admits there was a lack of review and monitoring of the third party consultant who performed the initial assessments of impervious area on the properties. The County took over the assessment process and reviewed all assessments performed by the consultant for accuracy. All corrections to impervious area and assessments were completed by the end of 2013. The County will continue to review the assessments and accounting process surrounding the stormwater utility fee to ensure accuracy over the billing process.

Responsible Party: Andrea Berg, Stormwater Program Manager, 720.523.6960

Planned Completion Date for Corrective Action Plan: Immediately

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-003 Inaccurate Schedule of Expenditures of Federal Awards and the Head Start Fund

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Head Start – CFDA # 93.600

Allowable Activities and Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance

Criteria: The County is responsible for financial reporting in accordance with accounting principles generally accepted in the United States of America. Also, a system of internal controls should be established to ensure financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: During our testing of the federal Head Start program and revenues recorded in the County's Head Start Fund, we found that federal revenues and non-federal revenues were not properly recorded for each category. This led to audit adjustments totaling \$31,828 to properly record the different types of revenues to match the federally funded portion of the Head Start Fund's revenues and an extensive reconciliation process so that revenues matched expenditures for the Head Start grant as the grant is on a reimbursement basis. The original Schedule of Expenditures of Federal Awards (SEFA) did not reflect the correct amount of expenditures funded from the grant and required revisions.

Cause: Lack of internal controls over the proper recording of federal revenue versus non-federal revenues could have contributed to this finding.

Effect: Detailed analysis of amounts recorded in the Head Start Fund was required to be conducted to determine proper amounts to record and report for the SEFA.

Questioned
Costs: None.

Recommendation:

We recommend the County implement a more thorough process to ensure that proper amounts are being reported for each revenue source within the Head Start Fund on an ongoing basis. We also recommend the County increase training and supervision provided for relevant employees so that expenditures and revenues are properly matched and the appropriate federal expenditures are reflected on the SEFA.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The coding correction related to federal revenues and non-federal revenues was implemented immediately at the time of discovery to the correct object code classification identifying federal funds. To minimize the timing issues between calendar year and program year, the County

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

has expanded the criteria of monthly monitoring and reconciliation of all revenues and expenditures. The County has also implemented a program review of each section of the SEFA with program personnel to confirm the accuracy. The County has also implemented a standard checklist for the program for yearly reports and review of existing data for accuracy. Lastly, the County has implemented the use of account details from source documentation as supporting backup for any drawdown requests to be approved prior to requesting reimbursement.

Responsible Party: Osgood McCollum, Human Services Accounting Manager,
720.523.6293

Planned Completion Date for Corrective Action Plan: Immediately

Finding 2013-004

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant/Entitlement Grants (CDBG) – CFDA #
14.218

Reporting
Significant Deficiency, Noncompliance

Criteria: Per OMB Circular A-133, the Community Development Block Grants (CDBG) programs are required to complete the SF-425, *Federal Financial Report* (cash status only) on a quarterly basis, no later than thirty days after the end of each reporting period. Also, the A-102 Common Rule and OMB Circular A-110 requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition: Through the testing of the financial reporting requirements, we noted that the first three SF-425 quarterly reports were not filed within the one-month filing window. The fourth quarter 2013 report was filed on time.

Cause: Inadequate controls related to monitoring of reporting requirements could have contributed to this finding.

Effect: The County violated A-133 requirements by failing to complete the quarterly *Federal Financial Reports* in a timely manner.

Questioned
Costs: None.

Recommendation:

We recommend that the County monitor the process to ensure that required reports are completed and submitted timely for the CDBG program. This should include monitoring of reporting requirements to ensure the program requirements are met.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: All SF-425 reports have been brought up to date and have been submitted in a timely manner since the fourth quarter of 2013. Once the County has closed the account for the month of the third quarter of this reporting period, the Fiscal Grants Analyst produces the report and submits it to the Community and Neighborhood Resources (CNR) Administrator by the 20th of the month it is due. It is reviewed for accuracy, signed and submitted to HUD by the due date. Due dates for reports are now listed in the CNR planning calendar on a public Outlook calendar.

Responsible Party: Claire Mannato, Neighborhood Services Department
Community and Neighborhood Resources Administrator 720.523.6054

Planned Completion Date for Corrective Action Plan: While the finding related to items within the fiscal year the corrective action was implemented before December 31, 2013.

Finding 2013-005

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through the Colorado Department of Human Services

Temporary Assistance to Needy Families (TANF) – CFDA # 93.558

Eligibility

Significant Deficiency, Noncompliance

Criteria: Per Agency Letter TCW 10-05-P, *County Works and Eligibility Verification Procedures for Colorado Works Cases*, counties are to perform Tier II Reviews of selections of cases sent from the State of Colorado. When errors are found as a result of the supervisory/peer case file reviews, these errors must be corrected in the case file and/or in the Colorado Benefits Management System (CBMS) to ensure reporting accuracy within the month of the review.

Condition: Through the testing of the TANF program's case checking process for the County, one (1) case out of thirty-three (33) for testing was determined to not have the proper follow-up and corrective action from the case worker to resolve the identified errors. The case was transferred to another county prior to documentation of resolution of the errors in the case file and/or CBMS.

Cause: Inadequate controls related to supervision and completeness of the case file checking process could have contributed to this finding.

Effect: The County was not in compliance with Colorado Department of Human Services requirements for TANF case checking.

Questioned

Costs: None.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Recommendation:

We recommend that the County implement an additional layer of review and follow-up after the case checking process is completed to ensure the procedures are being fully performed and any errors identified are documented in the case file and/or CBMS as evidence.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: Lead workers and supervisors have been reminded of the requirements to both follow up with actions when case checking process discloses errors as well as documenting those actions in the case checking record. Further oversight by program managers will be instituted to assure that these procedures are completed.

Responsible Party: Andrea Zugschwert, Eligibility Programs Ongoing Program Manager, 303.227.2175

Planned Completion Date for Corrective Action Plan: August 31, 2014

Finding 2013-006

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through the Colorado Department of Human Services

Temporary Assistance to Needy Families (TANF) – CFDA # 93.558

Adoption Assistance – CFDA # 93.659

Child Support Enforcement – CFDA # 93.563

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CFDA # 10.561

Food Stamps Workfare Grant – CFDA # 10.551

Procurement, Suspension and Debarment
Significant Deficiency, Noncompliance

Criteria: Per OMB Circular A-133, when a grant recipient enters into a covered transaction with an entity at a lower tier (vendor), the grant recipient must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List on the System for Award Management at SAM.gov, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition: During testing of the Human Services cost pool contract payments, the County was unable to demonstrate evidence that the County's purchasing department had performed the required website verification for the six (6) vendors selected for testing. It was noted that at the time the sample was tested the vendors were not listed on the website as being suspended or debarred.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Cause: Inadequate controls related to the vendor procurement process for suspension and debarment could have contributed to the finding.

Effect: The County was not in compliance with OMB Circular A-133 requirements by not retaining evidence of the excluded vendor search.

Questioned
Costs: None.

Recommendation:

We recommend that the County implement a process of retaining a screen shot of the excluded vendor website (SAM.gov) verification for vendors that are paid through federal funding.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The Adams County Finance Department will assure that all required vendors that are paid with federal funding are verified against the excluded vendors' website and that evidence of that verification is retained with contract or payment records.

Responsible Party: Kim Roland, Purchasing Manager, 720.523.6057

Planned Completion Date for Corrective Action Plan: August 31, 2014

Finding 2013-007

DEPARTMENT OF LABOR

Passed through the Colorado Department of Labor and Employment

Employment Service/Wagner-Peyser Funded Activities – CFDA # 17.207

Disabled Veterans' Outreach Program (DVOP) – CFDA # 17.801

Local Veterans' Employment Representative (LVER) Program – CFDA # 17.804

Allowable Activities and Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance

Criteria: Per OMB Circular A-87, when employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, and they must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must coincide with one or more pay periods and must be signed by the employee. Also, the A-102 Common Rule and OMB Circular A-110 requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Condition: Through testing of the payroll expenditures, we found that one (1) employee selected for testing did not have the proper supporting time and effort documentation completed to support the allocation of time charged to the program. The amount charged for this employee was related to an extended leave of absence. The total amount charged to the grant for this selection was \$1,339 out of a total of \$121,229 tested.

Cause: Inadequate controls related to the review of the monthly time allocation process could have contributed to this finding.

Effect: The County violated A-87 requirements by incorrectly charging time on this grant that was not properly supported.

Questioned Costs: \$1,339 of payroll expenditures.

Recommendation:

We recommend that the County implement a review process over the monthly time allocation calculation process and journal entry recorded to charge the expenditures to the program each month to ensure that amounts allocated are properly supported and calculated for each program.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The Adams County Workforce and Business Center (WBC) has already modified the time allocation policy to address the submittal of time allocation for extended absences for employees. For employees on extended absences, generally Family Medical Leave Act (FMLA), the supervisor or manager will be responsible for completing the time allocation sheet for the employee, which will be consistent with the latest time allocation guidance.

Responsible Party: Phil Noble, WBC Administrator, 720.523.6915

Planned Completion Date for Corrective Action Plan: The action was completed on May 29, 2014 and implemented on June 1, 2014.

Finding 2013-008 Inaccurate Schedule of Expenditures of Federal Awards

Significant Deficiency

Criteria: The County should ensure that all federal funding is included on the Schedule of Expenditures of Federal Awards (SEFA).

Condition: During our testing of completeness of the SEFA, we found that the Child and Adult Food Care Program, CFDA # 10.558, had not been included on the SEFA. Total expenditures for this program for the 2013 fiscal year totaled \$151,824.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Cause: Inadequate controls related to the completeness of the SEFA could have contributed to this finding.

Effect: The analysis conducted during major program determination could have been affected if federal grant activity is not included on the SEFA.

Questioned
Costs: None.

Recommendation:

We recommend that the County implement a more thorough review of the SEFA completeness process as a part of its year-end procedures to determine that all federal grant activity is properly presented.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The County will complete a second review of the SEFA conducted by the general accounting manager, assistant finance director or finance director.

Responsible Party: Mary Ha, General Accounting Manager, 720.523.6283

Planned Completion Date for Corrective Action Plan: December 31, 2014

Finding 2013-009

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start – CFDA # 93.600

**Matching, Level of Effort, Earmarking
Significant Deficiency, Noncompliance**

Criteria: Per A-133 Compliance Supplement for the Head Start program, "Grantees are required to contribute at least 20% of the costs of the program through cash or in-kind contributions, unless a lesser amount has been approved by ACF".

Condition: During our matching testing over in-kind contributions, we found that the expenditures that were used to support in-kind contributions were based on an older County Cost Allocation Plan that was dated in 2012, rather than the more current plan relating to the 2013 fiscal year.

Cause: Inadequate controls related to the review of amounts reported for matching requirements could have contributed to this finding.

Effect: The County was not in compliance with OMB Circular A-133 requirements by using the proper amounts to support the matching requirements.

Questioned
Costs: None.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Recommendation:

We recommend that the County implement a more thorough review of matching requirements for the Head Start grant each year and ensure internal controls are functioning properly to monitor this requirement.

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The County has implemented a standard checklist of yearly reports and reviews of existing data for accuracy to ensure the use of the most recent cost plan appropriate for the analysis.

Responsible Party: John Reed, Fiscal Grants Analyst, 303.286.4126

Planned Completion Date for Corrective Action Plan: Immediately.

Finding 2013-010

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Head Start – CFDA # 93.600

Cash Management
Significant Deficiency, Noncompliance

Criteria: The A-102 Common Rule and OMB Circular A-110 requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition: During our testing of three (3) months of requests for reimbursement related to cash management requirements, we found that there was no evidence of a review process prior to the requests for reimbursement being submitted. Additionally, the supporting detail for one (1) selection was difficult to distinguish how it related to the request as it was based on program year and not fiscal year.

Cause: Inadequate controls related to the review of cash draw downs could have contributed to this finding.

Effect: The County did not have the proper evidence of a control in place over cash management requirements.

Questioned
Costs: None.

Recommendation:

We recommend that the County implement a more thorough review of the request for reimbursement process to verify that the proper amounts are being reported and that supporting documentation provides a sufficient audit trail for all amounts reported.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The County will develop a review procedure for the request for reimbursement process to verify that proper amounts are being reported with supporting documentation.

Responsible Party: Nick Beston, Human Services Senior Accountant,
720.523.6291

Planned Completion Date for Corrective Action Plan: August 31, 2014

Finding 2013-011

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through the Colorado Department of Human Services

Temporary Assistance to Needy Families (TANF) – CFDA # 93.558

Eligibility

Significant Deficiency, Noncompliance

Criteria: Per Colorado Revised Statutes 26-2-708 (3)(e), the applicant or participant shall indicate by signature on the Individual Responsibility Contract (IRC) either agreement with the terms and conditions of the IRC or that the applicant requests a county level review of the proposed IRC on the grounds that the proposed IRC is unreasonable within the context of the County's written policies.

Condition: During our Eligibility testing, it was noted that one (1) out of the forty-three (43) cases selected for testing did not have a signed individual responsibility contract (IRC).

Cause: Inadequate controls related to proper management of files and recordkeeping or follow up with case management could have contributed to this finding.

Effect: The County was not in compliance with Colorado Department of Human Services requirements.

Questioned
Costs: None.

Recommendation:

We recommend that the County implement a more thorough review of case management files for the program to ensure all required information is contained in the case file documentation.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The Human Services Department will assure proper procedures for documentation in case files. Electronic document storage along with bringing case management in-house should assist in assuring that all required documentation is retained in case files. The Program Manager will institute periodic review of files to assure compliance with case management file procedures.

Responsible Party: Sally TenEyck, Adams Works Program Manager, 303.227.2116

Planned Completion Date for Corrective Action Plan: September 30, 2014

Finding 2013-012

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through the Colorado Department of Human Services

Temporary Assistance to Needy Families (TANF) – CFDA # 93.558

Eligibility

Significant Deficiency, Noncompliance

Criteria: Per Colorado Revised Statutes 26-2-706.6, an eligible participant may receive supportive services including but not limited to: work subsidies, supportive services such as child care and transportation, services such as counseling, case management, peer support, child care information and referral, job retention, job advancement and other employment-related services that do not provide basic income support.

Condition: During our Eligibility testing, it was noted that one (1) out of the forty-three (43) cases selected for testing did not have sufficient supporting documentation to provide enough audit evidence to show that the cash assistance was in compliance with the criteria listed above.

Cause: Inadequate controls related to proper management of files and recordkeeping or follow up with case management could have contributed to this finding.

Effect: The County was not in compliance with Colorado Department of Human Services requirements.

Questioned

Costs: \$100 in questioned costs out of a total of \$8,930 tested.

Recommendation:

We recommend that the County implement a more thorough review of case management files for the program to ensure all required information is contained in the case file documentation.

ADAMS COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Views of responsible officials and planned corrective actions:

Actions Planned in Response to Finding: The Human Services Department will assure proper procedures for documentation in case files. Electronic document storage along with bringing case management in-house should assist in assuring that all required documentation is retained in case files. The Program Manager will institute periodic review of files to assure compliance with case management file procedures.

Responsible Party: Sally TenEyck, Adams Works Program Manager,
303.227.2116

Planned Completion Date for Corrective Action Plan: September 30, 2014

ADAMS COUNTY, COLORADO
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2013

PART II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2012-01 Understatement of Receivables

Material Weakness

Condition: During our testing of highway user's tax revenue, we found that one month's accrual of this receivable and related revenue had not been recorded as of December 31, 2012.

Recommendation:

The County should strengthen controls over the review of year-end receivables and revenues to ensure that account balances are properly recorded in the correct fiscal year. The County should incorporate this step in the year-end financial statement checklist.

Current Status:

Repeat finding for the current year ending December 31, 2013. See Finding 2013-001.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2012-02

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ARRA – Community Development Block Grant/Entitlements – CFDA # 14.253
Community Development Block Grant/Entitlement Grants – CFDA # 14.218

Allowable Activities and Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance

Condition: Through testing of eight payroll transactions for the CDBG and CDBG-R (ARRA) programs, we found that one employee's allocation of time spent on the CDBG-R program for a month had been over-charged to the CDBG-R grant by one hour's time that had been worked on a separate grant. This resulted in a \$25 being allocated to the CDBG-R grant expenditures. This primarily occurred due to a lack of review over the monthly time allocation preparation and related journal entry to record the expenditures charged to the grant. There is a review in place over the time allocation sheets completed by employees, but not over the actual time allocation calculation process.

ADAMS COUNTY, COLORADO
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2013

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Recommendation:

We recommend that the County implement a review process over the monthly time allocation calculation process and journal entry recorded to charge the expenditures to the program each month to ensure that amounts allocated are properly supported and calculated to each program.

Current Status:

Resolved for the year ending December 31, 2013.

Finding 2012-03

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ARRA – Community Development Block Grant/Entitlements – CFDA # 14.253
Community Development Block Grant/Entitlement Grants – CFDA # 14.218

Reporting
Significant Deficiency, Noncompliance

Condition: Through the testing of the financial reporting requirements, we noted that the SF-425 *Federal Financial Reports*, with the exception of September 2012, had not been filed since the quarter-ended March 2011 through the end of 2012.

Recommendation:

We recommend that the County implement a process to ensure that required reports are completed and submitted timely for the CDBG program. This should include supervision and review of reporting requirements to ensure the program requirements are met.

Current Status:

Repeat finding for the current year ending December 31, 2013. See Finding 2013-004.