



Federal Awards Reports in Accordance with the
Uniform Guidance
December 31, 2015

Elbert County, Colorado

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 17
Summary Schedule of Prior Year Findings	18 - 22



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

Board of Elbert County Commissioners
Elbert County, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Elbert County, Colorado, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Elbert County's basic financial statements, and have issued our report thereon dated July 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elbert 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 Elbert County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elbert County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency as 2015-A.

Compliance and Other Matters

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

Elbert County's Response to the Finding

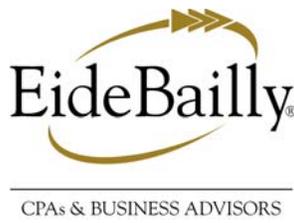
Elbert County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management's detailed response is also included in a separately issued corrective action plan. Elbert County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Elbert County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Ede Sully LLP".

Greenwood Village, Colorado
July 7, 2016



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Board of Elbert County Commissioners
Elbert County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Elbert County’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elbert County’s major federal programs for the year ended December 31, 2015. Elbert County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of Elbert 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Elbert 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 Elbert County’s compliance.

Basis for Qualified Opinion on CFDA #93.558, Temporary Assistance for Needy Families (TANF)

As described in the accompanying schedule of findings and questioned costs, Elbert County did not comply with requirements regarding CFDA #93.558 – Temporary Assistance for Needy Families (TANF) as described in finding number 2015-004 for allowable costs and eligibility. Compliance with such requirements is necessary, in our opinion, for Elbert County to comply with the requirements applicable to that program.

Qualified Opinion on TANF

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Elbert County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the TANF program for the year ended December 31, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Elbert County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

Elbert County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response is included in a separately issued corrective action plan. Elbert County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Elbert County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elbert 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 Uniform Guidance, 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 Elbert County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 to be significant deficiencies.

Elbert County's responses to the findings identified in our single audit are described in the accompanying schedule of findings and questioned costs. Management's detailed responses are also included in separately issued corrective action plans. Elbert County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elbert County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Elbert County's basic financial statements. We issued our report thereon dated July 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Greenwood Village, Colorado
July 7, 2016

Elbert County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-through Entity Identifying Number	Total Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*	\$84,227	\$ -
Emergency Food Assistance Program (Food Commodities)	10.569	*	11,164	11,164
Total U.S. Department of Agriculture			95,391	11,164
U.S. Department of Health and Human Services				
Passed through Colorado Department of Human Services				
Temporary Assistance for Needy Families	93.558	*	251,432	
Child Support Enforcement	93.563	*	106,413	
Medical Assistance Program	93.778	*	122,457	
Low Income Home Energy Assistance	93.568	*	172,218	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	71,273	a
Child Care and Development Block Grant	93.575	*	14,478	a
Stephanie Tubbs Jones Child Welfare Services Program	93.645	*	14,883	
Foster Care - Title IV-E	93.658	*	219,456	
Social Services Block Grant	93.667	*	8,419	
Chafee Foster Care Independence Program	93.674	*	6,511	
Adoption Assistance	93.659	*	33,443	
Guardianship Assistance	93.090	*	1,478	
Promoting Safe and Stable Families	93.556	*	6,431	
Total Passed Through Colorado Department of Human Services			1,028,892	
Passed through Colorado Department of Public Health and Environment				
Emergency Preparedness	93.069	HW15J	25,395	
Maternal and Child Health Services Block Grant to the States	93.994	ND15L	14,294	
Total Passed Through Colorado Department of Public Health and Environment			39,689	
Total U.S. Department of Health and Human Services			1,068,581	
U.S. Department of Homeland Security				
Passed through the Colorado Department of Public Safety				
Division of Homeland Security and Emergency Management				
Emergency Management Performance Grants	97.042	15EM-16-22 2014 EMPG 14EM-16-	36,796	
Emergency Management Performance Grant	97.042	163	22,837	
Total Passed Through Colorado Department of Public Safety			59,633	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	*	27,857	
Total Passed Through Colorado Department of Homeland Security			87,490	
Passed through Arapahoe County				
Homeland Security Grant Program	97.067	14SHS15NCR	8,295	
Total U.S. Department of Homeland Security			95,785	
U.S. Department of Justice				
Direct programs				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0743	1,900	
State Criminal Alien Assistance Program	16.606	2014-AP-BX-0515	3,362	
Bulletproof Vest Partnership Program	16.607	Not available	3,607	
Passed through the Colorado Division of Criminal Justice				
Crime Victim Assistance	16.575	2014-VA-14-003248-18	5,805	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-15-008515-07-1	7,500	
Total Passed Through Colorado Division of Criminal Justice			13,305	
Total U.S. Department of Justice			22,174	
Total Federal Financial Assistance			\$1,281,931	\$11,164

* Unavailable
a Cluster

See Notes to the Schedule of Expenditures of Federal Awards

General

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

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Elbert County, Colorado, under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Elbert County, Colorado, it is not intended to and does not present the financial position or changes in net assets of Elbert County, Colorado.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 2 of the financial statements for summary of significant policies.

Elbert County, Colorado has not elected to use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Noncash Assistance

The Schedule of Expenditures of Federal Awards includes \$11,164 in commodities which were provided to a not-for-profit organization on behalf of the County. In addition, the County received donated capital assets with an estimated fair value of \$8,295.

Note D – 2015 Expenditures Reported in 2016

Disaster grant public assistance expenditures are reported only after FEMA has approved the project worksheets (PW). The County recognized expenditures of \$193,063 of FEMA revenues in 2015 of which expenditures related to approved PW's in the amount of \$27,857 were reported on the 2015 SEFA due to the timing of the approved PW and the contract with the state. The remainder will be reported on the 2016 SEFA.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Temporary Assistance for Needy Families (TANF)	93.558
Low-income Home Energy Assistance (LEAP)	93.568
Title IV-E- Foster Care	93.658
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2015-A Reconciliations – Significant Deficiency

Criteria - The County is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.

Condition – Based on audit procedures performed as of December 31, 2015, we noted the following account balances that did not properly reconcile to sub ledger detail or supporting documentation related to reconciliation processes:

- The Sheriff’s Office had various checking accounts that were not recognized by the Treasurer or maintained in the financial reporting system.
- There is no policy for tracking inventory (supplies and parts) purchased or used by the county nor is there an actual count at year end to determine if adjustments need to be made to reflect what is on hand.
- The County’s financial reporting system does not reflect the 100% reporting of EBT expenditures by the Social Services fund on a monthly basis. The consultant prepares the correct balance sheet and income statement balances in the Social Services Fund, annually.
- The County does not have specific policies related to the journal entry process. These policies would include who can propose and approve journal entries. This has been corrected in January 2016.
- Human Resources and Finance staff both have the same access to the Wells Fargo payroll system and can set up and delete employees and change salary amounts. This key segregation of duties internal control is lacking. The County should consider a mitigating control such as a spot check on the reports by the outside consultant during the year.
- The Treasurer does not physically document his review of the monthly bank reconciliation.
- The Clerk and Recorder does not physically document the review and supervision of the monthly reconciliation that is prepared by the Deputy Clerk.
- The Director of Human Services approves her own time sheet.

Cause - Insufficient or lack of effective polices\procedures including internal control checks and balances over key financial processes that include timely reconciliations of accounts balances to supporting documents.

Effect – Without proper controls over account balance reconciliations and financial reporting, errors may go undetected by management and not be corrected in a timely manner which may result in continued deficiencies.

Section II – Financial Statement Findings (continued)

Repeat Finding from Prior Year(s)-2011-B, 2012-B, 2013-B, 2014-A

Recommendation - We recommend that the County Manager communicate with other departments on the importance of understanding the requirements of reconciliations of account balances and financial reporting. In addition, procedures should be implemented which include the review of various significant financial processes to ensure that appropriate documentation is obtained to support and reconcile the reported balances included in the financial statements.

Views of Responsible Official – Agree. (Management has prepared a separate corrective action plan)

Section III – Federal Award Findings and Questioned Costs

2015-001 **Passed-through Colorado Department of Human Services**
CFDA # 93.658
Foster Care – Title IV-E

Eligibility
Significant Deficiency in Internal Control over Compliance

Criteria – Foster Care maintenance payments are allowable only if the foster child was removed from the home of a relative specified in Section 406(a) of the Social Security Act, as in effect on July 16, 1996, and placed in foster care by means of a judicial determination, as defined in 42 USC 672(a)(2), or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f), (42 USC 672(a)(1) and (2) and 45 CFR section 1356.21).

A child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act) (42 USC 672(a)).

Condition - The County does not have internal controls over IV-E eligibility determination.

Cause - Due to a turnover and shortage of staff and insufficient training of staff, the County Staff did not complete their eligibility determination checklist for the cases selected for testing and insufficient review by the supervisor.

Effect - Due to insufficient training of staff and lack of supervision of staff for determining eligibility, the County may not timely detect or correct an error in eligibility that may result in questioned costs.

Questioned Costs - None reported

Context/Sampling - A nonstatistical sample of 2 transactions out of approximately 7 total eligibility files were selected for testing

Repeat Finding from Prior Year(s) - No

Recommendation - The County should utilize a checklist for all IV-E eligibility participants to ensure appropriate and timely eligibility determinations including timely supervisor review.

Views of Responsible Officials – Agree. (Management has prepared a separate corrective action plan).

Section III – Federal Award Findings and Questioned Costs (continued)

**2015-002 Passed-through Colorado Department of Human Services
CFDA # 93.568
Low-Income Home Energy Assistance
Eligibility
Significant Deficiency in Internal Control over Compliance**

Criteria - The Low-Income Home Energy Assistance Program (LEAP) is a block grant program in which States (including Territories and Indian tribes) design their own programs, within very broad Federal guidelines. The objectives of LEAP are to help low-income people meet the costs of home energy (defined as heating and cooling of residences), increase their energy self-sufficiency, and reduce their vulnerability resulting from energy needs. A primary purpose is meeting immediate home energy need. The State of Colorado releases a LEAP manual for each program year. According to the State's manual, 3.756.14 Determination of Eligibility that details various income and other eligibility requirements.

Condition – The County had improper monitoring of case file information needed in order to determine timely and accurate eligibility information and calculation of allowable costs. We tested 60 case files noting the following exceptions which did not affect the benefit amount; however was determined to be a deficiency in internal controls:

- 1 file in which an incorrect income was used to calculate eligibility
- 2 files in which the County could not locate for testing

Cause - Due to a lack of, or failure of appropriate controls, caseworkers used incorrect information when determining client eligibility. Additionally, two case files were unable to be found.

Effect - Due to insufficient monitoring and internal controls over compliance, the County may not timely detect an error in eligibility and allowable costs that may result in questioned costs. Due to lack of oversight during the filing process the documentation required to determine eligibility was misplaced resulting in the significant deficiency and questioned costs that the County may have to remit to the state.

Questioned Costs – None reported.

Context/Sampling - A nonstatistical sample of 60 transactions out of approximately 700 total transactions were selected for testing, which accounted for \$22,187 of \$162,000 of LEAP federal program expenditures (excludes administrative costs).

Repeat Finding from Prior Year(s) – 2013-002, 2014-002

Section III – Federal Award Findings and Questioned Costs (continued)

Recommendation –

We recommend the County take the proper steps to ensure that all participants' files are easily obtainable and include all information as required by the state on eligibility requirements.

Views of Responsible Officials – Partially Agree: Effective October 2015 the Department was not determining LEAP eligibility in-house. For the 2016-2017 LEAP season the Elbert County Department of Human Services will no longer be responsible for LEAP eligibility determination and will no longer have the responsibility of maintaining those records. (Management has prepared a separate corrective action plan).

Section III – Federal Award Findings and Questioned Costs (continued)

2015-003 **Passed-through Colorado Department of Human Services**
CFDA # 93.568
Low-income Home Energy Assistance

Procurement
Significant Deficiency in Internal Control over Compliance

Criteria – Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at

Condition/Context – We tested compliance and internal controls over procurement for 1/1 contractor. For this specific contractor we noted the following:

- There was no documentation to support that a SAM’s check (aka EPLS) was performed to determine if the contractor was debarred or suspended.

The sample is a statistically valid sample.

Cause – Due to insufficient controls over the Procurement the controls are not operating as designed (or not properly implemented) to prevent, detect and correct errors timely.

Effect – Failure to perform the SAM’s check may result in contracting with an entity that is suspended or debarred.

Questioned Costs – None reported

Repeat Finding from Prior Years – No

Section III – Federal Award Findings and Questioned Costs (continued)

Recommendation – We recommend that the County review the approval and documentation process for Procurement (SAM's) to determine why the controls failed and make corrections to the design and implementation of controls that will prevent and detect and correct this from occurring in the future.

Views of Responsible Officials – Agree. (Management has prepared a separate corrective action plan)

Section III – Federal Award Findings and Questioned Costs (continued)

**2015-004 Passed-through Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)**

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

Criteria - There are four purposes of the TANF program (42 USC 601 and 45 CFR section 260.20(a)-(d)). The first purpose of TANF states only the financially “needy” are eligible for services, benefits, or “assistance” and the second purpose of TANF is to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage. The State’s TANF program is referred to as ‘Colorado Works’. Colorado Department of Human Services (CDHS) Staff Manual 3.600 *Colorado Works Program Eligibility* describes the specific requirements and procedures for documenting and determining eligibility of the TANF program, to ensure compliance with 45 CFR 260.20.

Condition – The County improperly paid benefits in instances where information was not received from clients as required. We tested 60 payments over 16 eligibility files, noting the following exceptions.

- 2 eligibility files (5 payments) in which appropriate documentation was not obtained in order to support benefit issuance. This includes lack of evidence for school attendance and non-compliance with the Individual Responsibility Contract (IRC) / Roadmap in which the County should have applied a 25% sanction on one month of benefits issued to a participant.
- Only a total of 5 case reviews were performed during 2015. Through September 2015, the County’s quality assurance policy is to perform 3 case reviews each month; as such, the County was not in compliance with this policy for these months during 2015. Beginning in October 2015, the County revised its case review policy; however, there is also no evidence of reviews being performed from October – December 2015.

Cause - Due to a lack of, or failure of appropriate controls, caseworkers did not obtain all appropriate documentation to verify eligibility prior to benefit issuance.

Effect - Due to the failure to appropriately enforce the requirements of TANF legislation, the County inappropriately distributed benefits. This could affect future benefits of the County.

Questioned Costs – \$1,232 of \$22,950 tested

Context/Sampling - A nonstatistical sample of 60 transactions out of approximately 575 total transactions were selected for testing, which accounted for \$22,950 of \$191,475 of EBT federal program expenditures.

Repeat Finding from Prior Year(s) – 2012-01, 2013-001, 2014-001

Section III – Federal Award Findings and Questioned Costs (continued)

Recommendation – The County should continue working with the Colorado Department of Human Services on implementing controls, policies and procedures to ensure compliance with the Federal and State regulations of the TANF program. This includes controls that are in place and are effective for obtaining information from the participant in a timely manner ensuring that the IRC / Roadmap requirements are being met. Additionally, we also recommend the County improve its process of internal quality control review of TANF files to ensure the files are in compliance with Federal and State regulations.

Views of Responsible Officials – Agree. (Management has prepared a separate corrective action plan)

2014-A Reconciliations – Significant Deficiency

Initial Fiscal Year Finding Occurred: 2011

Finding summary: Based on audit procedures performed as of December 31, 2014, we noted the following account balances that did not properly reconcile to sub ledger detail or supporting documentation related to reconciliation processes:

- The finance department did not appropriately reconcile the funds' cash held with the Treasurer during 2014 (the County's consultant reconciled the accounts during the audit preparation process). The finance department has reconciled the cash accounts starting in January 2015.

Status: Fully Implemented

- The liability accounts in the general ledger related to payroll and warrants payable were not reconciled during 2014 (the County's consultant reconciled the accounts during the audit preparation process). The finance department has reconciled the cash accounts starting in January 2015.

Status: Fully Implemented

- The Sheriff's Office had various checking accounts that were not recognized by the Treasurer or maintained in the financial reporting system.

Status: Not Implemented, Repeat Finding see 2015-A

- There is no policy for an annual physical count of capital assets to ensure all the capital assets actually exist and are properly valued. A count should be performed on all capital assets owned by the County and the internal records updated accordingly.

Status: Fully Implemented

- There is no policy for tracking inventory (supplies and parts) purchased or used by the county nor is there any actual count at year end to determine if adjustments need to be made to reflect what is on hand.

Status: Not Implemented, Repeat Finding see 2015-A

- The County's financial reporting system does not reflect the 100% reporting of EBT expenditures by the Social Services fund on a monthly basis. The consultant prepared the correct balance sheet and income statement balances in the Social Services Fund.

Status: Not Implemented, Repeat Finding see 2015-A

- The County does not have specific policies related to the journal entry process. These policies would include who can propose and approve journal entries.

Status: Not Implemented, Repeat Finding see 2015-A

- HR and Finance staff both have the same access to the Wells Fargo payroll system and can set up and delete employees and change salary amounts. This is lack of a key segregation of duties issue.

Status: Not Implemented, Repeat Finding see 2015-A

- The County Manager did not approve the payment vouchers that included the supporting documents before the warrants/checks were processed and mailed, although the County Manager approved a list of vendors to be paid before the warrants/checks were issued. This has been corrected in June 2015.

Status: Fully Implemented.

- The Planning Department was not processing payments to vendors through the normal accounts payable process in 2015 for permits and the final inspections by the County's engineer or for payments the County made to its subrecipient grantee. These transactions were processed in the Treasurer's department instead of the County's normal accounts payable and approval process.

Status: Fully Implemented

2014-001 **Passed-through the Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)**

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

Initial Fiscal Year Finding Occurred: 2012

Finding Summary: The County improperly paid benefits in instances where information was not received from clients as required. We tested 60 payments over 18 eligibility files, noting the following exceptions.

- 4 eligibility files (8 payments) in which an IRC covering the payment month selected for testing was not complied with. The client did not submit job search logs or verify enrollment as required by the IRC.
- Only 4 of the 12 months had case reviews. We tested 1 of the 4 months noting only 1 case review had been performed. The County's quality assurance policy is to perform 3 case reviews each month.

Status: The County provided training and formalized procedures and processes in 2015 as necessary in an attempt to address these instances of non-compliance. However, similar exceptions were noted in testing as part of the 2015 audit, leading to a repeat finding (2015-004). A corrective action plan was provided for this finding.

**2014-002 Passed-through Colorado Department of Human Services
CFDA # 93.568
Low-income Home Energy Assistance**

**Allowable Costs & Eligibility
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: The County had improper monitoring of case file information needed in order to determine timely and accurate eligibility information and calculation of allowable costs. We tested 60 case files noting the following exceptions which did not affect the benefit amount; however was determined to be a deficiency in internal controls:

- 2 files in which an incorrect income was used to calculate eligibility
- 5 files that did not contain a LEAP checklist used by County staff to ensure required documentation has been obtained in order to determine accurate eligibility
- 1 application was not date stamped

Status: Partially Implemented. The checklists were utilized in all files testing during 2015. There is finding repeated for utilizing incorrect income. See Finding 2015-002.

**2014-003 Passed-through the Colorado Department of Local Affairs
CFDA # 14.228
Community Development Block Grant – Public Facilities Grant**

**Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: We noted the following instances of internal control deficiencies over compliance:

- Cash Management – of the four reimbursements to the pass thru entity, we noted the following issues:
 - There was no signed approval by the County for releasing the first reimbursement request to the Water District (pass through entity). On the second reimbursement check, the County overpaid the District \$630, this was returned and deposited by the County in 2015.
 - The County was not provided sufficient documentation (timely) regarding whether the pass through entity paid the contractor before the County reimbursed the District. We requested documentation and received a detail general ledger from the pass through entity. The IGA requires: “The County shall require documentation evidencing that such funds were appropriately expended on the Project, and copies of checks and payment of bills by the District shall be provided to the County for its permanent records.”
 - Davis Bacon – we were unable to determine if the County actually reviewed the information received related to Davis Bacon compliance to ensure there were no issues that need to be addressed.
 - Procurement – the County’s IGA with the pass through entity indicates “...shall provide certification to the County and to DOLA that the selection of the contractors and the purchase of materials to accomplish the project shall follow and be in accordance with the appropriate procurement standards to the Community Block Grant Guidebook.” The County could provide no documentation regarding compliance with this requirement.
 - Matching – The County was not aware of the match requirement nor was there documentation the reports from the pass through entities project manager was reviewed for how the matching calculation was computed or if this could be supported.

Status: The County does not have this grant in 2015, finding considered cleared.