



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

December 31, 2013

Elbert County, Colorado

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**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 and each major fund and the aggregate remaining fund information of Elbert County, Colorado, as of and for the year ended December 31, 2013, 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 28, 2014.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 certain deficiencies in internal control that we consider to be material weaknesses.

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

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

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 Responses to Findings

Elbert County, Colorado’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Elbert 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Greenwood Village, CO
July 28, 2014



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

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 Circular A-133 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, 2013. 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 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 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 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 2013-001 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 for Qualified Opinion paragraph, Elbert County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF program for the year ended December 31, 2013.

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, 2013.

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 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 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 2013-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003 and 2013-004 to be significant deficiencies.

Elbert 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. Elbert County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

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

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

We have audited the financial statements of Elbert County, Colorado, as of and for the year ended December 31, 2013, and have issued our report thereon dated July 28, 2014, which contained an unmodified opinion 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 OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Greenwood Village, CO
July 28, 2014

Elbert County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through

<u>Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through Colorado Department of Human Services			
Food Assistance Administration	10.561	*	\$ 56,467
Emergency Food Assistance Commodities	10.569	*	41,913
Total U.S. Department of Agriculture			<u>98,380</u>
Department of Health and Human Services			
Passed through Colorado Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	*	348,305
Title IV-D - Child Support Enforcement	93.563	*	82,820
Title XIX - Medical Assistance Program	93.778	*	72,349
Low Income Home Energy Assistance	93.568	*	136,042
Child Care and Development Fund	93.596	*	118,695 a
Child Care and Development Fund - Discretionary	93.575	*	49,100 a
Title IV-B - Child Welfare Services	93.645	*	16,178
Title IV-E - Foster Care	93.658	*	234,625
Title XX - Social Services Block Grant	93.667	*	128,434
Title IV-E - Adoption	93.659	*	32,541
Promoting Safe and Stable Families	93.556	*	15,278
Passed through Colorado Department of Public Health			
Emergency Preparedness	93.069	EPR-HW3-HHS	20,101
Childhood Immunization	93.268	IMM-KA3-HHS/IMM-KT3-HHS	2,633
Passed through the Colorado Secretary of State			
Voting Access for Individuals with Disabilities	93.617	*	8,097
Total Department of Health and Human Services			<u>1,265,198</u>
Department of Transportation			
Passed through the Colorado Department of Transportation			
National Highway Traffic Safety Administration			
National Priority Safety Programs	20.616	*	12,980
Total Department of Transportation			<u>12,980</u>
Department of Homeland Security			
Passed through the Colorado Department of Local Affairs			
Emergency Management Performance Grant/ Local Emergency Management Support	97.042	12EM1L22	32,448
Total Department of Homeland Security			<u>32,448</u>
Department of Defense			
Direct Funding			
Defense Logistics Agency (donated equipment)	12.xxx	*	12,500
Total Department of Defense			<u>12,500</u>
Department of Justice			
Passed through the Colorado Division of Criminal Justice			
VOCA - On Call Victim Advocacy Program	16.575	12-VA-18-79	4,671
Colorado SORNA Reallocation Project	16.580	12-SO-01-2-1	23,288
State Criminal Alien Assistance Program	16.606	*	4,469
Bulletproof Vest Partnership Program	16.607	*	1,025
Total Department of Justice			<u>33,453</u>
Total Federal Financial Assistance			<u>\$ 1,454,959</u>

* Unavailable
Clusters:
a- \$167,195

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Elbert County, Colorado primary government (the County). The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal financial assistance received by the primary government directly from federal agencies, as well as federal financial assistance passed through other government agencies, including the State of Colorado, is included on the schedule. In addition, federal financial assistance awarded directly to eligible County Social Services recipients via Electronic Benefits Transfer (EBT) is also included in the schedule. The State of Colorado issues EBT to the eligible County recipients. Only the federal amount of such pass-through awards and EBT is included on the schedule.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Elbert County, Colorado, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Elbert County, Colorado, received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a sub-recipient is treated as an expenditure when it is paid to the sub-recipient.

Governmental fund types account for the County's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis when they become a demand on current available financial resources. The County's summary of significant accounting policies is presented in Note 2 in the County's basic financial statements.

Note B – CFDA and Contract Numbers

Federal CFDA numbers are from the Catalog of Federal Domestic Assistance published by the Office of Management and Budget and the General Services Administration.

The Schedule of Expenditures of Federal Awards includes non-cash donations for a vehicle received from the Defense Logistics Agency, for which title passes to the County after one year of County use.

In addition, the Schedule of Expenditures of Federal Awards includes \$41,913 in commodities which were provided to two not-for-profit organizations on behalf of the County.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
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 Circular A-133, Section .510(a)	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
Foster Care - Title IV-E	93.658
Social Services Block Grant	93.667
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2013- A Material Audit Adjustment – Material Weakness

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 upon audit procedures performed as of December 31, 2013, we identified the following material adjustment that was recorded in order to fairly present the financial statements in accordance with GAAP:

We noted an error in the Human Services Fund related to an overstatement of payroll expenses requested from the state of approximately \$104,000 for the first six months of the year and an understatement of payroll expense of approximately \$19,000 for the second six months of the year. These payroll errors resulted in a net effect of approximately \$68,000 that will have to be repaid to the state in 2014. The \$68,000 liability has been recorded in the Human Services Fund. This error also had an immaterial effect of approximately \$27,000 as a net overstatement of expenditures recorded on the 2013 SEFA for HHS related programs.

Cause – Due to ineffective internal controls and lack of policy’s/procedures for checks and balances over key financial processes for uploading the payroll information to the state system, errors of this nature were not detected or corrected in a timely manner.

Effect – Material misstatements undetected by the County and not corrected in a timely manner may result in an over or understatement of federal awards (SEFA) or a modified opinion on the financial statements, the SEFA or separate federal programs, including loss of funds in the Human Services Department.

Recommendation - We recommend the Supervisor or Director review the monthly uploads for all expenditures (payroll and non payroll) to the state before the upload actually occurs and determine if the information is accurate and complete and document this review. We also recommend the information received from the state for the monthly settlement be compared to the information that was uploaded to ensure the amounts are correct. A final recommendation is for the Human Services finance department to reconcile the amounts on the County’s general ledger to the state monthly settlement reports to ensure both reports are reconciled, complete and accurate and differences, including errors, can be detected and corrected in a timely manner.

Management’s Response and Corrective Action Plan: The County will record the amounts paid on behalf of the County by the State of Colorado on its general ledger on a monthly basis. The County has begun the process of contacting other Colorado counties to determine the best practices regarding the report of Human Service amounts. In addition, effective August 1, 2014, the Director will review and approve all payroll information before upload to state occurs. Also, effective October 1, 2014, the department will be in process of training additional staff to assist

with financial oversight and workloads to ensure the reconciliation process is completed monthly and in a timely manner.

2013-B Reconciliations – Material Weakness

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, 2013, 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 2013 (the County's consultant reconciled the accounts during the audit preparation process).
- The liability accounts in the general ledger related to payroll and warrants payable were not reconciled during 2013 (the County's consultant reconciled the accounts during the audit preparation process).
- The Sheriff's Office had various checking accounts that were not recognized by the Treasurer or maintained in the financial reporting system. On several of these accounts the signer also reconciled the bank statements.
- 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.
- There is no policy for tracking inventory (supplies and small equipment) 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.
- 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.
- Due to the County's failure to reconcile debt with its debt covenants, and the untimely filing of its annual financial report, Wells Fargo was unable to waive all covenants resulting in the potential of calling the entire principal amount of \$6,200,000 of the Lease Mortgage Revenue bonds due in the next fiscal year. As a result, the entire amount is shown as a current liability in the 2013 audited financial statements.

- The County does not have specific policies related to the journal entry process. These policies would include who can propose and approve journal entries.
- There were no budget to actuals given to the BOCC in 2013 and therefore the BOCC was not receiving accurate financial information on which to make informed decisions. Also the BOCC has not approved the monthly payroll in 2013.
- There does not appear to be oversight of the Coroner's office for recording fees received for vital records or the associated expenses. These transactions and all other related transactions of the Coroner's Office need to be recorded within the County's general ledger.
- Management and/or the BOCC needs to discuss potential component units with its consultant to determine if other entities should be included in Elbert County's annual financial statements.
- 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.

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

Effect - Misstatements undetected by management and not corrected in a timely manner may result in continued deficiencies, material adjustments or modification of the opinion on the financial statements.

Recommendation - We recommend that the County Manager communicate with other departments on the importance of understanding the requirements of reconciliation 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.

Management's Response and Corrective Action Plan: The County believes that the first step in implementing the reconciliation process for both cash held by the County Treasurer and the liability accounts is to ensure that information about activity uploaded from the County Treasurer's office is recorded in the proper accounts. The County has contacted its financial software provider and is currently in the process of updating the Treasurer's information upload. The Finance Department will reconcile its cash balances to the amounts held by the County Treasurer on a monthly basis. Next, the payment of payroll liabilities will be done by the Finance Department. As part of paying those liabilities, a reconciliation of amounts paid to the amounts in the liability accounts will be completed.

The County will review the recording process related to cash accounts in the Sherriff's office. The County will ensure that all transactions are recorded and all accounts are reconciled. The County believes that cost of recording these accounts on the Treasurer's or Finance Departments general ledger outweigh the benefits, and that another simpler bookkeeping system, such as Quickbooks may be more appropriate. The County will adopt procedures which require review of the bank reconciliation process by a member of the Sherriff's Office management.

The County has completed an inventory of its vehicles and real property. A process will be implemented for departments to count their equipment.

The County has purchased software and is in the process of recording the inventory on this system. A count of all supplies inventory held by the County will be completed annually.

The County continues to work with its lender to ensure the County can comply with all covenants, or obtain a waiver when appropriate. As part of this process, the County continues to discuss the specific interpretations of some requirements of the lender.

The County is currently in the process of adopting procedures related to the documentation required to support journal entry transactions, as well as the required approval of those transactions.

The Board of County Commissioners will determine the amount of authority to be given to the County Manager related to transferring appropriated budget within each fund. Once that determination has been made, then financial reports will be provided at the level of detail necessary for the Board of County Commissioners to fulfil their fiduciary oversight responsibilities. In addition, payroll expenditures will be approved by the Board of County Commissioners on a monthly basis.

Currently, the County is in the process of implementing procedures which will result in revenues from all vital records being recorded in the general ledger as well as expenditures being properly reported for salaries and other costs.

As part of the year-end process, the County has reviewed its financial reporting entity and determined that it is appropriate. As the Board of County Commissioners appoint members to boards or provides financial assistance, those entities will be reviewed to determine if they should be reported as component units of the County.

The County will contact its payroll vendor to determine how to grant system access to payroll computer systems to ensure proper segregation of duties.

Section III – Federal Award Findings and Questioned Costs

**2013-001 Passed-through the Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families (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 or all appropriate eligibility information was not received prior to payment of benefits. We tested 60 payments over 15 eligibility files, noting the following exceptions.

- 1 eligibility file in which the case was not closed timely, resulting in one month of additional improper benefits
- 1 eligibility file (2 payments) in which an IRC covering the payment month selected for testing was not completed
- 1 eligibility file (2 payments) in which benefits were issued although there was no support for in-kind income noted in the file or case comments
- 1 eligibility file (3 payments) in which the incorrect benefit amount was issued as a result of incorrect household size entered in CBMS

Questioned Cost – \$1,984 of \$18,570 tested

Effect – Due to the failure of appropriately enforcing the requirements of TANF legislation, the County inappropriately distributed benefits.

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

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 and completing the required assessments and IRC for required documentation before benefits are issued. 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.

Management’s Response and Corrective Action Plan:

Corrective Action Plan:

- Effective September 1, 2014, the Department will implement a checklist for all required steps for processing cases in order to assure accurate and timely processing and eligibility.

**2013-002 Passed-through the Colorado Department of Human Services
CFDA # 93.568
Low-income Home Energy Assistance**

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity’s management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;

- (2) Transactions are executed in compliance with:
 - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - (ii) Any other laws and regulations that are identified in the compliance supplements; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

Improper Payments

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, Federal agencies are required to take actions to prevent improper payments, review Federal awards for such payments, and, as applicable, reclaim improper payments. Improper payment means:

- Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
- Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments).
- Any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments where authorized by law).
- Any payment that an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation.

Condition – The County may have improperly paid benefits in instances where there was lack of documentation that determined if the participant was eligible to receive benefits. We tested 60 participants and noted that two of the participant’s files were not available, nor was there any other form of documentation available to determine eligibility.

Questioned Cost – None reported

Effect – Due to insufficient training and lack of oversight during the purge process the documentation required to determine eligibility was destroyed resulting in the significant deficiency and questioned costs that the County may have to remit to the state.

Cause – Due to a lack of, or failure of appropriate controls, caseworkers accidentally purged files that should not have been purged and this was not detected timely by the supervisor.

Recommendation – We recommend the County take the proper steps in overseeing the purge process to ensure the files are in compliance with the Federal and State regulations related to information to be maintained in the file as well as timing of when a file can be purged.

Management’s Response and Corrective Action Plan:

Corrective Action Plan:

- Effective October 1, 2014, the Department will develop a purge process policy to ensure proper documentation is sufficiently maintained.

**2013-003 Passed-through the Colorado Department of Human Services
CFDA # 93.658
Foster Care – Title IV-E**

Allowable Costs

Significant Deficiency in Internal Control over Compliance

Criteria – The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State Foster Care licensing authority according to 42 USC 671(a) and 672(c) and 45 CFR section 1356.30.

The County will certify its own foster care home providers and is also required to follow the state guidelines as indicated in Volume 7.710.3 – Certification of Foster Care Homes. As part of this, an established rate is put in place which pays for basic maintenance needs for a child in the foster care home or child-care institution.

Condition – We selected 9 different providers to test for allowable costs and to determine current contracts were signed and agreed upon rates were properly paid. In 2 instances, there was no support (agreement) for the rate paid to the provider for part of 2013. Based on additional testing performed, we were able to verify that the providers were indeed eligible.

Questioned Cost – None reported.

Effect – Failure to comply with State and Federal regulations regarding provider payroll payments may result in the County inappropriately issuing payments to these providers.

Cause – Due to a lack of, or failure of appropriate controls, County staff did not obtain the appropriate foster care agreements to support payments issued.

Recommendation – The County should review procedures in place to ensure appropriate documentation is obtained to support payments made to foster care providers.

Management’s Response and Corrective Action Plan:

Corrective Action Plan:

- Effective October 1, 2014, the Department will develop a policy to ensure appropriate documentation is obtained prior to payments being issued to foster care providers.

**2013-004 Passed-through the Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families (TANF)**

Special Tests (IEVS)

Significant Deficiency in Internal Control over Compliance

Criteria –The State’s TANF program is referred to as ‘Colorado Works’. Colorado Department of Human Services (CDHS) Staff Manual 3.600 *Colorado Works Program Eligibility* describes the specific requirements and procedures for documenting and determining eligibility of the TANF program, to ensure compliance with 45 CFR 260.20. Additionally, 45 CFR 205.55 discusses requirements for requesting and furnishing eligibility and income verification (IEVS).

Condition – one eligibility file of 15 tested in which IEVS hits were not followed up within a timely manner.

Questioned Cost – None reported

Effect – Due to the failure to follow up timely with 45 CFR 205.55 that discusses requirements for requesting and furnishing eligibility and income verification (IEVS) resulted in a significant deficiency.

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.

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 that also includes adequate controls are in place and are effective for following up on the IEVS reports in a timely manner. 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.

Management’s Response and Corrective Action Plan:

Corrective Action Plan:

- Effective September 1, 2014, the Department will implement a checklist for all required steps for processing cases in order to assure accurate and timely processing and eligibility.

**2012-01 Passed-through Colorado Department of Human Services
CFDA #93.558 and #93.716
Temporary Assistance for Needy Families (TANF) and ARRA – Temporary
Assistance for Needy Families Supplemental Grants**

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

Finding – The County improperly paid benefits in instances where information was not received from clients as required or all appropriate eligibility information was not received prior to payment of benefits. We tested 60 payments over 15 eligibility files, noting the following errors:

- In 10 of 15 eligibility files, there were open IEVS hits with due dates prior to the benefit month selected for testing.
- In 3 of the 15 eligibility files, a job readiness assessment was not present.
- In 2 of the 15 eligibility files, the IRC was not approved by the caseworker.
- In 1 of the 15 eligibility files, a completed and current IRC was not present.
- In 1 of the 15 eligibility files, no job search logs were present to support the IRC.
- In 1 of the 15 eligibility files, the IRC was not signed by the participant.

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

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

**2012-02 Passed-through Colorado Department of Human Services
CFDA #93.558 and #93.716
Temporary Assistance for Needy Families (TANF) and ARRA – Temporary
Assistance for Needy Families Supplemental Grants**

**Allowable Costs/Procurement, Suspension & Debarment
Significant Deficiency in Internal Control over Compliance**

Finding – All recipients of Federal funds that use contractors are required to have controls over the procurement of contracts. Specifically all recipients who use contractors are required by OMB guidance contained in 2 CFR part 180 (implementation of Executive Orders 12549 and 12689) to perform procedures to ensure that contractors have not been suspended or debarred from federal contracting activity.

No SAM check was performed on TANF contracts that were greater than \$25,000 prior to awarding the contract for the project. Additionally, relating to contractor payments, we noted two instances in which the amount paid to the contractor did not agree to the amount billed per invoice. Lastly, we noted 5 instances in which approval was not present on the invoice.

Status – County management was not aware of this compliance requirement and therefore did not have control procedures in place to perform a SAM check on the contractor before awarding the contract. As the County was not informed of the SAM check until January 2014, any contracts relating to the 2013 audit would not have been verified for suspension and debarment.

Surrounding the insufficient support and lack of approvals, the County provided training during 2013 to ensure effective controls are in place and costs are allowable.

Auditor Response – Regarding the SAM check, we are unable to assess in the 2013 audit as a result of the circumstances described above under the status. We will follow up on this finding in the 2014 audit. As for the exceptions surrounding insufficient support and lack of approvals, we note that controls have been fully implemented.

**2012-03 Passed-through the Colorado Department of Human Services
CFDA # 93.568
Low-income Home Energy Assistance**

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

Finding – We noted the following issues related to the charges or lack of charges to the LEAP grant:

- 6 of 12 time sheets were inaccurately completed and reflected the entire salary was to be charged to LEAP for all 12 payrolls. Although the supervisor detected some of the technician’s errors and correctly charged the payment voucher to reflect this, the upload to the state was not properly coded or captured.
- Errors were made by the County’s finance department when uploading the information into the state’s CFMS system that allocates costs to various state and federal programs.

Status - As of June 2013, the practice of contracting services for LEAP eligibility determination was discontinued. All LEAP eligibility is now performed by County employees who are required to attend the State provided training. These employees are all directly supervised by the Assistance Payments Supervisor.

In May 2013, based upon the recommendation of the Colorado Department of Human Services' Audit Division, the Elbert County Health and Human Services implemented the use of the 100% timekeeping software Y-Time. This program allocates all time worked per employee to the appropriate program areas.

In addition to initial submission by employee of his/her Y-Time reports, each time record must be reviewed for accuracy by the direct supervisor with ultimate approval by Administration. This information is directly uploaded into the Colorado Department of Human Services' CEDS reporting system monthly.

Auditor Response – Fully implemented.

**2012-04 Passed-through Colorado Department of Human Services
CFDA # 93.568
Low-income Home Energy Assistance**

**Eligibility
Significant Deficiency in Internal Control over Compliance**

Finding – 3 of 60 participant files tested exceeded the 50 day rule for determining eligibility.

Status - On a monthly basis, the Assistance Payments Supervisor generates a LEAP Master File List of the current status of all cases to review with appropriate staff to address any pending timeliness processing concerns with priority given to those close to the 50 day processing requirement.

Auditor Response – Fully implemented.