



Federal Awards Reports in Accordance with the
Single Audit Act and OMB Circular A-133
December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise Elbert County's basic financial statements, and have issued our report thereon dated June 26, 2015.

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, questioned costs and responses, that we consider to be a significant deficiency as 2014-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, Colorado's response to the finding identified in our audit is described in the accompanying schedule of findings, questioned costs and responses. 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 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, Colorado
June 26, 2015



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, 2014. Elbert County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs and responses.

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, questioned costs and responses, Elbert County did not comply with requirements regarding CFDA # 93.558 Temporary Assistance for Needy Families (TANF) as described in finding number 2014-001 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, 2014.

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, questioned costs and responses for the year ended December 31, 2014.

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, questioned costs and responses as item 2014-001 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, questioned costs and responses as items 2014-002 and 2014-003 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, questioned costs and responses. 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, 2014, and have issued our report thereon dated June 26, 2015, 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 expenditures 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 "Eide Bailly LLP".

Greenwood Village, Colorado
June 26, 2015

Elbert County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

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	*	\$ 48,741
Emergency Food Assistance Commodities	10.569	*	21,701
Total U.S. Department of Agriculture			<u>70,442</u>
Department of Health and Human Services			
Passed through Colorado Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	*	295,510
Title IV-D - Child Support Enforcement	93.563	*	80,325
Title XIX - Medical Assistance Program	93.778	*	131,983
Low Income Home Energy Assistance	93.568	*	216,416
Child Care and Development Fund	93.596	*	134,071 a
Child Care and Development Fund - Discretionary	93.575	*	(15,048) a
Title IV-B - Child Welfare Services	93.645	*	16,395
Title IV-E - Foster Care	93.658	*	200,830
Title XX - Social Services Block Grant	93.667	*	94,528
Chafee Foster Care Independence Program	93.674	*	1,232
Title IV-E - Adoption	93.659	*	36,979
Promoting Safe and Stable Families	93.556	*	16,512
Passed through Colorado Department of Public Health			
Emergency Preparedness	93.069	EPR-HW4-HHS	22,579
Childhood Immunization	93.268	IMM-KA3-HHS/IMM-KT3-HHS	4,104
Breastfeeding Promotion and Support-Improving Maternal Care Practices	93.741	EPR-HW5-HHS	298
Maternal and Child Health Services Block Grant to the States	93.994	MCH-MC4-HHS/MCH-MC5-HHS	6,874
Total Department of Health and Human Services			<u>1,243,588</u>
Department of Housing and Urban Development			
Passed through the Colorado Department of Local Affairs			
Community Development Block Grant - Public Facilities Grant	14.228	12-506	500,000
Total Department of Housing and Urban Development			<u>500,000</u>
Department of Transportation			
Passed through the Colorado Department of Transportation			
National Highway Traffic Safety Administration			
National Priority Safety Programs	20.616	*	19,005
Total Department of Transportation			<u>19,005</u>
Department of Homeland Security			
Passed through the Colorado Department of Local Affairs			
Emergency Management Performance Grant/ Local Emergency Management Support	97.042	13EM-14-22 14EM-15-22	14,581 14,858
Total Department of Homeland Security			<u>29,439</u>
Department of Justice			
Passed through the Colorado Division of Criminal Justice			
VOCA - On Call Victim Advocacy Program	16.575	10-VA-117	5,905
State Criminal Alien Assistance Program	16.606	*	840
Bulletproof Vest Partnership Program	16.607	*	2,659
Total Department of Justice			<u>9,404</u>
Total Federal Financial Assistance			<u>\$ 1,871,878</u>

* Unavailable
Clusters:
a- \$119,023

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.

Note C – Subrecipients

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.228	Community Development Block Grant-Public Facilities Grant	\$500,000
10.569	Emergency Food Assistance Commodities	21,701

Note D – Noncash Assistance

The Schedule of Expenditures of Federal Awards includes \$21,701 in commodities which were provided to a not-for-profit organization 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	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 Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Development Block Grants (CDBG)	14.228
Temporary Assistance for Needy Families (TANF)	93.558
Low-income Home Energy Assistance (LEAP)	93.568
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

2014-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, 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.
- 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.
- 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 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.
- The County does not have specific policies related to the journal entry process. These policies would include who can propose and approve journal entries.
- 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.
- 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.
- 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.

Section II – Financial Statement Findings (continued)

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 financial reporting errors may go undetected by management and not corrected in a timely manner may result in continued deficiencies.

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:

- All funds are being reconciled to the cash held with the Treasurer on a monthly basis. Due to increased staff and a built in interface from the software housed in the finance department and the treasurer’s office, this task is being accomplished no later than the 10th of the following month.
- All payroll and warrants payable accounts are being reconciled to the cash held with the Treasurer on a monthly basis. As an added measure, all benefits payable vendor invoices are being reconciled prior to payroll being submitted eliminating past issues.
- The Sheriff’s Office maintains these accounts on quick books. They are reconciled monthly by a non-signer of the accounts.
- In November/December of 2015 the finance office will physically inventory (capital asset and other inventory) and tagging all capital assets. By January, 2016 an internal record will be created. It has been written in the purchasing policy manual that a physical inventory will take place on an annual basis in the month of January. The finance department will physically inventory all items deemed capital assets and department heads will be responsible for sending in a current inventory list of all other items to the finance department. The internal record created will be updated annually to serve as the master list.
- Health and Human Services provides a monthly expense and budget report to the County Manager. EBT expenditures reflect on this report. The county finance system is not connected to the State CMFS system and will not reflect these numbers.
- In January of 2016 an item will be added to the Elbert County Purchasing Policy outlining the creation of and approval of journal entries.
- The finance department will work with Wells Fargo to grant permissions to the Personnel and Benefits Coordinator for adding and deleting employees and changing salary amounts.

Section II – Financial Statement Findings (continued)

- Procedures for submitting payment vouchers has been updated and disseminated to all departments stating that the County Manager must sign the payment voucher prior to processing by the Finance Department. The finance department is now receiving the County Manager's signature on the list of vendors to be paid before the checks are printed and disseminated. These procedure changes became effective June, 2015.
- All payment requests from the Planning Department are being processed in the finance department. These payment requests must have the County Managers signature before processing will take place. This process took effect in June, 2015.

Ed Ehmann, County Manager, is responsible for overseeing this corrective action plan.

Section III – Federal Award Findings and Questioned Costs

**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

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 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.

Questioned Costs – \$2,577 of \$21,732 tested

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.

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 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.

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

Management Response and Corrective Action Plan

- We will request assistance from the State Department of Human Services Colorado Works program for training, explanation of rules, and individual case issues that may occur. Effective immediately.
- We will develop procedures to address IRC non-compliance based on direction from the State Department of Human Services. Effective October 1, 2015.
- We will update our case review policy and procedures. Effective September 1, 2015
- We will restructure our assistance programs managerial workload responsibilities and enhance staffing for additional programmatic oversight and supervision. Effective October 1, 2015.

Jerri Spear, Director of Health and Human Services, is responsible for overseeing this corrective action plan.

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

**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

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.

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:

- 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

Questioned Costs – None

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

Effect – Due to insufficient monitoring (supervisor review of files) and internal controls over compliance, the County may not timely detect an error in eligibility and allowable costs that may result in questioned costs.

Cause – Due to a lack of, or failure of appropriate controls (supervisor review), caseworkers used incorrect information when determining client eligibility.

Recommendation – We recommend the County take the proper steps in ensuring that the caseworkers are following the LEAP checklist and including a copy in each file and documentation of a supervisor review.

Management Response and Corrective Action Plan –

- Since the commencement of the 2014/2015 LEAP season, case reviews have been completed as required by the State Department of Human Services. This includes the submission of two cases per month to the State LEAP Office. Effective November 1, 2014
- We will add a verification step to the LEAP checklist for the date stamp receipt on applications. Effective November 1, 2015.
- If LEAP application processing is done in house by ECDHHS staff, we will use the LEAP check list for all. Effective November 1, 2015

Jerri Spear, Director of Health and Human Services, is responsible for overseeing this corrective action plan.

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

**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**

Criteria – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition – 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.

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

Questioned Cost – None

Effect – Due to insufficient monitoring of the pass through grant, a significant deficiency resulted in a finding and may have an impact on future grant funding as related to subrecipient monitoring.

Cause – Due to the County not fully understanding the requirements of subrecipient monitoring the controls were not in place to ensure the information from the pass through entity and the County’s review of the information was sufficient and this resulted in a significant deficiency.

Recommendation – The County should consider the costs and benefits related to federal grants that are passed through to other entities as the monitoring of the entity can become complex and time consuming and requires knowledge of all the federal and state requirements to ensure compliance. The County should update its knowledge on sub-recipient monitoring if these grants are to be passed through to other entities in the future.

Management’s Response and Corrective Action Plan –

Management has implemented procedures to ensure all voucher/checks written, including pass through accounts, will only be processed by the finance department to ensure a proper paper trail, documentation and authorizations are attained.

Elbert County will no longer engage into pass through grants for other entities until we are staffed and trained to be able to properly manage these accounts. This Grant was represented to the County in such a fashion that the County would not be responsible for policing the above findings.

Ed Ehmman, County Manager, is responsible for overseeing this corrective action plan.

**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

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

Status – 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.

Auditor Response - Not implemented. See findings 2014-001.

**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**

Finding – 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.

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

Auditor Response – The purging of files finding has been implemented although there is an eligibility related finding at 2014-002.

**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**

Finding – 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.

Status - 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.

Auditor Response - Fully Implemented.

**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**

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

Status - 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.

Auditor Response - Fully Implemented.