

ARAPAHOE COUNTY, COLORADO



**FEDERAL AWARDS REPORTS
IN ACCORDANCE WITH THE
SINGLE AUDIT ACT AND
OMB CIRCULAR A-133**

DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>PAGE(S)</u>
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 Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-9
Notes to the Schedule of Expenditures of Federal Awards	10-11
Schedule of Findings and Questioned Costs	12-33
Summary Schedule of Prior Year Findings	34-38



To the Board of County Commissioners
Arapahoe County, Colorado

**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**

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Arapahoe County, Colorado as of and for the year ended December 31, 2010, which collectively comprise Arapahoe County's basic financial statements and have issued our report thereon dated June 17, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Arapahoe County Public Airport Authority, as described in our report on Arapahoe County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arapahoe County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Arapahoe County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Arapahoe 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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the 2010-A deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 2010-B and 2010-C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arapahoe 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*.

Arapahoe County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Arapahoe County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Greenwood Village, CO
June 17, 2011



Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of County Commissioners
Arapahoe County, Colorado

Compliance

We have audited Arapahoe County, Colorado’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 Arapahoe County, Colorado’s major federal programs for the year ended December 31, 2010. Arapahoe County, Colorado’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Arapahoe County, Colorado’s management. Our responsibility is to express an opinion on Arapahoe County, Colorado’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Arapahoe County, Colorado’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Arapahoe County, Colorado’s compliance with those requirements.

In our opinion, Arapahoe County, Colorado, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-05.

Internal Control Over Compliance

The management of Arapahoe County, Colorado, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Arapahoe County, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Arapahoe County, Colorado's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control surrounding compliance that we considered to be material weaknesses, as defined above. However, we identified a certain deficiencies in internal control over compliance that we considered to be a significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06, 2010-07, 2010-08, 2010-09, 2010-10 and 2010-11. A significant deficiency in internal control over compliance is a deficiency, or 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.

Arapahoe County, Colorado's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Arapahoe County, Colorado's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Arapahoe County, Colorado, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 17, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Arapahoe County, Colorado's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Greenwood Village, CO
June 17, 2011

ARAPAHOE COUNTY, COLORADO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	Cluster Total	Total By Agency
U.S. DEPARTMENT OF AGRICULTURE					
Passed-Through Colorado Department of Human Services Temporary Emergency Food Assistance Program (TEFAP) - Commodities	10.569	9104Z2	\$687,854	\$687,854	1
ARRA Temporary Emergency Assistance Program	10.568	9104Z2	\$31,452	\$31,452	1
Temporary Emergency Food Assistance Program-Administration	10.568	9104Z2	\$5,930	\$5,930	1
	<u>CFDA 10.568 Subtotal</u>		<u>\$37,382</u>		
				\$725,236	\$725,236
SNAP- Administrative (a)	10.561	005	\$3,091,188	\$3,091,188	2
SNAP - ARRA Administrative- DOD (a)	10.561	005	\$96,476	\$96,476	2
SNAP - Administrative Distribution - DOD (a)	10.561	005	\$130,299	\$130,299	2
	<u>CFDA 10.561 Subtotal</u>		<u>\$3,317,963</u>		
SNAP - Distribution - Workforce 09 (a)	10.551	005	\$46,774		
SNAP - Distribution - Workforce 10 (a)	10.551	005	\$222,333		
	<u>CFDA 10.551 Subtotal</u>		<u>\$269,107</u>	\$269,107	2
					\$3,587,070
Total Passed-Through Co. Dept. of Human Services			\$4,312,306		
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>\$4,312,306</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed-Through Denver Regional Council of Governments: Title IIIB - Arapahoe County	93.044		\$156,344		
Title IIIB - Arapahoe/Douglas Contract 9804	93.044		\$150,944		
Arapahoe OAA Chore Services	93.044		\$79,369		
Total Passed-Through CCDHS DRCOG	<u>CFDA 93.044 Subtotal</u>		<u>\$386,657</u>		\$386,657
Passed-Through Colorado Department of Local Affairs: Community Service Block Grant	93.569	KCS80003	\$377,938	\$377,938	3
ARRA Community Service Block Grant	93.710		\$103,089	\$103,089	3
ARRA Community Service Block Grant - Arapahoe County	93.710		\$472,205	\$472,205	3
ARRA Community Service Block Grant - Douglas County	93.710		\$41,164	\$41,164	3
Total Passed-Through CO Department Of Local Affairs			<u>\$994,396</u>		\$994,396
Passed-Through Colorado Department of Human Services to County Department of Social Services: Child Welfare Services (Title IV-B)	93.645	005	\$406,951		\$406,951
Social Services Block Grant (Title XX)	93.667	005	\$2,182,226		\$2,182,226
Child Support Enforcement (Title IV-D)	93.563	005	\$2,301,162		
ARRA Child Support Enforcement (Title IV-D)	93.563	005	\$2,058,325		
	<u>CFDA 93.563 Subtotal</u>		<u>\$4,359,487</u>		\$4,359,487
Medicaid Transportation (Title XIX)	93.778	005	\$2,442,203		\$2,442,203
Independent Living (Title IV-E)	93.674	005	\$155,219		\$155,219
Promoting Safe and Stable Families	93.556	005	\$4,500		\$4,500
Foster Care (Title IV-E)	93.658	005	\$4,677,031		
ARRA Foster Car (Title IV-E)	93.658	005	\$147,323		
	<u>CFDA 93.658 Subtotal</u>		<u>\$4,824,354</u>		\$4,824,354
Child Care Development Block Grant	93.575	005	\$2,386,801	\$2,386,801	4
Child Care Development Funds	93.596	005	\$3,931,621	\$3,931,621	4
ARRA Child Care Development Funds	93.713	005	\$1,632,059	\$1,632,059	4
Adoption Assistance Grant - Title IVE	93.659	005	\$2,357,542		\$2,357,542
Temporary Assistance to Needy Families (c)	93.558	005	\$13,821,643		\$13,821,643
Low Income Home Energy Assistance (b)	93.568	005	\$4,973,656		\$4,973,656
Passed-Through Colorado Office of Energy Management Low Income Home Energy Assistance - Weatherization (b)	93.568		\$472,169		\$472,169.00
Total Passed-Through CO Office of Energy Management			<u>\$472,169</u>		
	<u>CFDA 93.568 Subtotal</u>		<u>\$5,445,825</u>		
Total Passed-Through CO Department Human Services			\$43,478,262		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>\$45,331,484</u>

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ARAPAHOE COUNTY, COLORADO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	Cluster Total	Total By Agency
<u>U.S. DEPARTMENT OF ENERGY</u>					
Passed-Through Colorado Office of Energy Conservation: Weatherization Assistance for Low Income Persons - DOE	81.042	C900628	\$460,666		
ARRA - Weatherization Assistance for Low Income Persons	81.042		\$2,345,507		
	<u>CFDA 81.042 Subtotal</u>		<u>\$2,806,173</u>		
ARRA - Energy Efficiency Conservation Block Grant	81.128		\$13,183		
TOTAL U.S. DEPARTMENT OF ENERGY					<u><u>\$2,819,356</u></u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)</u>					
Passed-Through Co Office of Emergency Management: Co. Statewide Emergency Management Program	97.042		\$79,000		
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)			<u>\$79,000</u>		<u><u>\$79,000</u></u>
<u>U.S. DEPARTMENT OF JUSTICE</u>					
Passed-Through Co.Div. Of Criminal Justice Edward Byrne Memorial Justice Program Aftercare Program	16.738		\$72,837		
ARRA 2009 - JAG	16.804		\$153,784		
State Criminal Alien Assistance Program	16.606		\$296,993		
TOTAL U.S. DEPARTMENT OF JUSTICE					<u><u>\$523,614</u></u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Passed -Through Co Dept. of Local Affairs, Div. Of Emergency Management State Homeland Security Program 2007	97.067	8EM77803	\$160,432		
			<u>\$160,432</u>		
Passed-Through Governor's Office of Homeland Security State Homeland Security Program 2008	97.067	98HS78803	\$989,177		
State Homeland Security Program 2009	97.067	9SHS10NCR	\$157,301		
State Homeland Security Program 2010	97.067	10SHS11NCR	\$49,000		
Citizen Corp Grant Program 2008	97.067	98HS78303	\$38,586		
Citizen Corp Grant Program 2009	97.067	9CCP10NCR	\$968		
	<u>CFDA 97.067 Subtotal</u>		<u>\$1,235,032</u>		
Interoperable Emergency Communication Grant Program	97.055	9IEC10NCR	\$7,594		
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>\$1,403,058</u>		<u><u>\$1,403,058</u></u>
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Passed-Through Governor's Office of Homeland Security Public Safety Interoperability Of Communications	11.555	97HS77F03	\$605,988		
TOTAL U.S. DEPARTMENT OF COMMERCE					<u><u>\$605,988</u></u>

(Continued)

ARAPAHOE COUNTY, COLORADO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	Cluster Total	Total By Agency
U.S. DEPARTMENT OF LABOR					
Passed-Through Colorado Department of Labor & Employment:					
Wagner-Peyser	17.207	PY07 1582	\$480,704		
	17.207	PY10-1721	\$506,067		
ARRA Wagner-Peyser	17.207	ARRA PY08 1621	\$228,622		
ARRA Wagner-Peyser	17.207	ARRA PY08 1621	\$280,700		
	<u>CFDA 17.207 Subtotal</u>		<u>\$1,496,093</u>	\$1,496,093	5
Trade Adjustment Assistance	17.245	TAA-1669	\$47,915		
	17.245	TAA-1780	\$20,640		
	17.245	TAA-1780	\$7,680		
	17.245	TAA-1780	\$1,319		
	<u>Total CFDA 17.245</u>		<u>\$77,554</u>		\$77,554
Workforce Investment Act Adult	17.258	WIA Adult-1516	\$998,652		
	17.258	WIA Adult-1718	\$46,909		
	17.258	WIA 10% DA-1680 TAL	\$2,018		
	17.258	WIA 10% DA-1680 E	\$14,391		
	17.258	WIA 10% DA-1680 SYC	\$10,643		
	17.258	WIA 10% SECTRS-1680	\$1,125		
ARRA Workforce Investment Act Adult	17.258	WIA ARRA Adult-1465	\$205,876		
	17.258	Marketing-1418	\$13,244		
	<u>CFDA 17.258 Subtotal</u>		<u>\$1,292,858</u>	\$1,292,858	6
Workforce Investment Act Youth	17.259	WIA Youth -1302	\$3,532		
	17.259	WIA Youth -1517	\$375,912		
	17.259	WIA Youth-1719	\$437,067		
	17.259	Summer Job Hunt-1680	\$31,500		
	17.259	Summer J H Mkti-1680	\$1,000		
	17.259	WIA 10% EA-1265	\$7,167		
	17.259	WIA 10% EA-1265	\$2,942		
	17.259	WIA 5% Eadm-1774	\$16,000		
	17.259	WIA 10% PI-1833	\$3,434		
ARRA Workforce Investment Act Youth	17.259	WIA ARRA Youth-1466	\$253,381		
	<u>CFDA 17.259 Subtotal</u>		<u>\$1,131,935</u>	\$1,131,935	6
Passed-Through Colorado Department of Labor & Employment:					
Workforce Investment Act Dislocated Worker Worker & Statewide Activities	17.260	WIA DW-1518	\$381,473		
	17.260	WIA DW-1720	\$281,412		
	17.260	WIA RR-1508	\$107,812		
	17.260	BRAC-1228	\$98,113		
	17.260	CIMS-1680	\$55,870		
	17.260	Marketing-1680	\$20,006		
	17.260	DPN-1593	\$2,117		
	17.260	Benefits Planner-7/15/09	\$2,959		
	17.260	Benefits Planner-1617	\$55,000		
	17.260	Benefits Planner-1418	\$11,084		
	17.260	WIA 10% DY-1418	\$1,000		
ARRA Workforce Investment Act Dislocated Worker	17.260	ARRA SECTRS I-1695	\$2,934		
ARRA Workforce Investment Act Dislocated Worker	17.260	ARRA SECTRS GIW-1695	\$72,339		
ARRA Workforce Investment Act Dislocated Worker	17.260	ARRA 10% EL-1695	\$52,000		
ARRA Workforce Investment Act Dislocated Worker	17.260	ARRA E DW-1653	\$280,471		
ARRA Workforce Investment Act Dislocated Worker	17.260	ARRA WIA DW 1467	\$276,595		
	<u>CFDA 17.260 Subtotal</u>		<u>\$1,701,185</u>	\$1,701,185	6
WIA Pilots, Demonstrations & Research	17.261	1606	\$31,845		\$31,845
ARRA Energy Partnership Grant	17.275	1802	\$97,765		\$97,765
TANF Assistance for Needy Families-Hire Colorado (c)	93.558	PY09-1657	\$660,975		\$660,975
Disabled Veterans Outreach	17.801	DVOP 1723	\$10,125		
	17.801	DVOP 1647	\$11,871		
	<u>CFDA 17.801 Subtotal</u>		<u>\$21,996</u>	\$21,996	5
Veterans Employment	17.802	VWIP 1636	\$51,185		
	17.802	VWIP 1817	\$39,907		
	<u>CFDA 17.802 Subtotal</u>		<u>\$91,092</u>		\$91,092
Local Veterans Employment	17.804	LVER 1646	\$6,188	\$6,188	5
WIRED	17.268	WIRED 1300	\$28,992		
	17.268	WIRED 1692	\$93,400		
	<u>CFDA 17.268 Subtotal</u>		<u>\$122,392</u>	\$122,392	
TOTAL U.S. DEPARTMENT OF LABOR					<u>\$122,392</u>
					<u>\$6,731,878</u>

(Continued)

ARAPAHOE COUNTY, COLORADO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	Cluster Total	Total By Agency
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					
Direct Program through Denver Regional Office:					
Centennial Community Development Block Grant 2008	14.218		\$1,260		
Centennial Community Development Block Grant 2009	14.218		\$59,083		
Centennial Community Development Block Grant 2010	14.218		\$57,235		
Community Development Block Grant 2005	14.218		\$6,822		
Community Development Block Grant 2006	14.218		\$3,829		
Community Development Block Grant 2007	14.218		\$16,376		
Community Development Block Grant 2008	14.218		\$234,285		
Community Development Block Grant 2009	14.218		\$517,804		
Community Development Block Grant 2010	14.218		\$168,995		
	<u>CFDA 14.218 Subtotal</u>		<u>\$1,065,689</u>	\$1,065,689	7
ARRA Community Development Block Grant Centennial 2008	14.253		\$1,566		
ARRA Community Development Block Grant 2008	14.253		\$125,702		
	<u>CFDA 14.253 Subtotal</u>		<u>\$127,268</u>	\$127,268	7
					\$1,192,957
HOME Program 2006	14.239		\$17,591		
HOME Program 2007	14.239		\$7,249		
HOME Program 2008	14.239		\$23,089		
HOME Program 2009	14.239		\$15,850		
	<u>CFDA 14.239 Subtotal</u>		<u>\$63,779</u>		\$63,779
Passed-Through Colorado Department of Local Affairs					
Section 8 Program - Vouchers/Certificates	14.871		\$25,901		
HO Incentives for Littleton Housing Authority	14.871		\$500		
	<u>CFDA 14.871 Subtotal</u>		<u>\$26,401</u>		\$26,401
<u>TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					<u>\$1,283,137</u>
The accompanying notes to this schedule are an integral part of this schedule.					
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed-Through Colorado Department of Transportation:					
Highway Planning and Construction	20.205		\$275,457		
Highway Planning and Construction	20.205		\$342,528		
ARRA Highway Planning and Construction	20.205		\$594,495		
	<u>CFDA 20.205 Subtotal</u>		<u>\$1,212,480</u>		\$1,212,480
<u>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</u>					<u>\$1,212,480</u>
<u>U.S. Environmental Protection Agency</u>					
Passed-Through Colorado Water Resource & Power Dev. Authority					
Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$361,821		
<u>TOTAL U.S. DEPARTMENT OF Commerce</u>					<u>\$361,821</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>					<u>\$64,664,122</u>

- (a) Allocation of financial assistance between federal monies passed through the state and state monies has been derived from and provided by the Colorado Department of Human Services
- (b) LEAP passed through the CO Department of Human Services and the CO Office of Energy Management \$5,445,825
- (c) TANF passed through the Co Department of Human Services and Colorado Department of Labor \$14,482,618.

ARAPAHOE COUNTY, COLORADO

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010**

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Arapahoe 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.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements. 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. Federal financial assistance provided to sub-recipients is treated as expenditure when it is paid to the sub-recipient.

Noncash Programs

Certain federal financial assistance programs do not involve cash awards to the County. These programs include the following:

Commodities Distribuiton CFDA #10.569

Value of commodities received during 2010	\$ 687,854
Value of commodities on hand as of December 31, 2010	\$ 59,804

CFDA and Contract Numbers

Certain programs do not contain State or Federal contract numbers because they have not been assigned these numbers or the numbers were not obtainable.

Federal Capitalization Grant

In 2006, the County received a loan from Colorado Water and Power Development Authority. Part of the funding source for this loan was a federal capitalization grant under CFDA # 66.468.

ARAPAHOE COUNTY, COLORADO

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010**

As part of the loan agreement, the loan proceeds will be held by the Authority until requested by the County and approved by the Authority. As of December 31, 2010 \$361,821 of the proceeds of this loan have been received by the County and are listed in the Schedule of Expenditures of Federal Awards.

Sub-recipients of Grant Awards

Federal Program	CFDA#	Amount
Community Development Block Grant	14.218	\$ 901,292
State Homeland Security 2008	97.067	14,165
State Homeland Security 2009	97.067	3,372
Public Safety Interoperability of Communications 2008	11.555	199,076
ARRA WIA Strategies to Enhance Colorado's Talent through Regional Solutions (SECTRS)	17.260	55,700

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs
December 31, 2010

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued is **unqualified**.

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditor's report issued on compliance for major programs is unqualified for all major programs tested.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.551 & 10.561	Supplemental Nutrition Assistance Program (ARRA)
14.218 & 14.253	Community Development Block Grant (Cluster) (ARRA)
17.258, 17.259 & 17.260 (Cluster)	WIA Cluster (ARRA)
81.042	Weatherization Assistance for Low-Income Persons (ARRA)
93.575 & 93.596 & 93.713 (Cluster)	Child Care Cluster (ARRA)
93.563	Child Support Enforcement (ARRA)
93.568	LEAP
93.569 & 93.710 (Cluster)	Community Services Block Grant (Cluster) (ARRA)
93.659	Adoption Assistance Program
93.667	Social Services Block Grant
93.778	Medical Assistance Program

Dollar threshold use to distinguish between type A and type B programs: \$ 1,939,924

Auditee qualified as low-risk auditee? Yes No

Section II—Financial Statement Findings

2010-A Material Audit Adjustments – Material Weakness

Criteria The County is to required to have effective internal controls that are designed and in place to detect and prevent errors in a timely manner.

Condition Based on discussions with the client and procedures performed, the following issues were identified:

- Our testing of Open Space identified that an adjustment for recognition of sales taxes receivable in the amount \$1.3 million was duplicated with an erroneous offset to accounts payable resulting in the overstatement of both assets and liabilities. The County has corrected the above adjustment.
- Our testing of accounts receivable also identified that the County improperly recorded the offsetting accounts receivable for Grant Fund in

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

to the Homeland Security Fund while properly recording the revenue in the Grant Fund. This resulted in a misclassification between receivables and inter-fund accounts of approximately \$408,000. We believe this error should have been detected during the review and posting of this journal entry.

Cause Insufficient training and detailed review of journal entries prior to posting caused entries to be posted in the incorrect fund or incorrect account.

Effect Without proper training and supervision errors will continue and result in either overstatement or understatement of transactions.

Recommendation In response to these material audit adjustments, we recommend the following:

We recommend that the County emphasize the importance of a thorough review of all journal entries and work to strengthen journal entry review controls. We recognize that the County does have a review process in place, but we believe that this process needs to be strengthened as these errors should have been detected. Improvement of the review process should involve staff training relating to proper review procedures and best practices.

Management's Corrective Action We agree with the finding and the recommendation. In 2010 the Accounting Manager did meet with accounting staff and discuss the importance of and expectations of the role of the person approving journal entries. We will have that discussion again at the conclusion of this year's audit with an additional emphasis on having the preparer also go back after the entry is posted and making sure that the entry was correct.

2010-B Capital Asset Depreciation-Significant Deficiency

Criteria GASB 34 states that capital assets still in uses should not have a value of \$-. As such, assets should be evaluated to determine if the useful lives need to be adjusted or if a residual value needs to be assigned.

Condition During our testing of capital assets, we found various capital assets which are being depreciated without a residual value applied, causing ending capital asset balances to be zero upon full depreciation, which is a violation of GASB 34.

Cause The County is aware of this requirement. However, due to other projects they have not had a chance to work on this project.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Effect Capital assets are understated by the amount of the capital assets still in use, but with no recorded net book value.

Recommendation We recommend that the County establish salvage values for all capital assets in order to prevent them from being depreciated to a zero value.

**Management's
Corrective Action** We agree with the finding and recommendation. We did not implement the recommendation in 2010 because of the impact it would have on another area and we wanted to resolve that first. We will come to a solution and implement the recommendation in 2011.

2010-C SEFA Preparation – Significant Deficiency

Criteria The County is to required to have effective internal controls that are designed and in place to detect and prevent errors in a timely manner.

Condition Based on discussions with the client and procedures performed we noted the following issues surrounding the preparation of the SEFA:

- The County overstated the IVD grant by approximately \$2.3 million on the original SEFA and this information was discussed with the client and the SEFA was corrected.
- The County did not identify ARRA funds related to IVE program in the amount of approximately \$147,000. This was discussed with the client and the SEFA was corrected.
- The County did not originally include a grant on the SEFA that was on the FFA report for \$4,500 related to the Promoting Safe and Stable Families. This was discussed with the client and the SEFA was corrected.
- The County did not allocate the 21k unallocated negative amount to SNAP and Medicaid. We advised the client of the proper allocation to the programs and the SEFA was corrected.

Cause Due to insufficient training and communication between the individual grant managers and the grant accountant, errors may not be detected or corrected timely and this may result in inaccurate reporting of grant information in the SEFA and the data collection form.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Effect Without proper training and supervision errors will continue and result in either overstatement or understatement of expenditures in the SEFA and the data collection form and may result in more scrutiny by the federal or state agencies.

Recommendation We recommend the County establish and implement procedures to ensure all federal grants are properly recorded in the County's financial records and included in the SEFA.

Management's Corrective Action We recognize that we have a responsibility to report all federal funds on the SEFA and make good efforts to do so. Sometimes the information regarding federal funds is difficult to identify and sometimes not clear when coming through the State. We will work to establish procedures that will better allow us to gather this information from the State. In addition we are developing a County-wide policy for grants that will help us gather all relevant grant information, particularly for federal funds, from the County departments. This will help us in being able to report on all federal funds we have received.

Section III—Federal Award Findings and Questioned Costs

**2010-01 U.S. Department of Health and Human Services
Passed-through Colorado Department of Human Services
CFDA #93.563 (ARRA)
Child Support Enforcement**

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – 45 CFR Part 303 – Standards for Program Operations indicates specific requirements regarding Establishment of Paternity and Support Obligations, Enforcement of Support Obligations, Securing and Enforcing Medical Support Obligations and Provision of Child Support Services for Interstate Cases.

Condition – We tested 60 files for compliance with specific criteria within 45 CFR Part 303 and noted the following exceptions:

- 3/60 files were late on entering the information from the applications into ACSES within the required 20 day time frame of receipt of the application
- 1/60 files where the dates recorded in ACSES did not match with the dates supported in the paper file.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

- 1/60 files where the medical support obligation information from the court order was entered into ACSES incorrectly.

- 1/60 files where the County failed to issue a default order.

Questioned Costs – None

Effect – The County is not in compliance with the Federal requirements of the Child Support Program, this includes timeliness and accuracy of information entered into ACSES. The non-compliance issues may result in actions taken by the State or the Federal agency.

Cause – With respect to the 6/60 files not processed timely, they all were noted to have SIDMOD (State Identification Module) issues at the State level. SIDMOD issues are caused when an NCP's (non custodial parent) name and birth date are close enough to another person in the system to indicate a possible mis-identification. This results in delays in processing the information until the SIDMOD issue is cleared. The remaining 3 files with errors appear to be caused by data entry errors of the technicians and insufficient file review by the supervisors. S

Recommendation – We recommend the County include the above non compliance items in their internal review process and to provide additional training to staff as soon as possible.

Management's Response and Corrective Action Plan –

3/60 files were late on entering the information from the applications into ACSES within the required 20 day time frame of receipt of the application

Response: We agree with the finding; however, it should be noted Arapahoe County has no control over the SIDMOD issues that caused the non-compliance with the 20-day timeframe. Those cases with SIDMOD conflicts are monitored by CSE Intake and initiated into ACSES as soon as the State help desk clears the conflict. It should also be noted that all 3 of the cases noted were incoming reciprocals that must first pass the State's interstate unit prior to being passed onto the county. Due to that structure, the State's interstate office could have identified the SIDMOD conflict, started the SIDMOD conflict resolution process and thereby ensured that the conflict was resolved for the county office to meet the 20-day time frame. Arapahoe County believes that due to the fact that all three cases were interstate cases and because Arapahoe County does not have any control over when the State Help Desk will clear the conflict, these should be cited as state exceptions and not county exceptions. Further, the Child Support Enforcement Division Manager recently discussed the SIDMOD conflict situation with one of the State's ACSES programmers, who has acknowledged the concern and promised to review for resolution.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

1/60 files where the dates recorded in ACSES did not match with the dates supported in the paper file.

Response: We agree with the finding. Arapahoe County CSE reviews this element during the monthly internal review process and is currently developing a training manual for Intake which outlines the importance of making sure the date on the application is entered into ACSES correctly. Arapahoe County CSE is also finalizing an on-line application process that will ensure that all data entered by the applicant is automatically entered into the ACSES which will allow the intake team the ability to review data for accuracy and reduce the occurrences of data entry errors. The on-line application process is scheduled for implementation in March 2011.

1/60 files where the medical support obligation information from the court order was entered into ACSES incorrectly.

Response: We agree with the finding. Arapahoe County CSE reviews this element during the monthly internal review process and is currently developing a training manual for Order Entry, which includes the inclusion of medical support. CSE expects to have the Order Entry training manual completed in March 2011. Further, the Administrative Support Supervisor has discussed the importance of ensuring that the correct party who is ordered to provide medical support is entered into the ACSES correctly with all relevant staff. Arapahoe County CSE is also finalizing an on-line application process that will ensure that all data entered by the applicant is automatically entered into the ACSES, which will allow the intake team the ability to review data for accuracy and reduce the occurrences of data entry errors. The on-line application process is scheduled for implementation in March 2011.

1/60 files where the County failed to issue a default order.

Response: We agree with the finding. Arapahoe County CSE reviews this element during the monthly internal audit review process. The Administrative Support Supervisor will meet with the Establishment Team in February 2011 to discuss the timeframes and importance of entering the Default Order into ACSES within the required five-day timeframe.

2010-02

U.S. Department of Health and Human Services
Passed-through Colorado Department of Human Services
CFDA #93.778
Medical Assistance Program

Eligibility
Special Tests

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Significant Deficiency in Internal Control over Compliance

Criteria – According to the Colorado Department of Health Care Policy and Financing Volume 8, the County is required to send a Notice of Action (notifying the applicant of Medicaid eligibility or ineligibility) within forty five days from receipt of the completed application. Additionally, the Colorado Department of Health Care Policy and Financing Staff Manual Section 8.765 and 8.101 guidelines require case files to be maintained that include all eligibility documents.

Condition – We reviewed 60 case files related to eligibility for this program. We noted the following instances of non-compliance related to documentation of participant eligibility in 2 of 60 files tested:

- One instance in which the County did not send notice of action within forty-five days of the date of application
- One instance in which income was incorrectly calculated and entered into the database system in which eligibility is determined. However, if the correct income was calculated and entered into the system eligibility would not have been affected

Questioned Cost – None

Cause – The County processing timelines are such that they are not able to request additional documents from the applicant and still complete the application in forty five days. There is also a lack of qualified and trained personnel to help gather all required documents that are needed to determine eligibility.

Effect – Failure to process applications timely results in participants that are delayed approval for Medicaid services. Additionally, failure to maintain complete and proper participant files and appropriately enter such information into CBMS may result in Medicaid eligibility determinations made to individuals who should not qualify.

Recommendation – We understand that CSS was unable to create a report that allows the County to monitor cases prior to the case exceeding the processing guidelines due to the State Department of Human Services transitioning from the current Business Objects reporting system to COGNOS. We recommend the County continue to work with the State on a report that would allow the County to monitor cases that are nearing the 45 day deadline.

Management's Response and Corrective Action Plan – We agree with the findings. On January 2, 2011 Arapahoe County implemented a daily dashboard that notifies each employee through email concerning each pending case that is coming due and

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

each active case where a re-determination is due. This should alleviate any problems with cases not being processed timely.

The sign-off process continues for all new employees, whereby a Lead Worker or Supervisor reviews all cases processed by a new staff member for a certain period of time. Seasoned employees have a certain number of cases reviewed throughout the year. Income is one of the elements that is reviewed on each case.

2010-03 **U.S. Department of Health and Human Services**
Passed-through Colorado Department of Human Services
CFDA #93.778
Medical Assistance Program

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – The County is required to participate in the Income Eligibility Verification System (IEVS) required by section 1137 of the Social Security Act, as amended. The requirement also stipulates the County is to address all issues noted on the IEVS report within 45 days.

Condition – We reviewed 61 case files related to compliance for IEVS for this program. We noted that the client did not take appropriate action on outstanding IEVS hits in 15 of 61 cases tested.

Questioned Costs – None

Effect – Failure to appropriately follow up on outstanding IEVS hits may result in important information regarding eligibility being disregarded without updating the individual's information and potential disallowed costs.

Cause –Due to the volume of IEVS hits received and based on the inability to generate accurate IEVS hits reports, the County was unable to address IEVS discrepancies in a timely manner.

Recommendation –The County should have policies and procedures designed in a way that will allow for the timely follow-up on outstanding IEVS hits. We recommend that the county revise its policies and procedures regarding follow-up on outstanding IEVS hits to address the requirement that IEVS hits must be followed-up on within 45 days of receipt.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Management's Response and Corrective Action Plan – The County is in the process of creating a new Record of Contact (ROC) sheet. IEVS is a field that must be completed on every new case and re-determination.

2010-04

U.S. Department of Health and Human Services
Passed-through Colorado Department of Human Services
CFDA #93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT
CFDA#93.596 CHILD CARE MANDATORY AND MATCHING FUNDS OF
THE CHILD CARE AND DEVELOPMENT FUND
CFDA#93.713 ARRA – CHILD CARE AND DEVELOPMENT BLOCK
GRANT

Allowable Costs

Significant Deficiency in Internal Control over Compliance

Criteria – The Colorado Department of Human Services Staff Manual Section 3.905 requires that all parents pay parental fees, unless they meet specific exceptions, before State and Federal funds may be expended. Parental fees must be paid in order for families to remain eligible to receive benefits. State regulations also provide the criteria for calculating the required parental fees. Additionally, the Colorado Department of Human Services Staff Manual Section 3.910 requires that the County pay for absences in accordance with the County's policy. According to Section 4.4 of the County's Child Care Assistance Program Plan for State Fiscal Years 2010-2011, the County will pay all providers for 3 absences per month.

Additionally, under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300... improper payments mean: 1. Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2. Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts

Condition – We noted the following instances of non compliance relating to the allowable cost compliance requirements:

- In 4/60 cases tested the parental fee was incorrectly calculated. In all instances this resulted in an overcharge to the parents
- In 1/60 cases tested the County did not pay the provider for the allowable 3 absences per month

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Questioned costs – None

Effect – There was no verification process in place to ensure that child care providers are receiving the correct amount of parental fees. Nor was there a verification process in place to ensure that child care providers are receiving payment for absences listed on the provider rosters.

Cause – The parental fees are not correctly calculated based on a data entry error when inputting the family’s income and size into CHATS. The payment to the provider was not correctly calculated or verified based on the attendance record submitted by the provider.

Recommendation – We recommend the County adopt procedures to verify the parental fees are appropriately calculated based on the parental fee schedule provided by the State. We recommend the County adopt procedures to verify the payments to providers are appropriately calculated. This includes ensuring the parental fee was calculated based on accurate data entered into CHATS and performing a detailed review of the attendance records prior to payment to ensure that the providers are paid for the correct number of days, including up to the allowable three child absences per month.

Management’s Response and Corrective Action Plan – We agree with the findings. The new CHATS system was implemented in October 2010 at Arapahoe County. The enhancements in the new system will preclude the ability to enter case comments that do not match the parental fee calculated through the system.

The new system will also reduce the likelihood that payments for allowable absences will be unpaid as providers will only be sending attendance invoices for exceptions, such as absences and holidays. Payments for routine daily care are paid automatically through the swipe card system. Additionally, a new procedure was implemented in the first quarter of 2011 whereby the Fiscal Clerks perform a second review of manual payments to make sure that allowable days invoiced match the remittance statements from the system.

2010-05

U.S. Department of Health and Human Services
Passed-through Colorado Department of Human Services
CFDA #93.568
LOW-INCOME HOME ENERGY ASSISTANCE

Eligibility/State Regulations

Compliance
Significant Deficiency in Internal Control over Compliance

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Criteria – Colorado Department of Human Services Staff Manual Volume III describes the requirements and procedures for determining eligibility. Per 3.752.22, Income and Household Size Criteria, the County must determine the countable gross income for all household members for any four weeks of the eight weeks prior to application which best represents the applicant’s current income situation.

In addition, under OMB budgetary guidance and Public Law (Pub. L.) No. 107-300, improper payments mean: 1) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and 2) any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts.

Condition – We tested 60 case files related to eligibility for this program. We noted the following instances of non-compliance related to the determination of participant eligibility in two of the 60 files:

- One instance in which a household member’s income from 2008 was used to calculate benefits. Upon examination of the Department of Labor’s job search tool, more current income information was not available indicating that the household member did not have any income; therefore, we could not determine if benefits were correct. Amount of benefits paid was \$402.50.
- One instance in which the household size listed on the application was not appropriately entered into the State’s LEAP system. The application included 6 members; only 5 were noted on the benefits summary. Benefits paid were not affected.

Questioned costs – \$402.50 of \$26,016.81 payments tested.

Effect – Failure to maintain complete participant files and accurately transfer this information into the State’s LEAP system may result in inaccurate payments to applicants.

Cause – Due to the number of cases that Arapahoe County handles and the level of staffing that occurs, there are some cases with errors that will occur. EB notes that all LEAP special case’s are 100% reviewed until a certain level of accuracy is achieved.

Recommendation – We recommend that the County ensures all support for countable income relates to the correct time period. In addition, information included on the applications should be checked for accuracy when transferred to the State’s LEAP system.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Management's Response and Corrective Action Plan – We agree with the findings. Arapahoe County will continue to conduct internal Quality Assurance reviews on LEAP cases. Correct application of income and household composition are both areas audited on each case file review.

Additionally, Arapahoe County will continue to send staff to trainings made available through the State LEAP office.

100% case file reviews will continue to be completed on employees at the beginning of each LEAP season. This will help ensure the correct application of all rules by all workers.

2010-06

**U.S. Department of Health and Human Services
Passed-through Colorado Department of Local Affairs
CFDA #93.569- Community Services Block Grant
CFDA #93.710 - ARRA – Community Services Block Grant**

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria – The County had contracts with the Colorado Department of Local Affairs for the CSBG and CSBG-R grants. In both of these contracts, Section 5.1.1 of Exhibit B stipulates the report type, reporting periods and due dates for financial status and program reports.

Condition – We selected various financial status and program reports for both the CSBG and CSBG-R grants to test for compliance with the requirements in Section 5.1.1 of Exhibit B of the contract with DOLA and noted the following exceptions:

- CSBG financial status reports: Based on the grant agreement the reporting periods should have March – June (4 months), July – September (3 months), October – December (3 months), and January – February (2 months). However, the County prepared the report for March-May, rather than March-June. As a result, the first report and all subsequent reports were not completed for the proper periods. Additionally, we noted that there was not a review of the financial status reports after they were completed by the Senior Resources Manager.
- CSBG financial status reports and grant year-end reports: The Senior Resources Manager prepares the financial status reports and the final grant reports, which are submitted to the State. The supporting documentation (financial and non-financial data) used to prepare these reports is not retained. Also, the County does not keep signed copies of these reports for their records. As a result, we were unable to verify that the reports we viewed were the reports submitted to the State. Additionally, one of the two status reports viewed did not have the date prepared completed. As a result, we were unable to determine when the report was submitted to the State.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

- CSBG-R financial status reporting: The Senior Resources Manager prepares the financial status report and the monthly ARRA reports, both of which are submitted to the State. The supporting documentation used to prepare these reports is not retained. Additionally, a signed copy of the final report is not retained. As a result, we were unable to verify that the reports we viewed were the reports submitted to the State.
- CSBG-R financial status reporting: The Senior Resources Manager prepares the financial status reports based on the County's monthly reimbursement requests. However, the reimbursement requests utilized are for one month behind the reporting period and therefore not accurate. For example, if the financial status report is for the period of April through June, the expenditures reported were based on the reimbursement requests for the months of March, April and May.
- CSBG-R monthly ARRA reporting: The State requires the County to submit monthly ARRA reports detailing revenues received to date. We tested four of the eight reports submitted to the State and noted that three of the four reports did not have the correct information for revenues collected to date. The County did not retain backup to support how the information in the reports were calculated.

Effect – Failure to accurately prepare and submit required reports may result in performance goals, administrative standards, financial management and other requirements of the grants not being met.

Question Costs – None

Cause – The County does not have a system of internal controls in place to ensure that all required reports are completed and reviewed for accuracy prior to submitting them to the Colorado Department of Local Affairs.

Recommendation – We recommend that the County implement procedures to ensure that all required reports are accurately prepared, agreed to supporting documentation and are submitted to the State in a timely manner.

Management's Response and Corrective Action Plan – We agree with the findings. Senior Resources will implement procedures to ensure that all required reports are accurately prepared, provide or maintain supporting documentation, and are approved by a supervisor before submission to the State in a timely manner.

2010-07

U.S. Department of Housing and Urban Development

Direct Funding

CFDA #14.218 Community Development Block Grants / Entitlement Grants

CFDA #14.253 Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)

Davis Bacon - Monitoring

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

Significant Deficiency in Internal Control over Compliance

Criteria – Form HUD-4010 (07/2003) ref. Handbook 1344.1 paragraph 3(ii)a states “The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i). This information may be submitted in any form desired.....(ii)(b) Each payroll submitted shall be accompanied by a “Statement of Compliance”, signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract....”

Excerpt from 29 CFR 5.5(a)(3)(i)...Payrolls and basic records:...Such records shall contain the name, address and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section 1(b)(2)(B) of the Davis Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid.

Condition – We tested 12 projects and 4 of these projects were Davis Bacon projects. We noted the following related to the certified payrolls:

- None of the certified payrolls had a date stamp when received by CDBG staff or when staff reviewed these certified payrolls for prevailing rates or who performed the review
- The certified payrolls reflected the hours worked and hourly rates. One out of four projects did not include the deductions or the actual wages paid

Questioned costs – None

Effect – Without documentation of when the certified payrolls were received we were unable to determine if all the payrolls were received in a timely manner and not after the contract was completed. If the payroll forms do not include all the required data, this may be a non compliance issue with the Davis Bacon regulations or other issues with the contractor.

Cause – The CDBG staff was not aware of the significance of documenting the date of receiving the weekly certified payroll timely (to ensure payrolls were received in a reasonable time frame and not after the project was completed) or the other payroll criteria was complete as required by Davis Bacon.

Recommendation – We recommend a date stamp be used to document when CDBG staff receive the weekly certified payroll as this will provide evidence if the contractor is submitting weekly certified payrolls timely. We also recommend the staff require certified payrolls be complete in its entirety and make inquiries of the

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

contractor for payrolls that do not include deductions and determine if this information is correct.

Management's Response and Corrective Action Plan – Management acknowledges the importance of maintaining sufficient records illustrating full compliance with Davis-Bacon and related Acts. To accomplish this end, date stamps have been ordered and will be used on each certified payroll the day it was received. Each staff member responsible for payroll review will have a date stamp at their desk. Staff will be trained on the proper procedure for Davis-Bacon payroll review, including date stamping the certified payroll the day it is received, insuring that the payrolls are complete in their entirety, and that the HCDS staff payroll review is documented by signature and date reviewed on each certified payroll. The HCDS procedure manual section on Davis-Bacon labor requirements will be updated to reflect these changes and training will be provided immediately following the procedure update.

2010-08

U.S. Department of Housing and Urban Development

Direct Funding

CFDA #14.218 Community Development Block Grants / Entitlement Grants

CFDA #14.253 Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)

Subrecipient Monitoring

Significant Deficiency in Internal Control over Compliance

Criteria – The CDBG department is to have a written policy and procedures document related to monitoring the entities that receive federal funding from this program. We received a draft copy of the monitoring policies that will be used going forward starting in 2011. Monitoring is to take into account the risk of the subrecipient before and during the project, including how program income is verified and used to offset project expenditures. Federal grants also require standards for financial management systems, i.e. financial reporting, accounting records and internal controls.

Condition – We did note emails on a monitoring schedule for projects completed in 2010 (CDBG policy to monitor after the fact) but the plan did not take place and there was no documentation of why the change in monitoring subrecipients in the original emails changed nor was there documentation of approval by the supervisor or the director for these changes. We also did not receive information on why these projects were selected for monitoring.

2010 Monitoring:

We noted the projects monitored in calendar year 2010 (4) included “findings” these are more severe than “concerns” that perhaps should have been addressed during the project progress and not after the project completed. Two of the projects monitored

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

were with the City of Englewood and the City had a combined total of 7 “findings” and 8 “concerns”, ranging from lead based paint to program income. We were surprised the issue with program income was only a concern, as the process of obtaining external program information from the City was not obtained timely, lacked detail and was after the fact. We do not know what was submitted in the prior year to support the information on the CAPR report for program income. We were not able to obtain the results letter from one of the City’s projects as related to Homeowner fix up project and do not know the final status if the City has corrected the issues (the Homeowner fix up project monitoring is still underway).

Process:

We also noted CDBG is to complete a risk analysis on all completed projects and reviewed some of the public service projects but no other types of projects completed the risk analysis and there was insufficient documentation to illustrate that the selection made for the 2010 review was appropriate or that the selection was discussed with the proper personnel.

Program income:

We also noted the monitoring risk process does not directly take into account the type of annual monitoring that one would expect over the program income from its subreipients that have this type of activity. This is also important as CDBG records the program income from not only CDBG but other subreipients on the annual CAPR. On the 2009 (5/1/09-4/30/10) CAPR approximately \$268,000 was program income and approximately \$233,000 was from the City of Englewood. During most of 2010 there was no supporting document from the City on their program income that is deducted from the actual expenditure on the request for reimbursement form. The only documentation were hand written amounts with no supporting documents from the City’s financial recording system for the amount claimed for program income. We are aware of the memo dated 9/30/10 distributed within the CDBG department that requires specific program income requirements for its subreipients i.e., cash balances, all program income received during the quarter and amounts that were spent on eligible projects. The City submitted the 4th quarter report but nothing was done with the information by CDBG staff.

Subrecipient quarterly and annual reports:

Quarterly performance reports and annual financial statement requirements:

Of the 12 projects we tested for the required quarterly performance report we noted 2 of the projects had 2 quarters missing for each project.

We tested the process of tracking for annual reports and noted tax exempt entities i.e. churches, did not send any internal financial information. We also noted areas of concern that were in the report and were not able to determine if this information was communicated to the project managers on a timely basis to help them monitor the risk. One other issue during the review of financial statements is to ensure if the entity is required to have a single audit and if so, then CDBG needs to review the SEFA and ensure the correct CFDA number and dollar amount of the expenditure

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

from CDBG are included. We were unable to determine if the reviewer is performing this function. This information is required to be communicated to the subrecipient by CDBG staff.

Questioned Costs – None.

Effect – Without an approved policy on monitoring and more involvement by the supervisor and director, subrecipient issues including fraud or errors can go undetected and not corrected timely. Without sufficient supporting documents requested from the subrecipient on program income claimed on the cost reimbursement draw, errors could be made and the subrecipient may receive more in entitlement funds than allowed. Without improved communication between CDBG staff and an understanding of responsibilities and a centralized system, non compliance issues will continue to exist and HUD may perform more site visits and require more intense monitoring of the CDBG program.

Cause – Due to lack of internal controls surrounding monitoring i.e. no written policy, inconsistent monitoring, insufficient monitoring and lack of communication within CDBG staff, lack of centralized responsibilities and files, no one monitoring staffs' compliance on the monitoring plan, will continue to result in non compliance findings over subrecipient monitoring.

Recommendation – We recommend the new monitoring policy, that is currently in draft form, address program income and develop procedures to request documents from the subrecipients system whenever there is a draw that has program income involved, and reports from the sub's system be obtained monthly or at a minimum quarterly and these amounts agreed to CDBG draw books. We also recommend the monitoring include all projects that have a higher risk during the project not just when the project is completed during the year (not the year of the funding) and special attention be given to ARRA projects and well documented in the project file. We also recommend the monitoring plan be approved by the supervisor and the director and monitored for compliance if these were completed (this includes all projects shall have a risk analysis completed) and all this information is safeguarded by one person for tracking progress and due dates, required responses and timely follow up (organized so one can review without going to different personnel for information).

Management's Response and Corrective Action Plan – Management acknowledges the importance of written monitoring policies and procedures in order to safeguard the use of federal funds. The new monitoring procedures and risk assessment will take into account risk factors including program income and will be designed to identify risk and monitor aspects of compliance prior to the completion of the project. Monitoring schedules and focuses will have express written approval of the HDCS manager or the director. Monitoring procedures will ensure that monitoring results and follow up take place in a timely manner.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

2010-09 **U.S. Department of Housing and Urban Development**
Direct Funding
CFDA #14.218 Community Development Block Grants / Entitlement Grants
CFDA #14.253 Community Development Block Grant ARRA Entitlement
Grants (CDBG-R) (Recovery Act Funded)

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria – One of the fourteen federal requirements applicable to the CDBG programs is to file various types of reports at specific times during the grant period. The reports are to be prepared by a knowledgeable staff that is supported with sufficient documentation and approved by a supervisor and submitted timely.

Condition – We noted the following related to reporting:

- 1/4 ARRA reports were late and there was no supervisor approval before reports were submitted.
- 2/4 272's were not filed
- 2/4 425's were not filed

Questioned Costs – None

Effect – Not filing the required federal reports or not filing on time will result in non compliance with the “reporting” federal requirement.

Cause – Due to the changing dates for ARRA reporting the reports were submitted a few days late and staff did not know supervisor approval was required before submission. Also due to the confusion from the HUD regional contact if the 272's were still required or not and assuming the 425 replaced the 272's staff did not file these reports on time or not at all.

Recommendation – We recommend management obtain the due dates for ARRA reporting from the website and obtain supervisor approval before submission. We also recommend staff continue to prepare the 272's and the 425 reports until notified by HUD this is no longer required.

Management's Response and Corrective Action Plan – In response to the first condition regarding the ARRA reports, in the future, HCDS will ensure that due dates are taken directly from the Recovery.gov website and submit all reports by these deadlines and will include all required signatures/approvals and update Business Practices accordingly.

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

In response to the second and third conditions regarding the quarterly Federal Cash Transaction Report #272 and #425, in the future, HCDS will complete and submit both form #272 and #425.

**2010-10 U.S. Department of Health and Human Services
Passed-through Colorado Department of Human Services
CFDA #93.659
Adoption Assistance - Title IV-E**

Eligibility - State and Federal Case File Requirements

Significant Deficiency in Internal Control over Compliance

Criteria – Section 5-1 B. of the “Colorado Department of Human Services Title IV-E or Non Title IV-E Eligibility Determination Handbook” requires that determination of adoption assistance eligibility be completed on the SS-11 form “no later than the same calendar month in which the adoption petition is filed with court.”

Condition – We noted the following instances of non-compliance relating to timeliness of eligibility forms:

- In 4/60 cases tested, the form SS-11 determination of adoption assistance eligibility was completed later than the same calendar month as the adoption petition date filed with the court.

Questioned Costs – None

Effect – The County was not in compliance with the State regulations regarding timely completion of eligibility determination.

Cause – Management does not have a process in place to monitor the timeliness of the completion of the form noted.

Recommendation – Management should establish a process that monitors the staffs’ timely processing and completion of the SS-11 by tracking case progress through the completion date. Upon filing the petition, it should be noted if the SS-11 has been completed or not at that time, which would allow for adequate response time required to comply with the noted criteria.

Management’s Response and Corrective Action Plan – We agree with the findings. While it is true that the County was not in compliance with State regulations regarding timely completion of eligibility determination, only two of the four cases identified would have been deemed in error by the State department. The other two

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

cases were delayed due to circumstances considered reasonable and out of the control of the county by the Colorado State Department of Human Services. Specifically, in one case the Termination of Parental Rights was under appeal by the biological parent thus the case could not be processed because the child is not legally free for adoption. In the second case, a grandmother adopting the child did not want any adoption assistance so the SS-11 was not completed and the Petition was filed on 1/17/08. The Grandmother subsequently changed her mind before the Final Decree and requested a subsidy. The Adoption Subsidy Guidelines were signed on 2/8/08 the month following the petition month thus the worker had no choice except to complete the SS-11 out of compliance. The two cases that were determined to be in error of compliance rule were due to caseworker error.

The Division of Children Youth and Families does recognize and accept the recommendation to establish a tracking process. Steps have already been taken to identify a 'Best Practice' that will focus on the overall goal to improve & align functions & business processes.

The Operations & Placements team has initiated the development of written policies and procedures for timely processing. The goal for completion is May 2011. In addition, a recommendation to develop a module within our ICM system to track the IV-E Adoption Assistance process has been initiated. This automated tracking system will give continued case processing, changes in status such as appeals, alerts of critical deadlines, and management approvals throughout the process. Our goal is to have the module implemented by the end of the second quarter 2011.

2010-11 U.S. Department of Energy
Passed-through Colorado Department of Energy
CFDA #81.042
Weatherization Assistance for Low-Income Persons

Eligibility

Significant Deficiency in Internal Control over Compliance

Criteria – Per section 4.3 of GEO-WX-301.2 “Outreach/Client Services: Client Eligibility Criteria,” program eligibility determined via income should be based on *gross pay* for the most recent three months time.

Condition – We noted the following instance of non compliance relating to the determining of eligibility via income:

- Out of 60 cases selected for testing, 16 were determined eligible via income. For 1 out of these 16 projects, this calculation was not performed correctly. 12 weekly paystubs were acquired; however, income calculated for the period was not in accordance with noted guidance. We noted that income used for

ARAPAHOE COUNTY, COLORADO
Schedule of Findings and Questioned Costs (continued)
December 31, 2010

the calculation was based on net pay, rather than gross pay for several of the weeks included in the calculation. Of the sample tested all were deemed eligible.

Questioned Costs – None

Effect – Failure to properly determine eligibility could result in ineligible participant's receiving benefits.

Cause – An error was made in the processing of the case that was not detected during the review process that is currently in place.

Recommendation – We recommend that the County ensures all support for countable income represent gross wages when determining eligibility. As part of the review process in place to review eligibility determinations prior to work beginning, management should ensure that eligibility determined via income should be monitored for appropriate inclusion of income prior to work commencing.

Management Corrective Action Plan – Arapahoe County Weatherization agrees with the finding, but wants to note that this error did not result in services being provided to a household that was not income-eligible for services. Additionally, this error was not the result of Weatherization staff failing to understand the income eligibility policies requiring that gross income, not net income, be used in determining eligibility. This error was simply an unfortunate oversight. The calculation has been corrected, and since this error was brought to the attention of the Administrative Supervisor during the on-site visit, the gross income is highlighted and/or circled on all pay stubs submitted from weatherization applicants to ensure that the net income is not mistakenly used to calculate income.

Arapahoe County, Colorado
Summary Schedule of Prior Year Findings
December 31, 2010

2009-01 **Passed-through Colorado Department of Human Services**
Foster Care – Title IV-E
CFDA #93.658
Allowable Costs/Eligibility (Licensing of county providers)

Compliance

Finding – One instance of no documentation about the financial condition of the provider (not included in initial home study or recertification update) as required by state guidelines 7.710.33.L.3.g, 7.710.36.A.4.and 7.500.2.A.1.g.

Status – We agree with the finding and have implemented an internal auditing function that occurs monthly to ensure the foster care providers are properly licensed and recertified and that all required information is documented in the file. The County recognized that the process implemented is not infallible and therefore concurs with the recommendation to develop an additional ongoing training, effective immediately, for certification workers to assure familiarity with all federal and state rules and regulations related to certification of foster homes.

Auditor Response – Fully implemented.

2009-02 **Passed-through Colorado Department of Human Services**
CFDA #93.563
Child Support Enforcement
Procurement, Suspension, Debarment

Compliance

Significant Deficiency in Internal Control over Compliance

Finding – Government wide requirements for non-procurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule. Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals 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 specified criteria. 2 CFR section 180.220 of the government wide non-procurement debarment and suspension guidance contains those additional limited circumstances 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 is not suspended or debarred or otherwise excluded. This verification may be

Arapahoe County, Colorado
Summary Schedule of Prior Year Findings (Continued)
December 31, 2010

accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The County purchasing department and CSE management did not perform the suspension and debarment requirements on 1contracts that were over the \$25,000 threshold before the contracts were renewed in 2009. The County finance department and CSE management agreed this was not done before the contract renewal although we did receive information from the CSE management, after the fact, which indicated the vendors/contracts in question were not disbarred or suspended.

Status – During 2010 the contract routing form was updated to include a check box to indicate that EPLS was generated. The Human Services Finance division will run the EPLS search before the execution of signatures and prior to further circulation and attach a copy of the EPLS to the contract. Finance will keep a hard copy of the EPLS search and will also scan the EPLS search into the contract database upon return of the original contract. This practice has worked well and there are no concerns with this issue.

Auditor Response – Fully implemented.

2009-03 **Passed-through Colorado Department of Human Services**
CFDA #93.778
Medical Assistance Program
Eligibility

Compliance
Significant Deficiency in Internal Control over Compliance

Finding – The Colorado Department of Health Care Policy and Financing Staff Manual Section 8.765 and 8.101 guidelines require case files to be maintained that include all eligibility documents. Forty case files were tested for eligibility of the Medicaid program. Appropriate documentation relating to participant eligibility could not be located in three files. Missing or inappropriate documentation included: one file where income was incorrectly calculated, one file where income was correctly calculated but was incorrectly entered into CBMS, and one file did not conform with the Deficit Reduction Act (DRA) requirements.

Status – The County continues to use the INT 145 and update the form as rule changes occur. Arapahoe County continues to train staff as updates are made and also refresher training is offered to ongoing staff.

Auditor Response – Not implemented. See finding 2010-02.

Arapahoe County, Colorado
Summary Schedule of Prior Year Findings (Continued)
December 31, 2010

2009-04 **Passed-through Colorado Department of Human Services**
CFDA #93.778
Medical Assistance Program
Special Tests

Compliance

Finding – According to the Colorado Department of Health Care Policy and Financing Volume 8, the County is required to send a Notice of Action (notifying the applicant of Medicaid eligibility or ineligibility) within forty five days from receipt of the completed application. During the prior year audit, EB tested forty case files and determined that the County did not send the notice of action within forty five days of the date of application in four out of forty files.

Status – The Community Support Services division continues to work with the State staff on the development of a report that identifies cases that are Exceeding Processing Guidelines. The State has not been able to create a report that accurately reflects these cases. In the interim, Arapahoe County continues to work the report sent by the State weekly, although it does not reflect the cases that have verification pending. The list is given to one individual who monitors the progress of the report.

Auditor Response – Not implemented. See finding 2010-02.

2009-05 **Passed-through Colorado Department of Human Services**
CFDA #93.575/93.596/93.713 (ARRA)
Child Care and Development Cluster
Eligibility

Compliance

Significant Deficiency in Internal Control over Compliance

Finding – The Colorado Department of Human Services Staff Manual Section 3.920 describes income eligibility inclusions, exclusions and adjustments. In addition, Section 3.904.1(E) requires counties to maintain current immunization records of the child. We selected 40 files for testing and noted the following errors:

- Income was not properly calculated in two of the forty files
- Immunization records were not present in two of the forty files

Status – The Division has implemented a case file review process for all eligibility programs. Case files are reviewed on all elements, with particular emphasis on income calculation and immunizations. For cases transitioning from Colorado Works to Low Income Child Care, the immunization records are copied and

Arapahoe County, Colorado
Summary Schedule of Prior Year Findings (Continued)
December 31, 2010

transferred to the appropriate CCAP staff. Any findings are communicated with staff during one-on-one sessions with the supervisor.

Auditor Response – Fully implemented.

2009-06 **Passed-through the Colorado Department of Human Services
CFDA #10.551 and 10.561 (ARRA)
Supplemental Nutrition Assistance Program
Special Tests and Provisions
(EBT Reconciliation)**

Compliance
Significant Deficiency in Internal Control over Compliance

Finding – Colorado Department of Human Services Agency Letter # FA-06-04-A for the Supplemental Nutrition Assistance program describes the reporting requirements related to Electronic Benefit Transfers and inventory of benefit cards. Additionally, Colorado Department of Human Services Agency Letter # GEN-06-03-P describes internal controls that will limit county social/human services employee misuse of Quest Cards by reducing the susceptibility to internal fraud. Of the two months tested, we noted one instance in which the county improperly reconciled Quest cards on hand.

Status – Arapahoe County began additional training for the reconciliations process in December 2009. Additionally, the Fiscal Clerk Supervisor is reviewing all monthly EBT reconciliations.

Auditor Response – Fully implemented.

Arapahoe County, Colorado
Summary Schedule of Prior Year Findings (Continued)
December 31, 2010

2009-07 **Passed-through Colorado Department of Human Services**
CFDA #93.568
LOW-INCOME HOME ENERGY ASSISTANCE
Eligibility/State Regulations

Compliance
Significant Deficiency in Internal Control over Compliance

Finding – Colorado Department of Human services Staff Manual Volume III describes the requirements and procedures for determining eligibility in a timely manner. Per Section 3.756.14, Determination of Eligibility, a County department shall have up to 50 calendar days from the date a completed application is received to determine eligibility. We noted 18 out of 53 case files tested exceeded the 50 day time frame requirement to determine eligibility.

Status – Arapahoe County implemented a new system for working cases in a timely manner in 2010. This system has resulted in cases being worked prior to the 50 day deadline. None of the cases audited in 2010 exceeded the processing timeframes.

Auditor Response – Fully implemented.

2009-08 **Passed-through the Colorado Department of Labor**
CFDA #17.258, 17.259, 17.260 (ARRA)
WIA Cluster
Period of Availability

Compliance

Finding – A-102 Common Rule, (§ 97.23 of CFR 29), requires when a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. It was noted that in 1 out of 7 program grants tested, incentive payments were improperly included in a grant outside the period of availability.

Status – Arapahoe County has worked with WIA program supervisors to make them aware of the importance of applying payments to the appropriate grant. Program supervisors are using extra caution during grant cutoff periods to ensure that payments are being applied only to eligible grants. All expenditures are then reviewed by fiscal supervisors to ensure that the program is in compliance with period of availability.

Auditor Response – Fully implemented.