



Federal Awards Reports In Accordance With the
Single Audit Act and the Uniform Guidance
December 31, 2016

Jefferson 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 County Commissioners and
Members of the Audit Committee
Jefferson 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, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Colorado (“Jefferson County”) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Jefferson County’s basic financial statements, and have issued our report thereon dated June 15, 2017.

Internal Control over Financial Reporting

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs as 2016-A 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.

Compliance and Other Matters

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

Response to Findings

Jefferson County's response to the material weakness identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's corrective action plan is also included in a separately issued letter. Jefferson 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 results of that testing, and not to provide an opinion on the effectiveness of Jefferson County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado
June 15, 2017



**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 the Uniform Guidance**

Board of County Commissioners and
Members of the Audit Committee
Jefferson County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Jefferson County, Colorado’s (“Jefferson County”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson County’s major federal programs for the year ended December 31, 2016. Jefferson County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of Jefferson County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson 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 Jefferson County’s compliance.

Basis for Qualified Opinion on #93.558, Temporary Assistance for Needy Families

As described in the accompanying schedule of findings and questioned costs, Jefferson County did not comply with requirements regarding CFDA#93.558, Temporary Assistance for Needy Families, as described in finding number 2016-001 for Eligibility and Allowable Costs. Compliance with such requirements is necessary, in our opinion, for Jefferson County to comply with the requirements applicable to that program.

Qualified Opinion on #93.558, Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Jefferson County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Temporary Assistance for Needy Families for the year ended December 31, 2016.

Opinion on Each of the Other Major Federal Programs

In our opinion, Jefferson County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2016.

Other Matters

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

Report on Internal Control over Compliance

Management of Jefferson 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 Jefferson 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 to be significant deficiencies.

Jefferson County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's corrective action plan is also included in a separately issued letter. Jefferson County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of Jefferson County as of and for the year ended December 31, 2016, and have issued our report thereon dated June 15, 2017, 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 the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Denver, Colorado
June 15, 2017

Jefferson County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2016 Federal Expenditures	Clusters	Totals by Agency	Amounts Passed- Through to Subrecipients
DEPARTMENT OF AGRICULTURE							
Passed through Colorado Department of Human Services:							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*		2,935,480		\$ 2,935,480	
Passed through Colorado State Department of Health and Environment:							
Farmers' Market Supplemental Nutrition Assistance Program Support Grants	10.545			11,595		11,595	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557						
	10.557	Non-Cash Value	3,598,666				
	10.557	WIC-AB16L-DOA	1,076,101				
	10.557	WIC-AB17L-DOA	338,267				
	10.557	WIC-AL16L-DOA	29,598				
	10.557	WIC-AL17L-DOA	11,782				
		CFDA 10.557 Subtotal:		5,054,414		5,054,414	
Child and Adult Care Food Program	10.558	*		149,456		149,456	
Passed through CO Dept of Local Affairs:							
National Forest Payments	10.665	*		46,267		46,267	
TOTAL: DEPARTMENT OF AGRICULTURE						\$ 8,197,212	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Funding:							
Community Dev. Block Grants/Entitlement Grants	14.218	*		1,533,239		1,533,239	1,533,239
HOME Investment Partnerships Program	14.239	*		954,250		954,250	954,250
TOTAL: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$ 2,487,489	
DEPARTMENT OF JUSTICE							
Direct Funding:							
State Criminal Alien Assistance Program	16.606	*		47,252		47,252	
DNA Backing Reduction Program	16.741	*		77,649		77,649	
Second Chance Act Reentry Initiative	16.812	*		71,403		71,403	
Passed through Colorado Dept. of Public Safety/Division of Criminal Justice:							
Crime Victim Assistance	16.575						
Sheriff Crime Victim Assistance (VOCA)	16.575	*	73,495				
Elder Abuse Victim's Specialist	16.575	*	34,088				
		CFDA 16.575 Subtotal:		107,583		107,583	
Crime Victim Compensation Grant	16.576	*		1,214,214		1,214,214	
Violence Against Women Formula Grants District Attorney-VAWA	16.588	*		56,195		56,195	
Pub Safety Partnership and Comm. Policing Grants	16.710						
COPS Meth Initiative 2009	16.710	*	36,851				
		CFDA 16.710 Subtotal:		36,851		36,851	
Edward Byrne Memorial Justice Assistance Grant	16.738						
Criminal Investigator - CHEEZO	16.738	2014-DJ-14-003173	84,509				
JCSO Detentions Biometric Scan System	16.738	2016-DJ-16-013649	63,895				
1st Judicial District Juv. Offenders Pre-Sentence	16.738	*	7,843				
DA Elder Abuse Against Crimes	16.738	*	-				
				156,247			

* Pass-through Entity Identifying Number NOT AVAILABLE

Jefferson County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2016 Federal Expenditures	Clusters	Totals by Agency	Amounts Passed- Through to Subrecipients
Passed through City of Lakewood							
Edward Byrne Memorial Justice Assistance Grant	16.738						
Edward Byrne Justice Grant Formula 5	16.738	*		14,873			
			<u>CFDA 16.738 Subtotal:</u>			171,120	
Passed through West Metro Drug Task Force							
Equitable Sharing Program	16.922						
Equitable Sharing Program-District Attorney	16.922	*	3,804				
Equitable Sharing Program-Sheriff	16.922	*	17,693				
			<u>CFDA 16.922 Subtotal:</u>	21,497		21,497	
TOTAL: DEPARTMENT OF JUSTICE						<u>\$ 1,803,762</u>	
DEPARTMENT OF LABOR							
Passed through Colorado Department of Labor and Employment:							
Employment Service/Wagner-Peyser Funded Activities	17.207						
Wagner-Peyser Plan Year 2015	17.207	*	282,221				
Wagner-Peyser Plan Year 2016	17.207	*	347,876				
Governor's Summer Job Hunt 14	17.207	*	4,936				
Governor's Summer Job Hunt 15	17.207	*	40,000				
			<u>CFDA 17.207 Subtotal:</u>	675,033	675,033 1		675,033
Disabled Veterans' Outreach Program (DVOP)	17.801	*					
PY15 DVOP	17.801	*	2,199				
FY16 DVOP	17.801	*	8,798				
			<u>CFDA 17.801 Subtotal:</u>	10,996	10,996 1		10,996
WIA/WIOA Adult Program	17.258						
WIA/WIOA Adult Program-Plan Year 2015	17.258	*	708,792				
WIA/WIOA Adult Program-Plan Year 2016	17.258	*	165,087				
			<u>CFDA 17.258 Subtotal:</u>	873,879	873,879 2		873,879
WIA/WIOA Youth Activities	17.259	*					
WIA/WIOA Youth-Plan Year 2014	17.259	*	43,269				
WIA/WIOA Youth-Plan Year 2015	17.259	*	383,584				
WIA/WIOA Youth-Plan Year 2016	17.259	*	392,991				
Youth Work Experience-Plan Year 2014	17.259	*	149				
Youth Work Experience-Plan Year 2015	17.259	*	33,364				
Youth Work Experience-Plan Year 2016	17.259	*	12,190				
			<u>CFDA 17.259 Subtotal:</u>	865,546	865,546 2		865,546
Local Veterans' Employment Representative Program	17.804						
Workforce Development LVER-Plan Year 2016	17.804	*	2,720				
			<u>CFDA 17.804 Subtotal:</u>	2,720	2,720 1	688,749 1	2,720
Trade Adjustment Assistance	17.245						
Workforce Development TAA-Plan Year 2015	17.245	*	3,976				
Workforce Development TAA-Plan Year 2014	17.245	*	-				
			<u>CFDA 17.245 Subtotal:</u>	3,976			3,976
WIA/WIOA Dislocated Workers Formula Grants	17.278						
WIA/WIOA Dislocated Workers-Plan Year 2015	17.278	*	598,920				
WIA/WIOA Dislocated Workers-Plan Year 2016	17.278	*	139,272				
WIA/WIOA TAA Case Management-Plan Year 2014	17.278	*	4,031				
PY14 Performance Incentive	17.278	*	20,475				
Enhanced DW-Hire for CO initiative	17.278	*	90,813				
			<u>CFDA 17.278 Subtotal:</u>	853,511	853,511 2	2,592,935 2	853,511
H-1B Job Training Grants	17.268	*		171,614			171,614
TOTAL: DEPARTMENT OF LABOR						<u>\$ 3,457,274</u>	

* Pass-through Entity Identifying Number NOT AVAILABLE

Jefferson County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2016 Federal Expenditures	Clusters	Totals by Agency	Amounts Passed- Through to Subrecipients
DEPARTMENT OF TRANSPORTATION							
Direct Funding:							
Airport Improvement Program	20.106	*		6,046,796		6,046,796	
Passed through Colorado Department of Transportation							
Highway Planning and Construction	20.205	*		247,214		247,214	
Passed through Regional Air Quality Control							
State and Community Highway Safety	20.600						
Click It or Ticket	20.600	*	6,160				
CDOT Speed Mitigation-Fiscal Year 2015	20.600	*	102,552				
			CFDA 20.600 Subtotal:	108,712	108,712 :	108,712	
National Priority Safety Programs	20.616	*		41,640	41,640 :	150,351 :	41,640
TOTAL: DEPARTMENT OF TRANSPORTATION						\$ 6,444,362	
Passed through Colorado Department of Health & Environment:							
Capitalization Grants for Clean Water State Revolving Funds	66.468						
	66.468	WQC-XH11G-POW	1,599				
	66.468	WQC-XK11G-POW	518				
	66.468	WQC-XT11G-POW	3,789				
	66.468	WQC-XH12G-POW	114				
	66.468	WQC-XT12G-POW	266	6,285		6,285	
			CFDA 66.468 Subtotal:				
Indoor Radon Outreach	66.605	HAZ-AS1-EPA		7,648		7,648	
TOTAL: ENVIRONMENTAL PROTECTION AGENCY						\$ 13,933	
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Direct Funding:							
Head Start	93.600	*		3,044,299		3,044,299	
Lead Surveillance	93.753	Lead CCLPP-NJ15H	12,160				
		Lead CCLPP-NJ16H	104				
		Lead CCLPP-NJ17H	2,367	14,632		14,632	
			CFDA 93.753 Subtotal:				
Passed through Colorado Department of Health & Environment:							
Public Health Emergency Preparedness	93.069						
	93.069	EPR-HW16J-HHS	269,109				
	93.069	EPR-HW17J-HHS	41,278				
			CFDA 93.069 Subtotal:	310,387		310,387	
Ebola Phase II	93.074	EPR-HF15J-HHS	6,743				
Ebola Phase II	93.074	EPR-HW17J-HHS	191,562				
			CFDA 93.074 Subtotal:	198,305		198,305	

* Pass-through Entity Identifying Number NOT AVAILABLE

Jefferson County, Colorado
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2016

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2016 Federal Expenditures	Clusters	Totals by Agency	Amounts Passed- Through to Subrecipients
Guardianship Assistance	93.090	*		37,525		37,525	
Family Planning-Services	93.217						
	93.217	FPP-JA16L-HHS	61,173				
	93.217	FPP-JA17L-HHS	106,386				
		CFDA 93.217 Subtotal:		167,558		167,558	
Immunization Cooperative Agreements	93.268						
	93.268	IMM-KA16H-HHS	113,231				
	93.268	IMM-KT16H-HHS	7,700				
		CFDA 93.268 Subtotal:		120,931		120,931	
Centers for Disease Control-Investigations and Technical Assistance	93.283						
	93.283	EPI-QH16H-HHS	27,500				
	93.283	EPI-QE16H-HHS	87,489				
	93.283	EPI-NQ15H-HHS	31,048				
	93.283	EPI-NQ16H-HHS	28,403				
		CFDA 93.283 Subtotal:		174,440		174,440	
Women's Wellness Connection	93.752						
		FPP-GM16L-HHS	1,689				
		FPP-GM17L-HHS	994				
		CFDA 93.752 Subtotal:		2,683		2,683	
HIV Prevention Activities-Health Department Based	93.940	EPI-KG4-HHS		93,487		93,487	
Control Grants	93.977						
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	Non-Cash Value		13,920		13,920	
		CFDA 93.977 Subtotal:					
Maternal and Child Health Services Block Grant to the States	93.994						
	93.994	MCH-NC16L-HHS	119,184				
	93.994	MCH-NC17L-HHS	65,562				
	93.994	MCH-NB16L-HHS	108,402				
	93.994	MCH-NB17L-HHS	34,434				
		CFDA 93.994 Subtotal:		327,582		327,582	

* Pass-through Entity Identifying Number NOT AVAILABLE

Jefferson County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Program Description	CFDA #	Pass-through Entity Identifying Number	Sub-totals by Pass-through Entity Identifying Number	2016 Federal Expenditures	Clusters	Totals by Agency	Amounts Passed- Through to Subrecipients	
Passed through CO Dept of Human Services:								
Promoting Safe and Stable Families	93.556	*		89,888		89,888		
Temporary Assistance for Needy Families (TANF)	93.558	*		7,316,809		7,316,809		
Child Support Enforcement	93.563	*		3,409,412		3,409,412		
Child Support Enforce Research Section 1115	93.564	*		24,527		24,527		
Low-Income Home Energy Assistance	93.568	*		1,095,878		1,095,878		
Child Care and Development Fund: Discretionary	93.575	*		2,027,546	2,027,546 4	2,027,546		
Child Care and Development Fund	93.596	*		1,944,621	1,944,621 4	1,944,621	4	
Child Welfare Services: Title IV-B - Child Care	93.645	*		313,801		313,801		
Foster Care-Title IV-E	93.658	*		5,901,671		5,901,671		
Adoption Opportunity Grant	93.659	*		1,146,920		1,146,920		
Title XX	93.667	*		2,617,638		2,617,638		
Independent Living IV-E	93.674	*		180,920		180,920		
Medicaid: Title XIX	93.778	*	2,822,651	2,822,651	2,822,651 5			
Passed through Health Care Policy and Finance:								
Children's Health Insurance Program	93.767	*	13,700	13,700				
Early, Periodic Screen, Diagnose, Treat (ESPD)	93.778	*	57,541	57,541	57,541 5			
SEP - Options for Long Term Care	93.778	14-55362	1,156,356	1,156,356	1,156,356 5	4,036,548 5		
			CFDA 93.778 Subtotal:			4,050,248 5		
Passed through Colorado Department of Local Affairs:								
Community Services Block Grant	93.569	*		500,089		500,089	500,089	
TOTAL: DEPARTMENT OF HEALTH AND HUMAN SERVICES						\$ 35,125,719		
DEPT OF HOMELAND SECURITY								
Passed through Colorado Department of Public Safety:								
Disaster Grant-Public Assistance Presidentially Declared								
Disaster	97.036	FEMA-DR-4145-CO		2,373,097		2,373,097		
Emergency Management Performance Grants	97.042	*		105,000		105,000		
Homeland Security Grant Program								
Passed through City and County of Denver:								
Urban Areas Security Initiative Grant	97.067	15UAS16DEN	13,297			13,297		
			CFDA 97.067 Subtotal:	13,297		13,297		
TOTAL: DEPARTMENT OF HOMELAND SECURITY						\$ 2,491,394		
EXECUTIVE OFFICE OF THE PRESIDENT								
Passed through the Rocky Mountain HIDTA:								
Office of National Drug Control Policy-West Metro								
Drug Task Force	95.001	*		45,249		45,249		
TOTAL: EXECUTIVE OFFICE OF THE PRESIDENT						\$ 45,249		
TOTAL: JEFFERSON COUNTY FEDERAL EXPENDITURES				\$ 60,066,392	\$ 11,440,751	\$ 11,440,751	\$ 60,066,392	\$ 2,987,578

* Pass-through Entity Identifying Number NOT AVAILABLE

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Jefferson County, Colorado primary government (the County). The County's reporting entity is defined in Note 1 to the County's general-purpose 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 Jefferson 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 Title 2 U.S. *Code of Federal Regulation* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Jefferson 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 1 in the County's basic financial statements.

Jefferson County did not elect to use the 10% de minimus indirect cost rate.

Note B – CFDA 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 – Noncash Programs

Certain federal financial assistance programs do not involve cash awards to the County. Of the federal expenditures presented in the accompanying schedule of federal awards, noncash award programs include the following:

WIC Food Vouchers (CFDA #10.557)	\$ 5,054,414
Chlamydia Tests (CFDA #93.977)	\$ 13,920

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
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	Unmodified for all major federal programs except for Temporary Assistance for Needy Families, which was qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes
Identification of major programs:	
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
WIA/WIOA Cluster	17.258, 17.259 & 17.278
Airport Improvement Program	20.106
Temporary Assistance for Needy Families	93.558
Low-Income Home Energy Assistance	93.568
Child Care and Development Fund Cluster	93.575 & 93.596
Adoption Assistance - Title IV-E	93.659
Dollar threshold used to distinguish between Type A and Type B programs	\$1,801,992
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2016-A Library Collections Account Balance
Material Weakness

Criteria: The County is required to provide accurate financial data for preparation of the CAFR. A good system of internal control contemplates proper reconciliation of all general ledger account balances and adjustments of those accounts to reconciled balances.

Condition: While auditing the library collection reported within the Public Library Component Unit, we noted a current year restatement of the beginning gross asset balance and related accumulated depreciation. This restatement was initially the result of a correction of an error of the valuation of books that have been deleted in the 3 previous years since a new Library software system was implemented and new accounting personnel within the Library was evaluating the system and discovered the error.

While obtaining audit evidence for the restated amounts, we noted a material weakness in controls surrounding the number of items deleted, the valuations of the items deleted and the reconciliation process that is in place surrounding the overall library collection balances being reported. There is no process in place to accurately pinpoint the number of items deleted, which is currently estimated based on changes in the overall inventory balance. The value of deletions is also estimated using an average cost by item type vs. the actual cost to acquire the assets as this is not tracked or accounted for within the inventory system. This estimated deleted items balance is what is reported as deletions within the CAFR.

Lastly, we noted that the year end gross value of reported library collections was misstated when compared to the estimated library collections gross asset audited balance at December 31, 2016, resulting in a change in the client's original journal entry to correct the beginning gross asset and accumulated depreciation balances.

Cause: Deletions have been estimated for several years and were being valued using the replacement cost within the libraries system and not the actual cost to purchase the items. As the system does not track the cost of the items deleted, there was not a control in place to detect the error in which the valuation of these deletions were reducing the asset balance and related accumulated depreciation too quickly.

Additionally, it was noted that the acquisitions team uses excel spreadsheets internally to create a budget for a list of specific types of materials and posts actual receipts (from the receipting) for their purposes into this spreadsheet. These costs are what are used to value the additions within this CAFR. Finance uses JDE Object codes for three major categories of Books and Materials in the book budget, and as such, reconciling library additions per the Library to actual costs within the trial balance is not performed.

Overall difference in ending balance between the CAFR and library records were the result of inappropriately valuing deletions for several years prior to the current year. The library system tracks inventory at replacement value instead of cost, and accordingly a library listing of inventory at cost does not exist and controls were not in place to reconcile ending balances in the CAFR to the library inventory balance.

Effect: This error is isolated to overvaluing fully depreciated library collection asset deletions and resulted in understated assets in both library collection asset and library collection accumulated depreciation balances. The restatement of the beginning balance in these two balances does not affect the ending net asset balance. The original client generated journal entry for deletions was revised to reflect the audited library collection ending balances at December 31, 2016.

Recommendation: We recommend reconciliation processes be created to ensure that library additions, deletions and ending capitalized balances within the Library system agree with the financial records periodically as well as with the CAFR at year end.

*Report Finding from
Prior Year(s):* No

*Views of Responsible
Officials:* Agree

Section III – Federal Award Findings and Questioned Costs

**2016-001 Passed-through the Colorado Department of Human Services
CFDA # 93.558
Temporary Assistance for Needy Families**

**Allowable Costs, Eligibility
Material Noncompliance
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 due to information not being updated timely within the CBMS system. We noted the following two errors in two of sixty files selected for testing:

- One instance in which the case manager did not follow up with the participant in a timely manner to update the Individual Responsibility Contract (IRC), resulting in one month of additional benefits distributed to the participant.
- One instance in which a case was not closed timely as a result of non-compliance with the IRC, resulting in three months of additional benefits distributed to the participant.

Cause: Due to caseworker negligence to follow established procedures, some case files did not include required documentation to support issuance of benefits.

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

Questioned Costs: \$1,456 of \$23,722 tested

Context/Sampling: A nonstatistical sample of 60 transactions out of approximately 17,530 total transactions were selected for testing, which accounted for \$23,722 of \$5,112,789 of EBT federal program expenditures.

Report Finding from Prior Year(s): Yes, prior year finding 2014-002

Recommendation: We recommend the County review policies and procedures designed to ensure that clients provide appropriate documentation in a timely manner prior to issuing benefits. As part of this, staff should receive continuous training to aid in accomplishing this requirement.

Views of Responsible Officials: Agree

**2016-002 Direct Funding
CFDA # 20.106
Airport Improvement Grant**

**Cash Management
Significant Deficiency in Internal Control over Compliance**

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Internal control should be an integral part of the entire cycle of planning, budgeting, management, and accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)).

Condition: No request for reimbursements were made until November 2016, of approximately \$3.8 million, although expenditures of approximately \$4.3 million were incurred and paid during the construction of projects starting in February 2016, through the end of the calendar year.

Cause: Due to turnover, the Airport was not aware that a County cash management policy existed that requires reimbursement requests from the FAA to be made on a more frequent basis

Effect: Insufficient internal controls related to cash management for not making timely draws and using county funds to pay the contractor and other vendors for allowable costs related to FAA approved construction projects resulting in a finding.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 7 request for reimbursements out of 10 total were selected for testing, which accounted for approximately \$5.8 million of federal program expenditures.

Report Finding from Prior Year(s): No

Recommendation: We recommend Airport management develop and document internal controls over cash management and continue to provide adequate grant training to Airport staff including supervisor review of financial and grant compliance requirements.

Views of Responsible Officials: Agree

**2016-003 Direct Funding
CFDA # 20.106
Airport Improvement Grant**

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

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements

Internal controls over procurement and contract modifications, including review of addendums during the procurement process, are required to ensure that the Airport operating the Federal programs, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use *their own documented procurement procedures*, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200 and ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. Also the Airport is to ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, *including contract modifications*, and that this analysis supported the procurement action. (2 CFR section 200.323 and 48 CFR section 15.404-3). A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.)

Internal control should be an integral part of the entire cycle of planning, budgeting, management, and accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management

Condition: The final signed contract with the contractor, dated 8/7/16, indicates 127 days to complete the project verse the revised 110 days during the bid process as addendum #1 dated 2/17/16, to complete that has resulted in potential liquidated damages being sought against the contractor. Management indicated this change in days to complete was not properly communicated to purchasing before the final contract was signed.

Cause: Due to insufficient controls by Airport management and other county partnering departments during the procurement process, preparing, and reviewing of the final contract; this error was not prevented, detected, or corrected timely.

Effect: Due to the accuracy error surrounding the number of days to complete the project submitted in the proposal and accepted by the Airport, the original contract was signed erroneously with incorrect completion dates. This may result in possible liquidated damages being assessed against the contractor, due to lack of internal controls in reviewing the contract for accuracy.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample was not used as there was only one contract related to this project.

Report Finding from Prior Year(s): No

Recommendation: We recommend Airport management revisit the procurement process with their county partnering departments to determine corrections that need to be made to avoid contract issues in the future. We also recommend Airport management contact its legal counsel to determine the steps to be taken in correcting this contract matter for all future contacts.

Views of Responsible Officials: Agree

**2016-004 Direct Funding
CFDA # 20.106
Airport Improvement Grant**

**Wage Requirements/Monitoring
Material Weakness in Internal Control over Compliance**

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141-3144, 3146 and 3147.

Non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (§.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); 2 CFR part 176, subpart C; and 2 CFR section 200.326).

The non-Federal entity is also to notify contractors and subcontractors of the requirements to comply with the Wage Rate Requirements and to receive copies of certified payrolls and to verify that the required prevailing wage rate clauses were included in the contract or subcontract.

The Airport is also responsible for monitoring the consultants work related to Wage Requirements to provide reasonable assurance that the consultants work is in compliance with the terms and conditions of the federal grant and the grant is used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the grant award.

Internal control should be an integral part of the entire cycle of planning, budgeting, management, and accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

Condition: The Airport management has outsourced the process of obtaining certified payrolls to its contracted engineer. The Airport management also has a policy dated 1/1/16, that they were unable to locate and EB sent them the policy, to define the responsibilities related to Wage Requirements (Davis Bacon) as follows:

- The contracted engineering firm will monitor compliance with Davis Bacon requirements regarding the weekly payrolls and statements of compliance and further ensure compliance with all noted requirements. The contracted engineer firm will further provide the designated Airport representative with all Davis-Bacon information as it is submitted by the construction contractor for each AIP project. This will include copies of all written and electronic communication. EB noted there was no communication between the outside consultant and Airport management on certified payrolls during 2016. The first information received by Airport management took place in February 2017.
- On a monthly basis, the contracted engineering firm will provide the designated Airport representative with a random grouping of Davis-Bacon information as it is submitted by the construction contractor for each associated AIP project. The Airport representative will then provide secondary review of work performed on certified payrolls received as well as provide oversight and controls for Davis Bacon compliance matters. EB noted there was no review performed by Airport management in 2016.
- In addition, the contracted engineering firm will send the Airport representative a monthly report summarizing communication, concerns or compliance issues between firm and construction contractor regarding Davis-Bacon wages. EB noted there was no information sent to the Airport management during 2016.
- Documentation of all checked certified payrolls will be kept on the Airport premises in the coordinating AIP folder. Documentation of communication will be kept in a designated AIP folder as appropriate for electronic or hard-copy storage. EB noted there were no certified payrolls received from the consultant during 2016.
- The Airport Director, or other individual as designated by the Airport Director, will utilize the Airport's established third-party engineering and consulting firm to provide consulting services on AIP projects as outlined in the scope of their master contract. EB noted the master contract was not amended to include Wage Requirement scope.

Also, the contract between the Airport and the contractor did not include specific Wage Requirement (Davis Bacon) language, although reference to the requirement is included in the bid proposal.

EB did perform testing on the timely receipt of certified payrolls that were obtained from the outside consultant and noted they were all received. EB also noted both projects AIP 58 & 59 were combined verse indicating which project the certified payrolls were related.

Cause: Due to turnover in Airport management and compliance with its own policy, the internal controls over monitoring Wage Requirements compliance were not in place to prevent, detect and correct these issues in a timely manner.

Effect: Due to insufficient internal controls over monitoring Wage Requirements compliance, including the work performed by its outside consultant, a finding has resulted that may have an impact on future findings as well as grant funding.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 2/11 major contractors for receipt of 18 weekly certified payrolls (August through December 2016) were selected for testing.

Report Finding from Prior Year(s): No

Recommendation: We recommend that Airport management discuss these issues with their outside consultant to improve communications and compliance with Wage Requirements, and its own policy. We also recommend Airport management include Wage Requirements in the contract with the contractor, even if this information is in the RFP (this is not attached to the contract) and determine if additional verbiage should be included or if a certification is sufficient. Management may need to discuss this inclusion with its legal counsel and FAA to ensure compliance with the requirements stated above.

Views of Responsible Officials: Agree