

**KIT CARSON COUNTY
BURLINGTON, COLORADO**

SINGLE AUDIT REPORTS

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of County Commissioners
Kit Carson County
Burlington, Colorado

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *Government Auditing Standards*

Independent Auditors' Report

We have audited, in accordance with the 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, business-type activities, major funds and aggregate remaining fund information of Kit Carson County (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

Holscher, Mayberry + Company, LLC

Englewood, Colorado
January 25, 2019

Holscher, Mayberry & Company, LLC

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Board of County Commissioners
Kit Carson County
Burlington, Colorado

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 the Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Kit Carson County's (the "County's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The 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 compliance for each of the 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 requirement 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 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 the 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medical Assistance and Social Services Block Grant Programs

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the 93.778 Medical Assistance Program and 93.667 Social Services Block Grant, as described finding numbers 2017-002 through 2017-005. Compliance with such requirements is necessary, in our opinion, for the County to receive an unmodified opinion for that program.

Qualified Opinion on Medical Assistance and Social Services Block Grant Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance and Social Service Block Grant programs for the year ended December 31, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of 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, 2017.

Other Matters

The results of our auditing procedures disclosed no additional instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

The County's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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 the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the County's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 through 2017-005

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 did not identify and deficiencies in internal control that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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 the governmental activities, business-types activities, major funds, and aggregate remaining fund information of the County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such 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 basic 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
January 25, 2019

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Type of auditors' report issued on compliance for major programs: Unmodified/Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

yes no

Identification of major programs:

93.667 Social Services Block Grant
93.778 Medical Assistance Program
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

II - Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards

A. Material Weaknesses in Internal Control

The audit of the financial statements of Kit Carson County, as of and for the year ended December 31, 2017, did not disclose any material weaknesses in internal controls.

Finding 2017-001 – Significant Deficiency in Internal Controls over Financial Reporting

The Kit Carson County Treasurer is legally responsible for managing and accounting for the County's cash and investment balances. The Treasurer's Office prepares and certifies a Semi-Annual Treasurer's report that accounts for the Treasurer's activities for the previous six-month period. For the period ended December 31, 2017, the Treasurer's Office provided the auditors a summary of the County's cash and investment balances that were being held. This summary of the cash and investment balances held by the County totaled \$3,493,645. The certified Semi-Annual Treasurer's report for the same period end reflected a total cash and investment balance of \$5,648,093, a difference of \$2,154,448. While it was subsequently determined that the amount reported through the County Treasurer's accounting software and on the certified Semi-Annual Treasurer's report was materially correct, it was evident that the Treasurer's Office was not timely in the reconciliation process as reconciliations were still being completed six months after year end, had certified a document that had not been reconciled to the County's cash and investment holdings, and that the County Treasurer's Office does not have adequate oversight over the cash and investment reconciliation process. As the County Administration utilizes the Treasurer's balances to reconcile the overall County accounting records, the lack of controls over the reconciliations and related accounting impacts could have a significant impact on the financial reporting of the County overall.

B. Compliance Findings

The audit of the financial statements of Kit Carson County, as of and for the year ended December 31, 2017, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

III - Findings and Questioned Costs for Federal Awards

The audit of the major programs of Kit Carson County, as of and for the year ended December 31, 2017, disclosed the following material weaknesses in internal controls over grant compliance requirements as well as related compliance findings and questioned costs:

Federal Program: 93.667 Social Services Block Grant – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services

Finding 2017-002 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting

1) Compliance Requirement

Funds may be expended for the administration of child care services, protective services, services for individuals in foster care, transportation services, etc., in accordance with the Title XX Social Services grant codification 42 USC 1397 through 1397e. Funds may be expended for costs directly related to the administration of the program, that are necessary for the proper and efficient administration of the Title XX plan. The subrecipient must comply with State reporting requirements that substantially mirror the Federal requirements.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.667 Social Services Block Grant – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services
(Continued)

Finding 2017-002 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting
(Continued)

2) Condition

The County administers a local Social Services program as authorized by the State of Colorado through its Department of Human Services. The Department submits information to the State to facilitate social services of behalf of eligible individuals to be funded through the State benefit system. As these benefits are not disbursed at the County level, there is no benefit related grant revenue or expense reported locally. The County is allocated a percentage of the State's Social Services Grant funding based on the State's allocation formula. The County also submits, for State review, administrative costs related to the County's Social Services program. These costs are submitted through the State's CFMS system.

The County was asked to provide preexisting support for amounts submitted to the State of Colorado for administrative reimbursement through the CFMS system. After numerous attempts to obtain support for the amounts submitted for reimbursement through the Social Services Block Grant, including clarification of what was needed, the County was unable to locate and provide the supporting documentation reconciling program level general ledger expenditures to program level amounts reported on the CFMS claims. While the County was able to provide documentation that tied some of the amounts reported on the general ledger to the monthly reimbursement claims, significant additional analysis was required by the auditors to develop an estimated supported amount of expenditures. While immaterial, we also noted some inconsistency in the categorization of expenditures reported through CFMS from month to month which made reconciliation more difficult.

To facilitate expenditure testing while attempting to obtain information related to specific costs being submitted for reimbursement through the CFMS system, the County's Department of Human Services overall administrative expenditures were tested. The Department utilizes the same processes and procedures for all costs incurred throughout the Department. Based on this testing, the Department of Human Services administrative costs appear to be adequately supported and, in general, costs appear to comply with federal grant activities allowed, allowable costs and cost principles relative to the Human Services grant programs being administered. However, allocations to specific grant programs could not be tested as the Department's general ledger is not consistent with external reporting through CFMS and therefore direct costs charged by grant could not be determined.

3) Cause

It appears the that County is utilizing various reports to develop the CFMS monthly claims, with some of that information obtained from general ledger expense accounts and other information coming from outside the accounting system. In addition, the information reflected in the CFMS reports as incurred costs is being recorded in multiple accounting departments in the general ledger rather than a single department specific to that program. Alternatively, some programs reported individually in CFMS are consolidated on the general ledger and must be separated for the monthly claims. Overall, the monthly general ledger to CFMS reconciliation and related process documentation is not well developed and cannot be directly tied to the County's internal accounting system. Accordingly, the internal controls over the CFMS submission process are also not adequate to provide review and approval over the monthly claim process.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.667 Social Services Block Grant– U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services
(Continued)

Finding 2017-002 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting
(Continued)

4) Effect

The result of the lack of internal documentation and support that specifically reconciled monthly general ledger expenditures to CFMS claims is that the amounts submitted to the State of Colorado for reimbursement and/or periodic reporting with regards to the Social Services Block Grant program could not be fully substantiated. While the County was not able to provide a reconciliation of general ledger expenditures to the monthly CFMS claims, additional analysis by the audit firm was able to identify general ledger expenses that supported approximately 83% of the amounts actually reimbursed through the claims process. While the remaining 17% of claimed expenditures are potentially reported elsewhere within the Department's general ledger expenditures, due to the nature of the Department's general ledger coding and lack of internal records directly reconciling general ledger amounts to CFMS claims, locating the difference would be difficult without completing an analysis of all department grant programs.

5) Questioned Costs

We could not specifically identify all direct costs that were submitted to the State of Colorado for reimbursement under the Social Services Block Grant program. The County was reimbursed, in total, \$173,435 under this program. We requested support for random months totaling \$36,430 in federal reimbursement. Between the County information provided and additional audit analysis, an estimated \$30,172 of federal expenditures could be directly identified. While it appears that the majority of the County's costs charged to the overall Human Services operation were adequately supported and would potentially have been eligible for reimbursement, not being able to identify all direct costs charged to the Social Services Block Grant limited the ability for the submitted reports to be fully tested. Accordingly, an estimated \$29,793 of federal reimbursement claims are questioned.

6) Recurrence and Prevalence of the Issues Identified

The Social Services Block Grant program was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence within this program. This same issue was identified in other federal programs tested for the current fiscal year. The lack of clear identification of claimed costs, reconciliation to general ledger amounts, and lack of oversight of grant activities is a recurring County issue based on prior Single Audits conducted.

7) Recommendation

The County must develop a system where amounts being requested for reimbursement from the State through the CFMS system are derived directly from general ledger expenditure reports. The hybrid system that is presently being utilized is not adequate for support. The County should consider modifying its internal account structure to allow for correlation of direct expenditures reported on the monthly claim to amounts reported by individual general ledger account. To facilitate the accounting for monthly claims, the County may need to provide additional training for accounting staff related to grant documentation requirements. The County will also need to insure that proper review and approvals of monthly submissions are contemporaneously documented by individuals knowledgeable of program requirements.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.667 Social Services Block Grant– U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services

Finding 2017-003 – C. Cash Management

1) Compliance Requirement

The recipient must establish written procedures to implement the requirements of 2 CFR section 200.305. Those requirements include a provision that funds requested on a reimbursement basis must have supporting documentation providing evidence that the costs were incurred prior to the date of the reimbursement request.

2) Condition

As the County submits claims for reimbursement of costs, they are required to provide support verifying that the costs submitted were incurred prior to the date of the request. As noted in Finding 2017-002, as the County could not substantiate, and it could not be determined through additional audit procedures, a complete record of costs that were being submitted to generate the monthly claim reimbursement, evidence of when those charges were incurred could also not be supported.

3) Cause

The cause of the cash management finding mirrors finding 2017-002.

4) Effect

The result of the lack of internal documentation related to the grant reimbursement requests is that the amounts submitted to the State of Colorado could not be fully tested to verify Cash Management. As outlined in 2017-002, approximately 83% of the monthly claim amounts were deemed substantiated for compliance with the Cash Management provisions.

5) Questioned Costs

See Finding 2017-002. An estimated \$29,793 of federal expenditures could not be verified as being compliant with the Cash Management requirements.

6) Recurrence and Prevalence of the Issues Identified

The Social Services Block Grant program was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence within this program. This same issue was identified in other federal programs tested for the current fiscal year. The lack of clear identification of claimed costs, reconciliation to general ledger amounts, and lack of oversight of grant activities is a recurring County issue based on prior Single Audits conducted.

7) Recommendation

The County must develop a system where amounts being requested for reimbursement from the State through the CFMS system can be specifically identified and reconciled to the general ledger. The County should consider modifying its internal account structure to allow for correlation of direct expenditures reported on the monthly claim to amounts reported by individual general ledger account. This will allow for full and complete testing of compliance with Cash Management provisions. To facilitate the accounting for monthly claims, the County may need to provide additional training for accounting staff related to grant documentation requirements. The County will also need to insure that proper review and approvals of monthly submissions are contemporaneously documented by individuals knowledgeable of program requirements.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.778 Medical Assistance Program – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services and Colorado Department of Health Care Policy and Financing

Finding 2017-004 – A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting

1) Compliance Requirement

Funds may be expended for administrative case management for services identifiable with Title XIX benefits, medical and targeted cash management for services provided to an eligible Medicaid recipient, and in accordance with 45 CFR part 434. Funds may be expended for costs directly related to the administration of the program, that are necessary for the proper and efficient administration of the Title XIX Medical Assistance plan. The subrecipient must comply with State reporting requirements that substantially mirror the Federal requirements.

2) Condition

The County administers a local Medical Assistance program as authorized by the State of Colorado. The County submits, for Colorado Department of Human Services review, administrative costs related to the Medical Assistance program. These costs are submitted through the Colorado Department of Human Services' CFMS system and are funded through the Colorado Department of Health Care Policy and Financing. The County also receives additional directly allocated funds through the Colorado Department of Health Care Policy and Financing for which reimbursement requests are not required.

The County's internal accounting software does not provide information related to specific costs being charged to individual programs. Accordingly, the expenditure sample from the County's Human Services accounting records resulted in a cross-program test rather than a program specific test. In order to convert this test from cross-program to a program specific test, the County was asked to provide a reconciliation of amounts requested for reimbursement through the State to preexisting support for the expenses charged internally. After numerous attempts requesting the reconciliation of the CFMS reports to general ledger postings, with ongoing clarification of what was needed, the County was not able to provide a reconciliation of the amounts, with the final reconciliation submission from the County being reports from the State's CFMS system to support the amounts reported in the CFMS system. (See additional discussion in Finding 2017-002 as to Department reconciliation processes). While our, above described, testing of Human Service administrative expenses resulted in the belief that most costs would have been eligible for reimbursement, without support for what was actually reported to the State through CFMS, the expenses that were being reimbursed could not be verified. The County received \$64,354 of reimbursement from the Department of Health Care Policy and Financing through the CFMS system.

The \$73,919 of expenses reported through the County's Public Health Department for the "Single Entry Point/SEP" Medical Assistance program were separately tested without exception.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.778 Medical Assistance Program – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services and Colorado Department of Health Care Policy and Financing (Continued)

Finding 2017-004 – A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting (Continued)

3) Cause

It appears that the Department of Human Services is utilizing various reports to develop the CFMS monthly claims, with some of that information obtained from general ledger expense accounts and other information coming from outside the accounting system. In addition, the information reflected in the CFMS reports as incurred costs is being recorded in multiple accounting departments in the general ledger rather than a single department specific to that program. Alternatively, some programs reported individually in CFMS are consolidated on the general ledger and must be separated for the monthly claims. Overall, the monthly general ledger to CFMS reconciliation and related process documentation is not well developed and cannot be directly tied to the County's internal accounting system. Accordingly, the internal controls over the CFMS submission process are also not adequate to provide review and approval over the monthly claim process.

4) Effect

The result of the lack of internal documentation related to monthly grant submissions is that the amounts reported to the State of Colorado for reimbursement could not be fully substantiated. The amounts that were reimbursed in conjunction with and in relation to the Social Services Block Grant that was identified in Findings 2017-002 and 2017-003 represented \$8,469 of the total \$64,354 received by the Department of Human Services. Accordingly, as noted in 2017-002, an estimated 83%, \$7,014 of the \$8,469 is considered properly substantiated.

5) Questioned Costs

We only received documentation from the County related to the Social Services Block Grant portion of the Department of Human Services Medical Assistance Program funding. An estimated 17% of that funding, \$1,455, as well as \$55,885 of additional funding related to other Department of Human Services programs for which no documentation was received is deemed unsubstantiated. The total amount questioned is \$57,340. While it appears that the majority of the County's costs charged to the Human Services operation were adequately supported, and would potentially have been eligible for reimbursement, not being able to identify the specific costs limited the ability for the submitted claims to be properly tested for compliance.

6) Recurrence and Prevalence of the Issues Identified

The Medical Assistance program was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence. However, this same issue was identified in other federal programs tested during the current year and through prior federal program audits.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.778 Medical Assistance Program – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services and Colorado Department of Health Care Policy and Financing (Continued)

Finding 2017-004 – A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting (Continued)

7) Recommendation

The County must develop a system that will adequately reconcile expenses being incurred per the general ledger to the amounts being requested for reimbursement from the State. In addition, the County should consider obtaining additional training for accounting staff related to grant documentation requirements. County and Program management must be fully aware of programs being provided, including the combination of federal and state grants used to fund those programs and their specific requirements, and insure that proper review and approvals are contemporaneously documented by individuals knowledgeable of program requirements.

Finding 2017-005 – C. Cash Management

1) Compliance Requirement

The recipient must establish written procedures to implement the requirements of 2 CFR section 200.305. Funds requested on a reimbursement basis must have supporting documentation providing evidence that the costs were incurred prior to the date of the reimbursement request. In the case of advance funding, 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)).

2) Condition

As the County submits claims for reimbursement of costs, they are required to provide support verifying that the costs submitted were incurred prior to the date of the request. As noted in Finding 2017-004 and related 2017-002, since the County could not substantiate which costs were being submitted, evidence of when those charges were incurred by the County Department of Human Services could also not be supported.

With regards to the Single Entry Point/SEP program run through the County's Department of Public Health, the County has been receiving advance funding from the Colorado Department of Health Care Policy and Financing for the Medical Assistance Program along with matching State funds since 2013. The County has not spent the full allocation received in any year that funding was received. The County cannot demonstrate that the Medical Assistance program funding is being spent in a timely manner as required by 2 CFR section 200.305(b).

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

Federal Program: 93.778 Medical Assistance Program – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services and Colorado Department of Health Care Policy and Financing (Continued)

Finding 2017-005 – C. Cash Management (Continued)

3) Cause

The cause of the cash management finding related to County Department of Human Services/CFMS reimbursement requests mirrors finding 2017-004, the County could not reconcile amounts requested to expenditures reported per the general ledger and therefore cash management requirements could not be tested for all expenditures.

With regards to the SEP program run through the County Department of Public Health, the County was initially not aware of the need to track unspent Medical Assistance Program funds related to the advance receipts. After this issue was identified by the State, the County commenced recording a deferred inflow related to the unspent grant funds. This, however, has not addressed the need to minimize the time elapsing between receipt and disbursement and does not address significant unspent federal grants received from prior years.

4) Effect

The result of the lack of internal documentation related to County Department of Human Services/CFMS monthly grant submissions is that the amounts reported to the State of Colorado for reimbursement or periodic reporting could not be fully tested for compliance with the Cash Management provisions. We believe that the costs submitted through the CFMS system and incurred by the County Department of Human Services would have met the Cash Management requirements if the specific costs could have been identified based on Department level testing conducted.

With regards to the County Department of Public Health SEP program, the County is not specifically identifying incurred expenditures relative to when the underlying grant funds were received (FIFO or LIFO). Regardless, the year-end grant carryover represents more than one year's federal grant receipts and therefore funds are not being utilized on a timely basis for Cash Management purposes.

5) Questioned Costs

See Finding 2017-004 related to unsupported reimbursement requests in the Department of Human Services. There are no questioned costs related to the cash management provisions for the Department of Public Health SEP program as the finding is primarily related to unspent funds.

6) Recurrence and Prevalence of the Issues Identified

The Medical Assistance program was not tested in previous fiscal years, so a prior finding was not present. The Department of Public Health carried over unspent funds in prior years, so had the grant been tested, the current finding would have been noted. The Department of Human Services did experience lack of documentation in other tested federal programs in current and prior years.

KIT CARSON COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

III - Findings and Questioned Costs for Federal Awards (Continued)

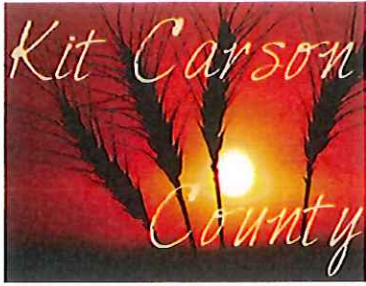
Federal Program: 93.778 Medical Assistance Program – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services and Colorado Department of Health Care Policy and Financing

Finding 2017-005 – C. Cash Management

7) Recommendation

Specifically related to the County Department of Human Services Medical Assistance Program, the County must develop a system that will adequately reconcile expenses being incurred to the amounts being requested for reimbursement from the State. In addition, the County should consider additional training for accounting staff related to grant documentation requirements. County and Program management must be fully aware of programs being provided, the underlying federal and state funding sources and their specific requirements, and insure that proper review and approvals are contemporaneously documented by individuals knowledgeable of program requirements.

With regards to the County Department of Public Health SEP program, the County has, and should continue, working with the Colorado Department of Health Care Policy and Financing to determine allowable uses for unspent advance funding received in prior years and develop a plan to insure utilization of those funds as well as current receipts in a timely manner in compliance with the advance funding Cash Management provisions.



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Gary Koop,
District 1 Commissioner
Cory Wall,
District 2 Commissioner
David L. Hornung,
District 3 Commissioner

**KIT CARSON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017**

Kit Carson County submits the following summary schedule of prior audit findings for the year ended December 31, 2017.

Audit period 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 Significant Deficiency in Internal Controls over Financial Reporting

Responsible Party: Pam Mills, County Treasurer

Condition: The summary of cash and investment balances held by the County differed from the Semi-Annual Treasurer’s report for the same period. It was subsequently determined that the amount reported was materially correct, but it was evident that the reconciliations done by the Treasurer’s office were not being done timely.

Views of responsible officials and planned corrective actions:

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Actions planned in response to finding:

1. All bank reconciliations are processed and accounts balanced the beginning of each month and checked by a second person in the office.
2. Staff have taken on more of the daily financial functions as the Treasurer is doing more cross training with the financial information.
3. Balance sheets have been set up to track the county investments with more accuracy.
4. Monthly balances have been set up to make the year end flow better.

Planned Completion Date: The above 4 corrective action items were put into place as soon as deficiency was noted at the time of the financial audit.

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2017-002 93.667 Social Services Block Grant

Responsible Party: Melissa Ross, Department of Human Services Finance Officer

Condition: The County Department submits information to the State to facilitate social services of behalf of eligible individuals to be funded through the State benefit system. As these benefits are not disbursed at the County level, there is no benefit related grant revenue or expense reported locally. The County is allocated a percentage of the State's Social Services Grant funding based on the State's allocation formula. The County also submits, for State review, administrative costs related to the County's Social Services program. These costs are submitted through the State's CFMS system.

Views of responsible officials and planned corrective actions:

Explanation of Disagreement with Audit Finding: The County disagrees with the audit finding on this item because it was clear from the beginning of the single audit process that the Jr. Auditor assigned this duty was not familiar with single audit processes. The county provided all of the documentation that was asked for in a timely manner. However, the young auditor was not familiar with the differences with the fiscal year end of the State Social Services Department vs. the county's calendar year causing him to dispute the information that we sent him. For example, the report he requested for Nov17 showed a date of Nov18. He was upset that we sent him the wrong information. He also did not understand that 93.667 Social Services Block Grant was not, in fact, a grant, but part of an allocation. He continually asked for a copy of the grant contract and we told he that there was no such document. Thus, we did not provide the contract to him. This is only a small example of the lack of communication with the audit staff. We did continue to ask for clarification on items the auditor was asking us for when we did not understand what exactly he was asking for in documentation.

Another example showing that there was a clear misunderstanding between the Auditor and the State Human Services Accounting. In reference to item 3) Cause: The Single Audit states that it appears the county is utilizing various reports, et seq.

The county process is to enter the expense into the county software and pay the expense. At the end of the month, an expenditure report is pulled out of the county software and is then entered into CFMS, the state software. The State then reimburses the county through the allocation. The state sends out a monthly expenditure and revenue report in which the revenues were only being entered in the county software per the advice of the auditor. The state also sends out the (RMS) Random Moment Sampling report where the State splits out expenditures between many programs that we may not even have utilized. This was being entered on a quarterly basis in the

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county software. This is one of the nuances of the Social Services accounting. Hence, it appears that we are not doing our accounting properly.

Information that was requested from the auditor was submitted along with an explanation of that information. This was also followed up with an email to the auditor from the County asking if he needed more information and no answer was ever received. Therefore, we feel that we did our due diligence in providing the necessary information to the auditors.

Actions planned in response to finding: Kit Carson County has reviewed our processes with Human Services Accounting. We will strive to be clearer in our presentation of our financials to the auditors so there will not be any misunderstandings between us. We have already implemented a different system for 2018, and are entering both expenditures and revenues into the county software program which is making it much easier to balance each month. We are not only balancing the GL system to CFMS but also to the County Treasurer monthly as the settlements are received.

Planned Completion Date: Already Completed

2017-003 Cash Management:

Responsible Party: Melissa Ross, Department of Human Services Finance Officer

Actions planned in response to finding: Kit Carson County has written and adopted a county Cash Management policy to reflect expected procedures for all programs receiving federal funding. See Exhibit A.

Planned Completion Date: Already Completed

2017-004 93.778 Medical Assistance Program:

Responsible Party: Melissa Ross, Department of Human Services Finance Officer

Explanation of Disagreement with Audit Finding: See 2017-002 discussion. All information was given to the auditor and clearly separated out to show how the allocation was balanced in our software. There was not a way to make a single journal entry to show only one amount as the auditor suggests due to the nature of the allocation/RMS splits.

Planned Completion Date: Already Completed

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2017-005 Cash Management:

Responsible Party: Angela Berry, SEP Coordinator

Explanation of Disagreement with Audit Finding: This is a duplication of 2017-003, but specifies the Public Health agency's receipt of advance funding from the Single Entry Point (SEP) program. The County has specifically tried to stop advance funding from SEP or to at least lower the amount of the funding to no avail. We have not requested increases in these funds annually, but are still advanced more money than we can use in our area. It would not be fiscally irresponsible to "find ways" to use this money that are not necessary to our county or our citizens.

We also have corresponded with the State of Colorado about these matters and set up a deferred revenue account to track these extra funds as they recommended, despite the Federal OMB Guidelines of 2 CFR 200.305. See Exhibit B. The deferred revenue accounts were set up in 2016 when first noticed that they were not in place.

Furthermore, upon the request of the SEP program, the deferred revenues have been called back and as of January 18, 2019, all deferred funds have been returned to the program, thus solving the excess funds for Kit Carson County. See Exhibit C.

Actions planned in response to finding: Kit Carson County has written and adopted a county Cash Management policy to reflect expected procedures for all programs receiving federal funding. See Exhibit A.

Additional Training: In April of 2018, the county sent Paula Weeks, County Administrator, to an OMB Circular Guidelines class to receive more training which has aided the county gain a better understanding of the rules and regulations of Federal Grant Management.

Planned Completion Date: Already Completed

The findings from the 2015 audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

2015-001 93:658 Foster Care Title IV-E:

Responsible Party: Melissa Ross, Department of Human Services Finance Officer

Actions planned in response to finding: Kit Carson County has written and adopted a county Cash Management policy to reflect expected procedures for all programs receiving federal funding. See Exhibit A.

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The County has entirely new staff in the Human Services department since this 2015 Audit as well as a new Director. The staff has all been trained thoroughly and are able to follow the guidelines set for the in the Cash Management policy.

Planned Completion Date: Already Completed

2015-002 Cash Management:

Responsible Party: Melissa Ross, Department of Human Services Finance Officer

Actions planned in response to finding: Kit Carson County has written and adopted a county Cash Management policy to reflect expected procedures for all programs receiving federal funding. See Exhibit A.

The County has entirely new staff in the Human Services department since this 2015 Audit as well as a new Director. The staff has all been trained thoroughly and are able to follow the guidelines set for the in the Cash Management policy.

Planned Completion Date: Already Completed

EXHIBIT A: CASH MANAGEMENT

CASH MANAGEMENT

Purpose

A. Kit Carson County Colorado (the "County") receives awards of federal funds, either directly or as a subrecipient, from various sources. The Federal Office of Management and Budget provides uniform guidance which governs the policies and procedures to be followed by nonfederal entities in the management of federal awards. This uniform guidance is codified under Title 2, Subtitle A, Chapter 2, Part 200 of the Code of Federal Regulations (2 CFR 200) — Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This Policy summarizes the County's responsibility for management of awarded funds.

B. Authority and responsibility. Kit Carson County is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs. To assist in the proper administration of federal funds and implementation of this Policy, the Finance Director may approve additional procedures as administrative regulations.

C. Compliance violations. Employees and contractors involved in federally funded programs and subrecipients shall be made aware that failure to comply with federal law, regulations or terms and conditions of a federal award may result in the federal awarding agency or pass-through entity imposing additional conditions or terminating the award in whole or in part. (2 CFR 200.338 and 2 CFR 200.339)

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D. County policies and procedures. The County maintains documented policies and procedures which reflect State and local laws and regulations; i.e. Colorado Department of Health Care Policy & Financing "Deferred Revenue FAQ for Single Entry Point Agencies". Those practices may be followed for Federal Awards wherever they are not in conflict with the Federal Award's guidance and applicable Federal law.

E. General policy. County financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. County financial management systems must provide for the following:

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any. (2 CFR 200.302)

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in § 200.327, Financial reporting, and § 200.328, Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand. (2 CFR 200.302)

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. (2 CFR 200.302)

(4) Effective control over, and accountability for, all funds, property, and other assets. The County must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303, Internal controls. (2 CFR 200.302)

(5) Comparison of expenditures with budget amounts for each Federal award. (2 CFR 200.302)

(6) Written procedures to implement the requirements of § 200.305, Payment. (2 CFR 200.302).

(7) Written procedures for determining the allow ability of costs in accordance with Subpart E, Cost Principles, of 2 CFR Part 200 and the terms and conditions of the Federal award. (2 CFR 200.302).

Internal Controls

A. The County will establish and maintain effective internal control over its Federal awards that provides reasonable assurance that the County is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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- B. The County will comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- C. The County will evaluate and monitor its compliance with statutes, regulations and the terms and conditions of Federal awards.
- D. The County will take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.
- E. The County will take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or the County designates as sensitive or the County considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

PAYMENTS

Generally, the County receives payments of federal award funds on a reimbursement basis. In some cases, the County may receive an advance of federal grant funds.

A. Reimbursements

- (1) The County will request reimbursement for actual expenditures incurred under federal grants at least quarterly, or more often as deemed appropriate.
- (2) Reimbursement requests will be submitted with appropriate documentation and signed by the County's designated representative. All reimbursements are based on actual disbursements, not on obligations.
- (3) The County will maintain supporting documentation of federal expenditures (invoices, payroll records, etc.) and will make such documentation available to awarding agencies upon request.

B. Advances

- (1) When the County receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement of those funds on allowable costs of the applicable federal program. (2 CFR 200.305)
- (2) To the extent available, the County will disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments. (2 CFR 200.305)
- (3) The County will maintain advance payments of federal awards in insured, interest-bearing accounts whenever not precluded by the Federal award grant guidance or whenever the exceptions per 2 CFR 200.305(8) do not apply. Interest amounts up to \$500 per year may be retained by the County for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. [2 CFR 200.305(9)]

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EXHIBIT B:



COLORADO
Department of Health Care
Policy & Financing

Deferred Revenue FAQ for Single Entry Point Agencies

December 2016

Q. What is a deferred revenue account and why should my Single Entry Point (SEP) have one?

A. A deferred revenue account is a place where a SEP can keep its accumulated deferred revenue balance recorded and separated from other agency programs. Funds that were paid to the SEP agency that were not spent on SEP functions are considered deferred revenue. Deferred revenue can be accumulated over multiple contract years.

SEPs should maintain deferred revenue accounts because they are classified as Subrecipients of a federal award. A Subrecipient is defined as a non-Federal entity that receives a Subaward from a Recipient (in this case the State of Colorado) to carry out part of a Federal program. Subrecipients exclude individual beneficiaries of such programs (clients).

Because SEPs are Subrecipients, unused funds must be remitted back to the State upon termination of the SEP contract. If a SEP does not maintain a deferred revenue account, they may be at risk of violating the requirement for federal funds to only be used on the SEP program. Additionally, failure to maintain a deferred revenue account will result in misstatement of your organization's financial statements, as the deferred revenue account represents a financial liability to a 3rd party (the State or the Federal Government).

Q. What can a SEP spend deferred revenue funds on?

A. SEPs can spend deferred revenue on anything that benefits the SEP program and would be allowable under The 2013 Office of Management and Budget (OMB) Uniform Guidance 2 CFR Part 200. Examples of how SEPs can spend deferred revenue funds include vehicles for SEP staff (can ONLY be used by the SEP program), office furniture, case management software/ consulting services to implement such software, training for case management staff, staff attendance at relevant conferences, and workspace remodels.

Q. What purchases need to be approved by HCPF?

Our mission is to improve health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources.
www.colorado.gov/hcpf



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Page 2 of 2

A. If the SEP is uncertain if a purchase will be in compliance with (OMB) Uniform Guidance 2 CFR Part 200, the purchase should be approved by the Department. The normal treatment for Capital assets (which would include vehicles) is to capitalize the asset and depreciate it over its useful life using an approved depreciation method. Federal guidelines allow the full expenditure of such assets in the current grant year with the approval of the pass through agency (the State). As such, all vehicle purchases should be approved by the State prior to purchase and expensed in the current grant year. Also, if a purchase costs over \$15,000.00 it should be approved by the Department.

Q. What should the SEP do if it shares space/resources with other County Departments/Company Branches?

A. If the SEP shares space and/or resources with other County Departments or company branches, the SEP must ensure that the SEP program is charged their fair share of these expenses as evidenced by a documented allocation methodology. Typically, allocation methodologies are based on a factor that reasonably represents the relative benefit derived by program. As an example, replacement of carpeting on a shared floor would likely be allocated based on the square footage occupied by the SEP program divided by the total square footage by all programs which benefited from the new carpet.

Q. Where can I find more resources on being a Subrecipient/deferred revenue spending?

A. [OMB's Uniform Guidance at 2 CFR 200](#)

[OMB Uniform Guidance FAQ](#)

[Colorado Office of the State Controller Guidance](#)

[Subrecipient vs. Contractor Determination Tool](#)

For more information contact

Bonnie Rouse Caputo, MPA
Single Entry Point Contracts Administrator
Bonnie.Rouse@state.co.us

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www.colorado.gov/hcpf



EXHIBIT C:

Susan Corliss,
Clerk & Recorder

Cure & Bain, P.C.,
County Attorney

Paula S. Weeks,
Administrator



COLORADO

Department of Health Care
Policy & Financing

Operations and Administration Division
Office of Community Living
1570 Grant Street
Denver, CO 80203

December 3, 2018

Dawn James
Kit Carson County Department of Public Health & Environment
252 South 14th Street
Burlington, CO 80807

RE: **Notice of Action - Deferred Revenue Balance Recoupment**

Dear Administrator:

The Operations and Administration Division, within the Office of Community Living of the Department of Health Care Policy and Financing (the Department), has determined that all Single Entry Point (SEP) contract periods of performance and related subawards for Kit Carson County Department of Public Health & Environment, prior to July 1, 2018, have been closed out.

The Department's records indicate that as of the closeout of the period of performance, June 30, 2018, Kit Carson County Department of Public Health & Environment reported on October 5, 2018 a deferred revenue balance in the amount of \$277,413.

You must repay \$277,413 to the Department no later than fifty-nine calendar days from the date of this letter. Checks should be sent no later than Thursday, January 31, 2019 and should include a copy of this letter.

Please make checks payable to the Colorado Department of Health Care Policy and Financing and mail to:

Department of Health Care Policy and Financing
Attn: Accounting Section – Single Entry Point Agency Deferred Revenue
1570 Grant Street
Denver, CO 80203-1714

In addition to the remittance of funds, you must complete the spreadsheet included as Attachment A. Federal requirements call for a reporting of all Deferred Revenue by Fiscal Year.



If your agency needs to discuss an alternate payment method for the remittance of funds, or have questions related to this notice, please contact Daniel Krug at Daniel.Krug@state.co.us or 303-866-4770.

Sincerely,



Daniel Krug
Director, Operations and Administration Division
Office of Community Living

Cc: Paul Ritzma, Legal Division Director
Rachel Reiter, External Relations Division Director
Joshua Montoya, County and Tribal Liaison
Bre Benbenek, County Relations Coordinator
John Bartholomew, Finance Office Director, Chief Financial Officer
Greg Tanner, Controller Division Director
Bonnie Silva, Community Living, Interim Office Director
Jennifer Martinez, Case Management and Quality Performance Division Director
Brittani Trujillo, Case Management Section Manager
Yasmin Gardner, Finance Section Manager
Sarah McDonnell, Single Entry Point Contract Manager



Frequently Asked Questions

What is deferred revenue?

Deferred revenue refers to the money not used during the contract period. This money must be returned to the Department. The Department is then required to return funds to both the State General Fund and Centers for Medicare and Medicaid (CMS).

2 CFR 200.309, Period of performance, states "A non-Federal entity may charge to the federal award only allowable costs incurred during the period of performance..." Likewise, 2 CFR Part 200 et al., states that following the close-out of a federal award, the non-Federal entity SEP must refund any balances for which the pass-through entity the Department paid in advance. Specifically, 2 CFR 200.343 (d) Closeout states, "The non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance..."

Why is the Department asking for this money now?

During the Spring 2018 SEP contract revisions applicable contract language for federal requirements were added to the annual SEP contracts. The question of prior deferred revenue balances was raised at this time and the Department committed to seeking guidance from legal and financial experts.

Once federal repayment was identified as mandatory, the Department targeted a December notification and January repayment deadline. For SEPs operating on a Calendar Fiscal Year, this would allow Period 12 to reflect the notice, and Period 12 or 13 to reflect the payment. For all SEPs this would allow for the repayment to occur during the current Period of Performance and allow future Close Out periods to be clear of prior balances.

Does the Department have authority to ask for this money?

Yes, the Department is required to recover funds that are not used in a contract period.

The Code of Federal Regulations (CFR), 2 CFR Part 200 et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards states, in part, that the pass-through entity the Department "will close-out a Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed." Due to this closeout determination, all subawards paid by the Department for all performance periods prior to July 1, 2018, for which your agency has reported accumulated deferred revenue balances, must be returned to the Department.



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January 31, 2019

We, the Kit Carson County Board of County Commissioners, hereby agree to the Actions set forth in the 2017 Single Audit Corrective Action.

Signature –



Cory Wall, Chairman



Gary Koop, Commissioner



David L. Hornung, Commissioner

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

The audit of the major programs of Kit Carson County, as of and for the year ended December 31, 2015, the most recent Single Audit conducted, disclosed the following material weaknesses in internal controls over grant compliance requirements as well as related compliance findings and questioned costs:

Federal Program: 93.658 Foster Care Title IV-E – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services

Finding 2015-001 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting

1) Compliance Requirement

Funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies. Funds may be expended for costs directly related to the administration of the program, that are necessary for the proper and efficient administration of the title IV-E plan. The subrecipient must comply with State reporting requirements that substantially mirror the Federal requirements.

2) Condition

The County administers a local Foster Care program as authorized by the State of Colorado. The County submits information to the State to facilitate Foster Care maintenance payments of behalf of eligible children to be funded through the State benefit system. As these benefits are not disbursed at the County level, there is no grant revenue reported locally. The County also submits, for State reimbursement, administrative costs related to the Foster Care program. These costs are submitted through the State's CFMS system. These costs are submitted for reimbursement in total under the Child Welfare function and are assigned at the State level to the Foster Care program based on the County's preliminary allocations with subsequent reallocation by the State as deemed necessary to match program funding.

For the 2015 fiscal year, Foster Care benefit computations were tested without exception, however, these costs were funded through the State of Colorado and did not represent expenditures at the County level.

The County's administrative expenditures were also to be tested. When the County was asked to provide preexisting support for amounts submitted to the State of Colorado for administrative reimbursement, the County was unable to locate the support. The County's staff was subsequently requested to recreate a reconciliation of the County level monthly disbursements to amounts claimed through the State system which they also were unable to prepare. It was evident that what was submitted as a monthly claim did not correspond to the County records for the given month. Instead, it appeared that the expenditures submitted may have been based on eligible disbursements since the last claim had been filed. It should be noted that claims were not being filed consistently; some months had significantly more expenses than shown on the County records and others had significantly less. Subsequent to the end of the fiscal year, the staff member responsible for submitting the reimbursement requests and the supervisor responsible for overseeing the process left County employment. The new staff hired to replace the positions were not able to locate the supporting documentation or reconcile the amounts submitted by the previous staff. Accordingly, amounts submitted as periodic program reports to the State of Colorado could also not be verified.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.658 Foster Care Title IV-E – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services
(Continued)

Finding 2015-001 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting
(Continued)

3) Cause

While the exact cause of the documentation and reconciliation issues could not be identified due to the change in County personnel, it was evident that whatever system reports were being utilized to generate the State reimbursements, if any, were not being retained as support for those requests. The director of the department was also either not reviewing, or evidence of review of the requests was not maintained either.

4) Effect

The ultimate result of the lack of internal documentation related to the grant reimbursement requests is that the amounts submitted to the State of Colorado for reimbursement or periodic reporting could not be substantiated.

5) Questioned Costs

As it could not be determined which costs were submitted to the State of Colorado for reimbursement, by definition, the entire amount reimbursed \$84,290 is in question. While it appears that the majority of the County's costs charged to the Human Services operation were adequately supported, and would potentially have been eligible for reimbursement, not being able to identify the specific costs limited the ability for the submitted claims to properly tested.

6) Recurrence and Prevalence of the Issues Identified

The foster care program was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence. This same issue was identified in the other federal program tested. However, for the grants tested in the previous fiscal year, the former staff was able to provide support for amounts claimed, however, it was not evident as to whether that documentation was completed contemporaneously with the claim submission. The timing of when that documentation was prepared is now being questioned.

7) Recommendation

The County must develop a system that will adequately support amounts being requested for reimbursement from the State, provide adequate training for accounting staff related to grant documentation requirements, and insure that proper review and approvals are contemporaneously documented by individuals knowledgeable of program requirements.

8) Corrective Action Plan

Kit Carson County has reviewed and acknowledged the findings related to the 2015 Single Audit Report as done by Holscher, Mayberry & Company, LLC dated February 14, 2017. Below we have outlined the steps that we have already implemented to take corrective action on these findings.

The County has new staff that are being trained on grant documentation requirements to insure proper review and approvals are done by the individuals knowledgeable of the program requirements. We are developing a system that will adequately support amounts being requested for reimbursement from the state.

The County has also written and adopted a Financial Policy implementing these new practices and procedures for handling all expenditures and reimbursements of State and Federal funds to adequately assure that there is a level of transparency. While this policy was not adopted until January 10, 2017, the items specific to these questioned items were put into practice with the replacement of personnel during 2016.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.658 Foster Care Title IV-E – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services
(Continued)

Finding 2015-001 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, L. Reporting
(Continued)

9) Status of Finding

As evidenced in the federal audit program testing completed for the fiscal year ended December 31, 2017, this finding has not been corrected and is recurring.

Federal Program: 93.658 Foster Care Title IV-E – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services

Finding 2015-002 – C. Cash Management and H. Period of Performance

1) Compliance Requirement

The recipient must establish written procedures to implement the requirements of 2 CFR section 200.305. Funds requested on a reimbursement basis must have supporting documentation providing evidence that the costs were incurred prior to the date of the reimbursement request. In addition, costs incurred must be submitted within two years being after the calendar quarter in which the Title IV-E Agency made the expenditure.

2) Condition

The County did not have a written cash management policy that demonstrated compliance with the Uniform Guidance. As the County submits claims for reimbursement of costs, they are required to provide support verifying that the costs submitted were incurred prior to the date of the request. As noted in Finding 2015-001, as the County could not substantiate which costs were being submitted, evidence of when those charges were incurred could also not be supported.

3) Cause

The cause of the cash management and period of performance finding mirrors finding 2015-001. While the exact cause of the documentation and reconciliation issues could not be identified due to the change in County personnel, it was evident that whatever system reports were being utilized to generate the State reimbursements, if any, were not being retained as support for those requests. The director of the department was also either not reviewing, or evidence of review of the requests was also not maintained.

4) Effect

The ultimate result of the lack of internal documentation related to the grant reimbursement requests is that the amounts submitted to the State of Colorado could not be tested to verify cash management or period of performance compliance.

5) Questioned Costs

See Finding 2015-001

6) Recurrence and Prevalence of the Issues Identified

The foster care program was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence. The County did experience lack of documentation in other tested federal programs. However, for the grants tested in the previous fiscal year, the former staff was able to provide support for amounts claimed. It did not appear that the timing of the claims and underlying costs was an issue during the previous fiscal year.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.658 Foster Care Title IV-E – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services
(Continued)

Finding 2015-002 – C. Cash Management and H. Period of Performance (Continued)

7) Recommendation

The County must develop a system that will adequately support amounts being requested for reimbursement from the State, provide adequate training for accounting staff related to grant documentation requirements, and insure that proper review and approvals are contemporaneously documented by individuals knowledgeable of program requirements. Overall, the County appeared to either lack knowledge of its grant program requirements, or failed to document and oversee its federal programs. This appears to be an overarching issue that will need to be addressed by the new Human Services Director. We also recommend that the County Administrator and Board of Commissioners become more familiar with Human Services Department operations in order to better facilitate oversight over the department's programs.

8) Corrective Action Plan

Kit Carson County has reviewed and acknowledged the findings related to the 2015 Single Audit Report as done by Holscher, Mayberry & Company, LLC dated February 14, 2017. Below we have outlined the steps that we have already implemented to take corrective action on these findings.

The County has new staff that are being trained on grant documentation requirements to insure proper review and approvals are done by the individuals knowledgeable of the program requirements. We are developing a system that will adequately support amounts being requested for reimbursement from the state.

The County has also written and adopted a Financial Policy implementing these new practices and procedures for handling all expenditures and reimbursements of State and Federal funds to adequately assure that there is a level of transparency. While this policy was not adopted until January 10, 2017, the items specific to these questioned items were put into practice with the replacement of personnel during 2016.

9) Status of Finding

As evidenced in the federal audit program testing completed for the fiscal year ended December 31, 2017, this finding has not been corrected and is recurring.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.568 Low Income Home Energy Assistance – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services

Finding 2015-003 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, E. Eligibility, L. Reporting

1) Compliance Requirement

Funds may be expended to assist eligible households to meet the costs of home energy. The County is required to follow program and administration guidance provided by the State of Colorado. This includes, among other items, processing all applications on a timely basis to determine proper eligibility for benefits, income verifications and follow-up. Most reporting is performed through the State's benefit system. The State requires that the County maintain at least three prior plus the current program year's records with records not to be removed from the County department without State approval.

2) Condition/Cause

The County administered a local Low Income Home Energy Assistance Program internally referred to as "LEAP". The County ran this program for the 2014-2015 heating season, performing all aspects of program management. For the 2015-2016 heating season, the County outsourced the program although the County remained the management agent. The 2015-2016 outsourced program manager was subsequently selected by the State of Colorado to administer the State's program for the 2016-2017 program cycle at which time the County returned program administration to the State of Colorado.

As part of the transition to the outsourced management for the 2015-2016 cycle, the County transferred its paper files to the management company. For recurring benefit recipients, this provided support for prior year benefits paid and related household information, assisting with subsequent eligibility determinations. The County also, due to the transition to the outsourced management, failed to insure ongoing access to the State's LEAP benefit management system as it was internally believed that it would no longer be needed.

With regards to the 2014-2015 cycle, a sample was selected for testing of eligibility and benefits. As it was not possible to determine whether those files were from calendar year 2015, a fiscal year sample was used. Forty case files were selected for testing. The results from that sample yielded twenty-two cases where the eligibility determination and benefit amounts were correctly determined, thirteen files where a prior year(s) file was available but not the current file, and five files for which no file could be located. Significant management personnel changes had occurred subsequent to year-end and prior to commencement of the audit fieldwork. Accordingly, when discussing the results of the testing with the new department director, the failure to locate supporting documentation for other federal programs, and the general belief that additional resources dedicated to finding documentation would not be beneficial, the Director suggested that additional testing would probably not result in significantly improved results from what was experienced in the original sample. Accordingly, our findings are based on the findings of the original sample.

With regards to the 2015-2016 program cycle, the County had contracted with a third party for program management. Based on discussions with County personnel that had worked with LEAP during the 2014-2015 cycle, once the County information was transferred to the contractor, County management ceased. The County did not monitor the contractor for performance, they did not review eligibility and benefit determinations performed by the contractor, nor did the County retain or insure access to client assistance files. The County did not retain a copy of the contract with the provider, although a copy was eventually obtained by the new Director. During audit fieldwork, the County was still in negotiations with the vendor related to unpaid service fees, and invoices from the vendor were not consistently submitted or consistently billed with regards to performance period.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.568 Low Income Home Energy Assistance – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services (Continued)

Finding 2015-003 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, E. Eligibility, L. Reporting (Continued)

3) Effect

Forty-five percent of the households shown on the 2014-2015 processing reports were not supported by case files, therefore the underlying eligibility and benefit determinations could not be verified. Information also could not be reviewed within the State's LEAP system as the County no longer had access.

In addition, the County did not maintain oversight over the 2015-2016 cycle or access to hardcopy or electronic records, therefore the related activity could not be tested.

4) Questioned Costs

Of the twenty-two files that were accurately computed and verified, \$8,164 of assistance had been approved. Extrapolated to the entire population for the 2014-2105 cycle, approximately \$40,820 of benefits would have been adequately supported. As the County reported \$109,050 of federal expenditures, the remaining \$68,230 would be classified as questioned costs as the related activity, allowed cost and eligibility for those payments could not be substantiated.

5) Recurrence and Prevalence of the Issues Identified

LEAP was not tested in the previous fiscal year, so it could not be determined whether this issue was a recurrence. The County did experience lack of documentation in other tested federal programs.

6) Recommendation

As the 2015-2016 heating cycle had been completed prior to the commencement of audit fieldwork, the conditions noted related to the third party contracting had not been addressed or resolved through the Spring 2016 season. Similarly, the County elected to return LEAP to State management effective with the 2016-2017 heating season. Accordingly, recommendations related to this finding will only be applicable should the County return to LEAP management in the future. The County will need to insure that staff working with the program have adequate training with regards to program requirements. The County will need to insure that there is proper oversight over program operation, whether the LEAP is processed in-house or by a third party contractor. The County will also need to insure that program documentation and access to both hard-copy records and electronic systems is maintained throughout the State required record retention period. Overall, the County appeared to either lack knowledge of its grant program requirements, or failed to document and oversee its federal programs. This appears to be an overarching issue that will need to be addressed by the new Human Services Director. We also recommend that the County Administrator and Board of Commissioners become more familiar with Human Services Department operations in order to better facilitate oversight over the department's programs.

KIT CARSON COUNTY, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

Federal Program: 93.568 Low Income Home Energy Assistance – U.S. Department of Health and Human Services Administration for Children and Families – Passthrough: Colorado Department of Human Services (Continued)

Finding 2015-003 - A. Activities Allowed or Unallowed, B. Allowable Costs/Cost Principles, E. Eligibility, L. Reporting (Continued)

7) **Corrective Action Plan**

Kit Carson County has reviewed and acknowledged the findings related to the 2015 Single Audit Report as done by Holscher, Mayberry & Company, LLC dated February 14, 2017. Below we have outlined the steps that we have already implemented to take corrective action on these findings.

The County has new staff that are being trained on grant documentation requirements to insure proper review and approvals are done by the individuals knowledgeable of the program requirements. We are developing a system that will adequately support amounts being requested for reimbursement from the state.

The County has also written and adopted a Financial Policy implementing these new practices and procedures for handling all expenditures and reimbursements of State and Federal funds to adequately assure that there is a level of transparency. While this policy was not adopted until January 10, 2017, the items specific to these questioned items were put into practice with the replacement of personnel during 2016.

8) **Status of Finding**

The County no longer administers this program

Kit Carson County
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended December 31, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
477 Cluster-Cluster			
Department of Health and Human Services			
Child Care and Development Block Grant (477 Cluster - Version 2)	93.575	Colo Dept of Human Services	\$ 1,722
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (477 Cluster - Version 2)	93.596	Colo Dept of Human Services	-981
Total 477 Cluster-Cluster			<u>741</u>
Other Programs			
United States Department of Justice			
Crime Victim Assistance	16.575	Colo Dept of Public Safety Division of Justice	<u>9,000</u>
Department of Health and Human Services			
Department of Health and Human Services Unclassified	93.xxx	Colo Dept of Human Services	146
Public Health Emergency Preparedness	93.069	Colo Dept of Public Health and Environment	2,816
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Colo Dept of Public Health and Environment	52,722
Guardianship Assistance	93.090	Colo Dept of Human Services	502
Family Planning_Services	93.217	Colo Dept of Public Health and Environment	7,097
Immunization Cooperative Agreements	93.268	Colo Dept of Public Health and Environment	2,082
Promoting Safe and Stable Families	93.556	Colo Dept of Human Services	60,387
Temporary Assistance for Needy Families	93.558	Colo Dept of Human Services	89,498
Child Support Enforcement	93.563	Colo Dept of Human Services	67,548
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Colo Dept of Human Services	12,834
Foster Care_Title IV-E	93.658	Colo Dept of Human Services	97,045
Adoption Assistance	93.659	Colo Dept of Human Services	2,731
Social Services Block Grant	93.667	Colo Dept of Human Services	173,435
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	Colo Dept of Public Health and Environment	994
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	Colo Dept of Public Health and Environment	27,500
Medical Assistance Program	93.778	Colo Dept of Health Care Policy and Financing	138,273
Assistance Programs for Chronic Disease Prevention and Control	93.945	Colo Dept of Public Health and Environment	5,000
Maternal and Child Health Services Block Grant to the States	93.994	Colo Dept of Public Health and Environment	<u>10,024</u>
Total Department of Health and Human Services			<u>750,634</u>
United States Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Colo Dept of Public Health and Environment	68,394
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Colo Dept of Human Services	<u>50,927</u>
Total United States Department of Agriculture			<u>119,321</u>
Total Other Programs			<u>878,955</u>
Total Expenditures of Federal Awards			<u>\$ 879,696</u>

The accompanying notes are an integral part of this schedule

KIT CARSON COUNTY, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: SUBRECIPIENTS

There were no subrecipients that received funding from the County for the fiscal year.

NOTE 4: 10% DE MINIMIS INDIRECT COST RATE

The County did not utilize the 10% de minimis indirect cost rate.