

City and County of Denver

Single Audit Reports

Year Ended December 31, 2020

City and County of Denver
Year Ended December 31, 2020

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City and County of Denver

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Agriculture					
Child and Adult Care Food Program	Health and Environment	16-78686	10.558	\$ 157,939	\$ -
Child Nutrition Cluster					
National School Lunch Program	Colorado Department of Education		10.555	315,157	-
Subtotal Child Nutrition Cluster				315,157	-
SNAP Cluster					
Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.551	164,309	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	None Provided	10.561	9,242,222	-
Subtotal SNAP Cluster				9,406,531	-
Total Department of Agriculture				9,879,627	-
Department of Housing and Urban Development					
CDBG - Entitlement Cluster					
Community Development Block Grants/Entitlement Grants			14.218	9,881,262	2,545,525
Subtotal CDBG - Entitlement Cluster				9,881,262	2,545,525
Emergency Solutions Grant Program			14.231	602,185	594,718
HOME Investment Partnerships Program			14.239	1,693,750	902,179
Housing Opportunities for Persons with AIDS			14.241	2,324,197	2,299,512
Continuum of Care Program			14.267	1,732,446	1,347,119
Lead-Based Paint Hazard Control in Privately-Owned Housing			14.900	440,839	426,163
Total Department of Housing and Urban Development				16,674,679	8,115,216

City and County of Denver

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Justice					
COVID Coronavirus Emergency Supplemental Funding Program			16.034	1,234,505	-
Services for Trafficking Victims			16.320	174,790	8,552
Juvenile Justice and Delinquency Prevention Allocation to States			16.540	54,840	54,840
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	17,693	-
Crime Victim Assistance	Colorado Department of Public Safety	2016-VA-18-013787-02, 2018-VA-19-085-02, 2018-VA-19-064-02,	16.575	607,928	-
	Division of Criminal Justice	2016-VA-18-013801-02			
Crime Victim Compensation	Colorado Department of Public Safety	DCJ-17-VC-2, 2018-V1-GX-0046	16.576	590,000	-
	Division of Criminal Justice				
Crime Victim Assistance/Discretionary Grants			16.582	86,501	-
Violence Against Women Formula Grant	Colorado Department of Public Safety	2018-VW-19-068-02, 2017-VW-18-013802-02, 2018-VW-19-081-02	16.588	308,126	-
	Division of Criminal Justice				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program			16.590	77,471	-
Project Safe Neighborhoods			16.609	121,116	87,654
Public Safety Partnership and Community Policing Grants			16.710	20,700	-
Edward Byrne Memorial Justice Assistance Grant Program			16.738	407,257	-
Edward Byrne Memorial Justice Assistance Grant Program	Colorado Department of Public Safety	2017-DJ-17-03-49-2, 2016-DJ-17-04-7-1, 2017-DJ-03-47-3	16.738	11,559	2,604
	Division of Criminal Justice	2017-DJ-18-04-40-2			
				418,816	2,604
DNA Backlog Reduction Program			16.741	505,729	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Colorado Department of Public Safety	2018-DN-18-2	16.742	46,434	-
	Division of Criminal Justice				
Byrne Criminal Justice Innovation Program			16.817	101,118	-
Innovations in Community-Based Crime Reduction			16.825	133,852	12,788
Equitable Sharing Program			16.922	95,362	-
Total Department of Justice				4,594,981	166,438
Department of Labor					
Unemployment Insurance	Colorado Department of Labor and Employment	AGR#105081	17.225	96,385	96,385
Employment Services Cluster					
Employment Service/Wagner-Peyser Funded Activities	Colorado Department of Labor and Employment	AGR#89945, ARG#105080, ARG#105081	17.207	1,271,438	-
Jobs for Veterans State Grants	Colorado Department of Labor and Employment	AGR#105081	17.801	8,534	-
Local Veterans' Employment Representative Program	Colorado Department of Labor and Employment	AGR#105081	17.804	5,895	-
Subtotal Employment Services Cluster				1,285,867	-

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
WIOA Cluster					
WIOA Adult Program	Colorado Department of Labor and Employment	AGR#89945, AGR#105080, AGR#105081	17.258	712,214	498,344
WIOA Youth Activities	Colorado Department of Labor and Employment	AGR#89945, AGR#105080, AGR#105081	17.259	473,066	277,297
WIOA Dislocated Worker Formula Grants	Colorado Department of Labor and Employment	AGR#89945, AGR#105080, AGR#105081	17.278	502,056	336,656
Subtotal WIOA Cluster				1,687,336	1,112,297
Trade Adjustment Assistance	Colorado Department of Labor and Employment	AGR#89945, AGR#105081	17.245	188,734	-
Youthbuild	Colorado Department of Labor and Employment	AGR#105081	17.274	39,335	-
Workforce Investment Act (WIA) National Emergency Grants			17.277	16,136	-
Apprenticeship USA Grants	Colorado Department of Labor and Employment	AGR#105080, AGR#105081	17.285	83,948	-
Total Department of Labor				3,397,741	1,208,682
Department of Transportation					
Airport Improvement Program			20.106	26,608,480	-
COVID Airport Improvement Program			20.106	276,125,137	-
				302,733,617	-
Highway Planning and Construction Cluster					
Highway Research and Development Program			20.200	885,228	-
Highway Planning and Construction	Colorado Department of Transportation	SHE-M320-118 (22281), SHE-M320-117 (22219), AQC M320-119 (22329)	20.205	23,903,650	-
Subtotal Highway Planning and Construction Cluster				24,788,878	-
Federal Transit Cluster					
Federal Transit Capital Investment Grants	Regional Transportation District	CO-2017-007	20.500	253,179	-
Federal Transit Formula Grants			20.507	39,401	-
Subtotal Federal Transit Cluster				292,580	-
Highway Safety Cluster					
State And Community Highway Safety	Colorado Department of Transportation	411017437, 411017436, 411021252, 411021253	20.600	77,700	-
National Priority Safety Programs	Colorado Department of Transportation	PO No. 431004600, PO No. 411019724, PO No. 431005436	20.616	310,185	-
Subtotal Highway Safety Cluster				387,885	-
Total Department of Transportation				328,202,960	-

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Treasury					
Equitable Sharing			21.016	118,531	-
COVID Coronavirus Relief Funds			21.019	51,281,173	8,874,740
COVID Coronavirus Relief Funds	Colorado Department of Human Services	None Provided	21.019	2,949,867	-
				<u>54,231,040</u>	<u>8,874,740</u>
Total Department of Treasury				<u>54,349,571</u>	<u>8,874,740</u>
National Foundation on the Arts and the Humanities					
Museum Grants for African American History and Culture			45.309	6,485	-
Laura Bush 21st Century Librarian Program	Institute of Museum and Library Services	RE-15-19-0045-19	45.313	<u>83,203</u>	<u>-</u>
Total National Foundation on the Arts and the Humanities				<u>89,688</u>	<u>-</u>
Environmental Protection Agency					
Performance Partnership Grants	Colorado Department of Public Health and Environment	201900007856	66.605	7,370	-
Brownfields Assessment And Cleanup Cooperative Agreements			66.818	<u>12,620</u>	<u>-</u>
Total Environmental Protection Agency				<u>19,990</u>	<u>-</u>
Office of Energy Efficiency and Renewable Energy, Department of Energy					
Conservation Research and Development	Seattle Department of Transportation	EE0008261	81.086	333,111	-
Energy Efficiency and Conservation Block Grant Program (EECBG)			81.128	<u>251,002</u>	<u>-</u>
Total Office of Energy Efficiency and Renewable Energy, Department of Energy				<u>584,113</u>	<u>-</u>
Department of Education					
Education for Homeless Children and Youth			84.196	<u>4,455</u>	<u>-</u>
Total Department of Education				<u>4,455</u>	<u>-</u>
US Elections Commission					
Help America Vote Act (HAVA) Election Security Grants			90.404	<u>348,244</u>	<u>-</u>
Total US Elections Commission				<u>348,244</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

City and County of Denver

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Health and Human Services					
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	CT2020-241, CT2020-368	93.069	793,726	215,263
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Colorado Department of Public Health and Environment	FAA201902732, 19FHJA110818	93.074	12,542	12,542
Guardianship Assistance	Colorado Department of Human Services	None Provided	93.090	169,300	-
Mental Health Research Grants	Colorado Department of Human Services	None Provided	93.126	(17,784)	-
Injury Prevention and Control Research and State and Community Based Programs	Colorado Department of Public Health and Environment	None Provided	93.136	61,250	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			93.323	2,274,679	-
Substance Abuse and Mental Health Services _Projects of Regional and National Significance			93.243	127,778	-
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	Colorado Department of Public Health	19 FHJA 127579	93.354	296,954	20,353
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	National Association of County and City Health Officials (NACCHO)	None Provided	93.391	21,911	-
Promoting Safe and Stable Families	Colorado Department of Human Services	None Provided	93.556	550,769	-
Temporary Assistance for Needy Families	Colorado Department of Human Services	None Provided	93.558	23,847,088	-
Child Support Enforcement	Colorado Department of Human Services	None Provided	93.563	9,005,087	-
Child Support Enforcement Research	Colorado Department of Human Services	None Provided	93.564	(9,086)	-
Refugee and Entrant Assistance-State/Replacement Designee Administered Programs	Colorado Department of Human Services	18 IHGA 109600, 20 IHGA 141035	93.566	273,475	-
Low-Income Home Energy Assistance	Colorado Department of Human Services	None Provided	93.568	92,270	-
Community Services Block Grant	Colorado Department of Local Affairs	CMS#110403	93.569	1,157,347	789,579
Child Care and Development Cluster					
Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	11,828,468	-
COVID Child Care and Development Block Grant	Colorado Department of Human Services	None Provided	93.575	3,487,264	-
				<u>15,315,732</u>	<u>-</u>
Child Care Mandatory and Matching Funds of The Child Care and Development Fund	Colorado Department of Human Services	None Provided	93.596	2,947,102	-
Subtotal Child Care and Development Cluster				<u>18,262,834</u>	<u>-</u>

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Head Start Cluster					
Head Start			93.600	10,231,619	8,765,360
COVID Head Start			93.600	696,249	-
Subtotal Head Start Cluster				10,927,868	8,765,360
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	None Provided	93.645	491,346	-
Foster Care-Title IV-E	Colorado Department of Human Services	None Provided	93.658	9,541,168	-
Adoption Assistance	Colorado Department of Human Services	None Provided	93.659	3,505,350	-
Social Services Block Grant	Colorado Department of Human Services	None Provided	93.667	3,966,544	-
Child Abuse and Neglect Discretionary Activities	Colorado Department of Human Services	None Provided	93.670	21,834	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Colorado Department of Human Services	None Provided	93.674	193,176	-
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program			93.753	(140)	-
Medicaid Cluster					
Medical Assistance Program	Colorado Department of Health Care Policy and Financing	None Provided	93.778	12,831,972	-
Subtotal Medicaid Cluster				12,831,972	-
Opioid STR	Colorado Department of Human Services Office of Behavioral Health	20 IHJA 140499	93.788	80,736	-
HIV Emergency Relief Project Grants			93.914	9,200,398	8,236,834
Block Grants for Prevention and Treatment of Substance Abuse	Colorado Department of Human Services Office of Behavioral Health	20 IHJA 129495	93.959	106,413	-
Total Department of Health and Human Services				107,786,805	18,039,931

City and County of Denver
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Agency/Cluster/Program	Pass-through Entity	Pass-through Identifying Number if Applicable	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
Executive Office of the President					
High Intensity Drug Trafficking Areas Program			95.001	741,884	-
Total Executive Office of the President				741,884	-
Department of Homeland Security					
COVID Disaster Grants - Public Assistance (Presidentially Declared Disasters)			97.036	73,813,962	9,456,403
Emergency Food and Shelter National Board Program			97.024	(696)	-
Hazard Mitigation Grant	Colorado Division of Homeland Security Security and Emergency Management	MG4145075098 MG4145041097	97.039	1,286,208	-
Emergency Management Performance Grants	Colorado Division of Homeland Security Security and Emergency Management	19EM-20-16, 18EM-19-16	97.042	79,641	-
Homeland Security Grant Program	Colorado Division of Homeland Security and Emergency Management	16UASI17DEN, 17UASI18DEN, 18UASI19DEN	97.067	2,816,210	-
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies			97.108	311,568	-
Total Department of Homeland Security				78,306,893	9,456,403
Total Federal Expenditures				<u>\$ 604,981,631</u>	<u>\$ 45,861,410</u>

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the primary government of the City and County of Denver (the City). The City's reporting entity is defined in Note 1 in the City's basic financial statements for the year ended December 31, 2020.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

The City's basic financial statements include the operations of the Denver Urban Renewal Authority (DURA), a discretely presented component unit, which received \$1,638,457, in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2020.

City and County of Denver

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

(2) Basis of Accounting

The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements. Governmental funds and proprietary funds account for the City's federal grant activity. Amounts reported in the Schedule are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund except for the following programs, which are reported in the schedule of expenditures of federal awards on the cash basis:

SNAP Cluster	10.551, 10.561
Guardianship Assistance	93.090
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families Cluster	93.558
Child Support Enforcement	93.563
Child Support Enforcement Research	93.564
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
Adoption and Legal Guardianship Incentive Payments	93.603
Stephanie Tubbs Jones Child Welfare Services Program	93.645
Foster Care_ Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Child Abuse and Neglect Discretionary Activities	93.670
Chafee Foster Care Independence Program	93.674
Medicaid Cluster	93.778
Coronavirus Relief Fund - passed through Colorado Department of Human Services only	21.019

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Such expenditures are recognized following, as applicable, the cost principles in OMB A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, or other regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies.

(3) Human Service Programs

The City's Department of Human Services operates several federally funded human services programs where benefits are provided to qualified citizens. The benefit distribution method consists of participants receiving benefits using a state-maintained electronic banking card (EBT) instead of the City's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the City, in the amount of \$98,910,187, of which \$48,009,136 is the federal share. The revenue and expenditures associated with these federal programs are not recognized in the City's basic financial statements.

(4) State Information Technology System

In 2004, the State of Colorado (the State) implemented the new Colorado Benefits Management System (CBMS), which consolidated legacy systems into one system and also incorporated a rules engine for determining eligibility and calculating and issuing benefits payments. As a result, the counties and the State split eligibility determination functions for certain federal Human Services' programs under CBMS. Counties are responsible for data collection from applicants and data entry of applicable information into CBMS. Concurrently, the State maintains the computer system supporting the eligibility determination process and pays benefits to the participants. The actual eligibility and payment determinations become the State's responsibility utilizing CBMS.

City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

(5) Revolving Loan Funds – Not Subject to Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the programs listed below. However, these programs either are not part of a federal loan or loan guarantee program or have no continuing compliance requirements other than continued loan payments, therefore, the outstanding loan balances have not been included in the accompanying schedule of expenditures of federal awards and major program determination:

Neighborhood Development Loans:

14.218 - Community Development Block Grants/Entitlement Grants	\$ 11,521,846
Total Neighborhood Development Loans	<u>11,521,846</u>

Economic Development Loans:

14. - Unknown	3,326,962
14.218 - Community Development Block Grants/Entitlement Grants	8,816,983
14.253 - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	<u>176,906</u>
Total Economic Development Loans	<u>12,320,851</u>

Section 108 Loans:

14.248 - Community Development Block Grants_ Section 108 Loan Guarantees	<u>6,863,181</u>
Total Section 108 Loans	<u>6,863,181</u>

Housing Development Loans:

14. - Unknown	74,393,921
14. - Unknown	3,864,880
14.218 - Community Development Block Grants/Entitlement Grants	6,489,591
14.239 - HOME Investment Partnerships Program	51,488,919
14.241 - Housing Opportunities for Persons with AIDS	1,299,981
14.256 - Neighborhood Stabilization Program (Recover Act Funded)	<u>11,760,708</u>
Total Housing Development Loans	<u>149,298,000</u>
Total Office of Economic Development Loans	<u>180,003,878</u>

Less Allowances:

Delinquent Loans	(11,660,355)
Forgivable Loans	<u>(94,794,460)</u>

Note Receivable, Net	<u><u>\$ 73,549,063</u></u>
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City and County of Denver
Notes to Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

(6) Revolving Loan Funds – Subject to Further Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the Community Development Block Grant Section 108 Loan Guarantees program (CFDA 14.248) which are subject to continuing compliance requirements until project completion and acceptance. There were no outstanding balances subject to continuing compliance at December 31, 2020. There were no new loans during 2020; therefore nothing has been included in the accompanying schedule of expenditures of federal awards. The City also has certain revolving loan funds, which were originally financed from the Department of Commerce, under CFDA 11.307, Economic Development Administration which are subject to continuing compliance requirements and included in the schedule of expenditures of federal awards. The outstanding loan balance at December 31, 2020 was \$230,072 and the cash and investment balance in the loan revolving fund was \$302,656. There were no expenditures in 2020 for administrative costs. There were no loan write-offs in 2020. There are no City match requirements.

(7) Indirect Costs

The City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, except for the following CFDA's (14.218, 14.231, 14.267, 14.900, 16.738, 17.207, 17.258, 17.259, 17.268, 17.278, 17.801, 20.200, 81.128, 93.092, 93.243, 93.556, 93.670, 93.914) which elected to use a rate agreed on through the grant agreement or interagency agreement.

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

Independent Auditor's Report

Audit Committee
City and County of Denver
Denver, Colorado

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and County of Denver (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2021, which contained an emphasis of matters paragraph regarding the adoption of GASB Statement No. 84. Our report includes a reference to other auditors who audited the financial statements of Downtown Denver Business Improvement District (BID), Cherry Creek North BID No. 1, Denver Preschool Program, Inc., Denver Convention Center Hotel Authority, RiNo BID, National Western Center Authority, Denver College Success Corporation, and the Colfax BID, all of which are included as discretely presented component units, which represent 45.55 percent of total assets, 27.68 percent of total revenues, and 0.09 percent of net position (deficit) of the aggregate discretely presented component units as of and for the year ended December 31, 2020. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion on the aggregate discretely presented component units, insofar as it relates to the amounts included for the Downtown Denver BID, Cherry Creek North BID No. 1, Denver Preschool Program, Inc., Denver Convention Center Hotel Authority, RiNo BID, National Western Center Authority, Denver College Success Corporation, and the Colfax BID, is based solely on the reports of the other auditors. Additionally, we did not audit the financial statements of the Denver 14th Street General Improvement District (GID), Gateway Village GID, or RiNo GID which are included as blended component units, Denver Employee Retirement Plan, a fiduciary component unit and the Deferred Compensation Plan Trust Fund, a fiduciary fund of the City, which represent 49.15 percent of total assets, 31.91 percent of total revenues and 66.40 percent of net position/fund balance of the aggregate remaining fund information as of and for the year ended December 31, 2020. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion on the aggregate remaining fund information, insofar as it relates to the amounts included for the Denver 14th Street GID, Gateway Village GID, RiNo GID, Denver Employee Retirement Plan and the Deferred Compensation Plan Trust Fund, is based solely on the reports of the other auditors. We also did not audit the financial statements of the Wastewater Management Enterprise Fund, which is a major enterprise fund of the City, and represents 12.83 percent, 14.82 percent and 36.26 percent, respectively, of the total assets,

total revenues and net position of the business-type activities as of and for the year ended December 31, 2020. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinions on the Wastewater major fund and the business-type activities, insofar as it relates to the amounts included for the Wastewater Management Enterprise Fund, is based solely on the report of the other auditor. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that were reported on separately by those other auditors. The financial statements of Downtown Denver BID, Cherry Creek North BID No. 1, Denver Preschool Program, Inc., Denver Convention Center Hotel Authority, RiNo BID, National Western Center Authority, Denver College Success Corporation, Caring for Denver Foundation, and the Colfax BID, component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*. Additionally, the financial statements of the Denver 14th Street GID, Gateway Village GID, or RiNo GID which are included as blended component units, were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Downtown Denver BID, Cherry Creek North BID No. 1, Denver Preschool Program, Inc., Denver Convention Center Hotel Authority, RiNo BID, National Western Center Authority, Denver College Success Corporation, Caring for Denver Foundation, Colfax BID, Denver 14th Street GID, Gateway Village GID, or RiNo GID.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002 and 2020-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005 to be significant deficiencies.

Audit Committee
City and County of Denver

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
June 25, 2021

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report
on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Audit Committee
City and County of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City and County of Denver's (the City) 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 City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Denver Urban Renewal Authority (DURA), a discretely presented component unit, which expended \$1,638,457 in federal awards which are not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of DURA because DURA obtained a separate audit in accordance with the Uniform Guidance.

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 City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-006. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 City 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 City'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 our 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 City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. *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.

Audit Committee
City and County of Denver

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we did identify a certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-006 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2021, which contained an unmodified opinion on those financial statements, an emphasis of matter paragraph regarding the adoption of GASB Statement No. 84, and a reference to other auditors. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Denver, Colorado
July 28, 2021

City and County of Denver
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent auditor’s report on internal control over financial reporting disclosed:
Significant deficiency(ies) identified? ☒ Yes ☐ None reported
Material weakness(es) identified? ☒ Yes ☐ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor’s report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies) identified? ☒ Yes ☐ None reported
Material weakness(es) identified? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor’s report on compliance for major federal award programs was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

7. Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
21.019	Coronavirus Relief Fund
Various	Head Start Cluster
93.658	Foster Care - Title IV-E
Various	Medicaid Cluster
97.036	Disaster Grants - Public Assistance

8. The threshold used to distinguish between Type A and Type B programs was \$3,000,000.

9. The City qualified as a low-risk auditee? ☐ Yes ☒ No

City and County of Denver

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2020

Section II – Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2020-001	Finding: Capital Assets – Bridges Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the City should have controls in place to ensure that all capital assets are properly recorded. Accounting principles generally accepted in the United States of America (US GAAP) that address the proper recognition and accounting of capital assets include: • Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments (GASB 34)</i> • Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34 (GASB 37)</i> • Various implementation guidance issued by GASB Condition: Several issues were noted with the reconciliations, review, and recording processes of infrastructure additions, specifically bridges within the City tracked by the Department of Transportation and Infrastructure (DOTI or the Department): • During the year, the Department performed a detailed analysis and reconciliation of all bridges recorded within the City’s general ledger compared to Department internal records. During the Department’s review, the City determined that the City’s general ledger system was understated by a book value of \$7.8 million. This understatement was comprised of: ○ 34 bridges were on the listing that no longer existed. ○ 9 bridges had the incorrect structure number assigned to them ○ 13 bridges were duplicated ○ 10 bridges were unable to be located by DOTI and were determined to not be owned by the City ○ 227 bridges needed to be added • As part of the annual external audit, a review of the Department’s reconciliation was performed by BKD and it was determined that 10 duplicate bridges initially identified were actually additions to older bridges and thus should not be removed. Additionally, nine bridges were identified as not being owned by the City, were subsequently determined to be owned by the City. A entry to increase the net book value of bridges by \$13 million was proposed. The City elected to record an adjustment of \$12.3 million and elected to pass on recording the remaining \$0.7 million.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	Effect: The conditions noted above resulted in an increase to the net book value of capital assets by \$20.2 million. As these adjustments relate to prior periods, BKD proposed an adjustment for this amount to the beginning balance, which the City elected to pass on recording. Cause: The Department was not consistently reconciling the financial data related to bridges between the City's general ledger and internally maintained systems, to ensure all systems agreed as to the number of, location, and value of bridges. In addition, a detailed secondary review of the City's reconciliation was not performed by the Department or Controller's Office. Recommendation: First, now that the significance of the City-owned bridges inventory is known, a system must be implemented to properly add or remove these bridges in the future. Controls must be put in place to reconcile the DOTI provided information to the City's bridge list and Workday. Secondly, we recommend that the City examine the number of different systems and schedules being used to record and track the bridges and determine whether it is necessary to have multiple systems. If it is determined that multiple systems are necessary, we recommend those systems and listings be reconciled on a quarterly basis, unless the activity is limited enough to allow semi-annual or annual reconciliation. This includes a reconciliation between Workday and DOTI's list. Finally, the City should compare listings to 3rd party databases such as the Colorado Department of Transportation (CDOT). Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
2020-002	Finding: Capital Assets – Completeness and Cutoff Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the City should have controls in place to ensure that all capital assets are complete, properly recorded and reported in the proper period. Accounting principles generally accepted in the United States of America (US GAAP) that address the proper recognition and accounting of capital assets include: • Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments (GASB 34)</i> • Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34 (GASB 37)</i> • Various implementation guidance issued by GASB Condition: During testing of capital assets, we noted several instances in which the capital asset addition or disposal was not recorded by the City in the correct period or asset type. These instances included: • Buildings related to National Western Conference center were incorrectly included with land, as such, depreciation of \$1.0 million was not reported in prior years. A prior period adjustment was proposed and the City elected to post a true-up entry for the missed depreciation within 2020. • Land sold in 2019 was not recorded as a disposal within the City’s general ledger system until 2020. A prior period entry was proposed for \$1.0 million which the City elected to pass on recording. • In 2020, \$13.3 million of 2019 construction-in-progress additions were analyzed and it was determined that these costs should have been expensed in a prior period. A prior period entry was proposed for \$13.3 million which the City elected to pass on recording. • \$2.5 million of current year additions related to 2019 costs and should have been capitalized in the prior period. A prior period audit adjustment of \$2.5 million was proposed and the City elected to pass on recording. • \$9.3 million of construction costs were incorrectly expensed rather than capitalized in the current period. An audit adjustment of \$9.3 million was proposed, and the City elected to pass on recording. • The City recorded two bridges during 2020 that were not donated and accepted by the City until 2021. An audit adjustment of \$3.6 million was proposed, and the City elected to pass on recording. Effect: The conditions noted above resulted in a net error of \$17.8 million related to the prior year and an additional \$5.7 million net error related to the current year.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	Cause: Established internal controls were not effective in preventing or detecting and correcting clerical errors in the recording and recognition of capital assets in a timely manner. In addition, there was a lack of communication between the City, the project managers, and those creating construction contracts that would allow for the appropriate recording of capital assets in the correct period. Recommendation: We recommend that the City perform additional procedures at year-end to ensure that capital asset costs are recorded timely and within the correct period. We also recommend that communication be conducted with the project managers at least quarterly to ensure projects are properly transferred to a depreciable asset category once the project is complete and placed in operations. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2020

Reference Number	Finding
2020-003	Finding: Financial Information Preparation Criteria or Specific Requirement: The City is required to maintain its general ledger necessary to support the preparation of financial statements and related footnote disclosures in accordance with accounting principles generally accepted in the United States. Additionally, accounting tasks such as cross-checks and reviews play a key role in proving the accuracy of accounting data and financial information that comprise year-end financial statements and other financial reports on a timely basis. Condition: During our review of the financial information, we encountered numerous issues with the timeliness and/or accuracy of the information provided. Multiple requests to responsible departments to provide and correct information were required during the audit process. Additionally, we noted the following: • While journal entries were prepared and reviewed by two different individuals, the review process did not identify that the amount was incorrect or recorded to the wrong account. Multiple audit adjustments were proposed for \$18.9 million, which the City elected to record. • Accounts receivable schedules included clerical errors and did not agree to supporting documentation. An audit adjustment of \$3.1 million was proposed and the City elected to pass on recording. • During our review of special revenue funds, we noted that four funds out of the 14 special revenue funds with transfers in the current year did not meet the criteria of a special revenue fund as defined by GASB Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i>. All of the funds had been established in a prior year. The four funds had to be reclassified in the current year report. • During review of the City's major program determination, it was determined that the City incorrectly duplicated year-end accruals related to certain grants. An audit adjustments were proposed for \$1.3 million, which the City elected to record. • The City did not initially calculate a liability related to termination benefits under GASB Statement No. 47, <i>Accounting for Termination Benefits</i>. Audit adjustments were proposed for \$6.3 million, which the City elected to record. • The City did not reclassify overdrawn cash for accounts managed by the Manager of Finance to a liability at year-end. An audit adjustment of \$9.3 million was proposed and the City elected to pass on recording. • The City made approximately 40 entries after the trial balance was provided for the audit. • In preparing the annual report, the City had difficulties with the reconciliations and conversion of modified accrual/current resources to full accrual/economic resources. In addition, the City had difficulties agreeing amounts included within the footnotes to statements which required numerous versions of the report to be generated. Effect: The errors detected above and lack of detailed review led to the recompletion of financial information and significant delays in completing the audit and reporting to the Audit Committee, compared to the agreed upon timeline.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	Cause: From our observations and inquiries of management, the Controller’s Office appears to spend a great deal of time correcting errors in accounting and re-working financial information due to staffing turnover. These issues were further exacerbated by the conversion to a new financial reporting preparation system in December 2020. Recommendation: We recommend that the City examine its current process over financial reporting and strengthen its existing policies and procedures to help ensure transactions are recorded timely and accurately. Training (including cross-training) should also continue for all Controller’s Office staff with responsibility over financial reporting to limit the impact of turnover within the Department. Lastly, as the financial reporting group has experienced significant turnover of experienced professionals during recent years, resources should be dedicated to recruit professionals with the competencies and skills to not only understand governmental accounting but also the nuances and mechanics of the annual financial report. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
2020-004	Finding: Capital Assets Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the City should have controls in place to ensure that all capital assets are complete, recorded and reported in the proper period. Accounting principles generally accepted in the United States of America (US GAAP) that address the proper recognition and accounting of capital assets include: • Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments (GASB 34)</i> • Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34 (GASB 37)</i> • Various implementation guidance issued by GASB Condition: Several issues were noted with the reconciliations, review, and recording processes of capital assets including: • During the year-end process to record depreciation related to collections, the City discovered that \$1.4 million of excess depreciation was taken in the prior year. In an attempt to correct the depreciation balance, an entry was recorded by the City. However, the entry was for an incorrect amount. An audit adjustment of \$2.7 million was proposed and the City elected to record. • During testing of governmental capital asset additions and transfers, it was determined that the City was incorrectly recording transfers (\$10.5 million) between capital asset categories in the governmental activities and business type activities as negative additions rather than including them within the transfer column (\$9.2 million). In addition, transfers to business type activities were completely excluded from the capital asset rollforward and footnote disclosure (\$6.3 million). An audit adjustment of \$6.3 million was proposed which the City elected to record. • During review of the City’s gain on sale of capital assets financial line item, it was noted that the City recorded revenue related to the proceeds received from the sale of property for \$5.98 million. Upon further investigation and inquiry, it was determined that the City never recorded this property within the City’s general ledger. An audit adjustment of \$2.8 million was proposed which the City elected to pass on recording. Effect: The errors detected above and lack of detailed review led to the recompletion of financial information which contributed to significant delays in completing the audit and reporting process.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	Cause: Established internal controls were not effective in preventing or detecting and correcting clerical errors in the recording and recognition of capital assets in a timely manner. In addition, management spent a great deal of time correcting errors in accounting systems and reconciling financial information due to inconsistent application of capital asset additions and transfers. Recommendation: We recommend that the City reconcile the capital asset data within Workday on a quarterly basis and follow up on any projects with negative additions or no activity for the period. Training should also continue for all City personnel with responsibility over capital assets to ensure an understanding of the Workday system. We also recommend additional communication between the departments to help ensure transfers are properly accounted for on both sides, especially during the year-end reporting process. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
2020-005	Finding: Police Retiree Health Fund Census Data and Participant Population Criteria or Specific Requirement: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75)</i>, state and local governments are required to record an actuarially determined net other postemployment benefit (OPEB) liability on the face of the financial statements and make certain disclosures and include specific required supplemental information in the comprehensive annual financial report. In order to properly value and measure the liability, participant populations must be complete and accurate and contain required information pertaining to the participant's date of birth, hire date, termination/retirement date and other such data (referred to as the census data). Controls must exist to maintain and update this data on a regular basis and to ensure the accuracy and completeness. Condition: In regard to the Police Retiree Health Fund (the Plan), the City had significant difficulty in providing complete and accurate information relating to the required census data for the plan participants and no completeness check was performed over the census data provided to the actuary. As a result of audit procedures, an additional 124 employees were identified which were not included in the original actuary valuation and it was determined that the actuary was not previously made aware of a benefit increase. The GASB 75 actuary report was updated to account for these changes. Effect: An audit adjustment of \$6.2 million was proposed, which the City elected to record. Cause: As a result of the prior year finding, the City did not establish any new procedures or controls over the Plan during the year ended December 31, 2020. Overall, there appears to be a lack of understanding related to the information needed to be provided to the actuary and who should be providing and reconciling this information. Recommendation: We recommend that the City continue to enhance controls over census data relating to the Police Retiree Health Fund and take steps to ensure this data is properly maintained and updated as necessary. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2020-006	Finding: Allowable Costs and Allowable Activities CFDA No. 93.778 – Medical Assistance Program (Medicaid Cluster) Department of Health and Human Services, Passed-through Colorado Department of Health Care Policy and Financing Award Number – None Provided, Award Year 2020 Criteria or Specific Requirement: According to 2 CFR Part 200.430 Compensation – Personal Services dictates that costs of compensation are allowable if the services rendered are reasonable and conforms to the established written policy of the non-federal entity. In addition, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-federal entity’s written policy; (v) Comply with the established accounting policies and practices of the non-federal entity; (vi) Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. Condition: Denver Department of Human Services’ (DDHS) internal control policy is to maintain semi-annual time and effort certifications for those employees who have compensation applied to a federal grant. Certain salary and wages were charged to the Medicaid program in error. Questioned Costs: \$49,720. Questioned costs were determined by isolating the charges to the program effected by the above issue in 2020. Context: We tested 25 payroll and nonpayroll transactions for the Medicaid Cluster for the year ended December 31, 2020 and noted one instance out of 25 in which the time and effort certification provided indicated the employee’s compensation should have been applied to the TANF program but was incorrectly applied to the Medicaid Cluster. The tested population covered expenditures of \$90,000 and the total population of expenditures were approximately \$1.7 million. A non-statistical sampling methodology was used to select the sample. Effect: Salary and wage costs were not fully supported by documentation in accordance with 2 CFR Part 200.430 and DDHS policy. Cause: The DDHS’ control requiring semi-annual time and effort certifications for those employees who have compensation applied to a federal grant appears to be operating as intended. There was an error in the subsequent manual journal entry process to reclassify employee time identified by the semi-annual certification.

City and County of Denver
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

Reference Number	Finding
	Identification as a Repeat Finding: Not applicable. Recommendation: We recommend that DDHS strengthen the internal controls surrounding the manual reclassification journal entries by requiring a more detailed secondary review that compares the semi-annual time and effort certification to the entry being posted to ensure accuracy. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City and County of Denver
Status of Prior Audit Findings
Year Ended December 31, 2020

Reference Number	Summary of Finding	Status
2019-005	TANF Cluster – Eligibility and Reporting – We recommend that DDHS continue to focus on improvement of the workforce portion of compliance. Until issues have been corrected additional monitoring may be required beyond those cases selected by CDHS along with additional staff training. We also recommend that the DDHS eligibility and workforce teams continue the use and monitoring of case reviews within WMS to help identify potential areas for additional training.	Implemented
2019-006	TANF Cluster – Special Tests and Provisions – Sanctions – We recommend that DDHS implement processes to assist with the identification and enforcement of sanctions. In addition, we recommend DDHS continue to provide staff training to help ensure standard operating procedures over all cases.	Implemented
2018-006	HIV – Level of Effort – Maintenance of Effort – We recommend that the Department continue to develop policies and procedures to gather the necessary information to monitor and ensure compliance with maintenance of effort requirements and to help ensure that funding allocations are at a level equal to or greater than the expenditures for the preceding fiscal year. In situations where the funding level will be difficult to maintain we recommend requesting a waiver from the awarding agency.	Implemented