



Douglas County, Colorado

Single Audit Reports

December 31, 2023



Contents

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....	6
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.....	8
Schedule of Findings and Questioned Costs	12
Status of Prior Audit Findings	18

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Agriculture					
<i>SNAP Cluster</i>					
Supplemental Nutrition Assistance Program (SNAP)	Colorado Department of Human Services	*	10.551	32,814	\$ -
Supplemental Nutrition Assistance Program (SNAP) Outreach	Colorado Department of Human Services	233CO401S2514	10.551	3,054	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Colorado Department of Human Services	*	10.561	946,769	-
<i>SNAP Cluster Subtotal</i>				<u>982,638</u>	<u>-</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	Colorado Department of Public Health and Environment	*	10.557	401,287	-
Special Supplemental Nutrition Program for Women, Infants, and Children	Colorado Department of Public Health and Environment	Non-Cash Value	10.557	1,498,986	-
				<u>1,900,273</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>2,882,911</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Emergency Solutions Grant (ESG)			14.231	79	-
				<u>79</u>	<u>-</u>
U.S. Department of Justice					
Equitable Sharing Program	Colorado Department of Public Safety, Division of Criminal Justice	*	16.922	64,862	-
DNA Backlog Reduction Program	City of Aurora	*	16.741	6,659	-
Paul Coverdell Forensic Sciences Improvement Grant Program	City of Aurora	*	16.742	5,594	-
Total U.S. Department of Justice				<u>77,115</u>	<u>-</u>
U.S. Department of Transportation					
<i>Highway Safety Cluster</i>					
National Priority Safety Programs	Colorado Department of Transportation	*	20.616	15,963	-
<i>Highway Safety Cluster Subtotal</i>				<u>15,963</u>	<u>-</u>
Highway Planning and Construction	Colorado Department of Transportation	22-HA1-XC-00228	20.205	29,773,000	-
Highway Planning and Construction	Colorado Department of Transportation	SHO-105A-016	20.205	2,097,704	-
Highway Planning and Construction	Colorado Department of Transportation	AQC C470-050	20.205	292,000	-
				<u>32,162,704</u>	<u>-</u>
<i>Transit Services Programs Cluster</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	Denver Regional Council of Governments	EX21036	20.513	383,042	-
<i>Transit Services Programs Cluster Subtotal</i>				<u>383,042</u>	<u>-</u>
Total U.S. Department of Transportation				<u>32,561,709</u>	<u>-</u>

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

(Continued)

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of the Treasury					
COVID-19 Coronavirus Local Fiscal Recovery Funds (ARPA)				8,808,052	-
COVID-19 American Rescue Plan Act-County Behavioral Health	Colorado Department of Human Services	*	21.027	70,498	-
COVID-19 County Behavioral Health	Colorado Department of Human Services	*	21.027	160,353	-
COVID-19 HB 22-1281 children, Youth and Family Services	Colorado Department of Human Services	SLFRP0126	21.027	20,310	-
COVID-19 Emerging and Expanding Child Care	Colorado Department of Early Childhood	SLFRP0126	21.027	9,468	-
COVID-19 American Rescue Plan Act	Colorado Office of Behavioral Health	*	21.027	349,587	-
<i>Coronavirus State and Local Recovery Funds subtotal</i>				<u>9,418,269</u>	<u>-</u>
COVID-19 Emergency Rental Assistance			21.023	<u>1,317,595</u>	<u>1,317,595</u>
Total U.S. Department of the Treasury				<u>10,735,864</u>	<u>1,317,595</u>
U.S. Department of Health and Human Services					
Temporary Assistance for Needy Families	Colorado Department of Human Services	*	93.558	1,777,132	-
Child Support Enforcement	Colorado Department of Human Services	*	93.563	1,226,211	-
<i>Child Care and Development Block Grant Cluster</i>					
Child Care and Development Block Grant	Colorado Department of Human Services	*	93.575	2,812,861	-
Child Care and Development Block Grant - Early Childhood Development - Health Dept	Colorado Department of Human Services	2101COCDC6	93.575	42,969	-
Early Childhood Development Grant - CCDF Discretionary	Colorado Department of Human Services	2302COCDD	93.575	55,497	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Colorado Department of Human Services	*	93.596	714,702	-
<i>Child Care and Development Block Grant Cluster Subtotal</i>				<u>3,626,029</u>	<u>-</u>
Title IV-E Prevention Program	Colorado Department of Human Services	*	93.472	23	-
Foster Care Title IV-E	Colorado Department of Human Services	*	93.658	2,178,485	-
Stephanie Tubbs Jones Child Welfare Services Program	Colorado Department of Human Services	*	93.645	138,252	-
Adoption Assistance	Colorado Department of Human Services	*	93.659	541,899	-
Social Services Block Grant	Colorado Department of Human Services	*	93.667	831,913	-
COVID 19-Elder Abuse Prevention Intervention Program (CRF)	Colorado Department of Human Services	*	93.747	6,335	-
Guardianship Assistance	Colorado Department of Human Services	*	93.090	12,715	-
COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases	Colorado Department of Public Health and Environment	202200006612	93.323	546,066	-
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	*	93.069	210,022	-
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	*	93.069	89,726	-
Public Health Emergency Preparedness	Colorado Department of Public Health and Environment	NU90TP922028-04	93.069	7,907	-
				<u>307,655</u>	<u>-</u>
Immunization and Vaccines for Children	Colorado Department of Public Health and Environment	*	93.268	131,125	-
Preventive Health Services Sexually Transmitted Diseases Control Grants	Colorado Department of Public Health and Environment	*	93.977	13,276	-
HIV Prevention Activities Health Department Based	Colorado Department of Public Health and Environment	*	93.940	15,230	-
Emerging Infections Program	Colorado Department of Public Health and Environment	NU50CK000483	93.317	12,958	-
Public Health Emergency Response Cooperative Agreement for Emergency Response PH Crisis Response	Colorado Department of Public Health and Environment	*	93.354	70,649	-
Community Services Block Grant	Colorado Department of Local Affairs	*	93.569	153,425	-

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

(Continued)

Federal Grantor/Program or Cluster Title	Pass-Through Grantor	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Health and Human Services (continued)					
<i>Medicaid Cluster</i>					
Medical Assistance Program	Colorado Department of Health Care Policy and Financing	*	93.778	2,055,935	-
<i>Medicaid Cluster Subtotal</i>				<u>2,055,935</u>	<u>-</u>
Maternal and Child Health Services Block Grant to the States	Colorado Department of Public Health and Environment	*	93.994	121,775	-
Total U.S. Department of Health and Human Services				<u>13,767,088</u>	<u>-</u>
Executive Office of the President					
High Intensity Drug Trafficking Areas Program			95.001	2,569,137	-
Total Executive Office of the President				<u>2,569,137</u>	<u>-</u>
U. S. Department of Homeland Security					
2020 State Homeland Security Program	City and County of Denver	*	97.067	6,995	-
2022 State Homeland Security Program	City and County of Denver	EMW-2022-SS-00044	97.067	435,100	-
Total U. S. Department of Homeland Security				<u>442,095</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 63,035,998</u>	<u>\$ 1,317,595</u>

Douglas County, Colorado
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Douglas County, Colorado (the County) under programs of the federal government for the year ended December 31, 2023. The information 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 County, it is not intended to and does not present the financial position or changes in net position or fund balance of the County.

Note B – Summary of Significant Accounting Policies

The County’s summary of significant accounting policies is presented in Note 2 in the County’s basic financial statements. Governmental fund types account for the County’s federal grant activity. Expenditures reported on the Schedule are reported on the accrual basis of accounting, except for the following programs which are reported in the schedule of expenditures of federal awards in a manner prescribed by the State of Colorado:

Cluster/Program	Federal Assistance Listing Number
SNAP Cluster	10.551 & 10.561
Temporary Assistance for Needy Families (TANF)	93.558
Child Support Enforcement	93.563
Child Care and Development Block Grant Cluster	93.575 & 93.596
Title IV-E Prevention Program	93.472
Foster Care Title IV-E	93.658
Stephanie Tubbs Jones Child Welfare Services Program	93.645
Adoption Assistance	93.659
Social Services Block Grant	93.667
COVID-19 Elder Abuse Prevention Intervention Program (CRF)	93.747
Guardianship Assistance	93.090
Medicaid Cluster	93.778

When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Costs Rate

The County has not elected to use the 10% de minimis cost rate.

Douglas County, Colorado
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note D – Human Service Programs

The County'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 County's cash disbursements. The Colorado Department of Human Services provided total EBT authorizations to qualified citizens in the County, in the amount of \$33,687,056 of which \$26,011,202 is the federal share. The revenue and expenditures associated with these federal programs are not recognized in the County's basic financial statements.

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

Board of County Commissioners
Douglas County, Colorado
Castle Rock, Colorado

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County, Colorado (the County), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2024, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Report on 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) 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 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified the deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on 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 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*.

The County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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

Forvis Mazars, LLP

**Denver, Colorado
June 24, 2024**

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

Board of County Commissioners
Douglas County, Colorado
Castle Rock, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Douglas County, Colorado's (the County) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are 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 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 24, 2024, which contained unmodified opinions on those financial statements and an emphasis of matter paragraph regarding a change in accounting principle. 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.

Forvis Mazars, LLP

**Denver, Colorado
June 24, 2024**

Douglas County, Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
- Unmodified Qualified Adverse Disclaimer
2. Internal control over financial reporting:
- Significant deficiency(ies) identified? Yes None reported
- Material weakness(es) identified? Yes No
3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
- Significant deficiency(ies) identified? Yes None reported
- Material weakness(es) identified? Yes No
5. Type of auditor’s report issued on compliance for major federal program(s):
- Unmodified Qualified Adverse Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

**Douglas County, Colorado
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2023**

(Continued)

7. Identification of major federal programs:

<u>Cluster/Program</u>	<u>Federal Assistance Listing Number</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Highway Planning and Construction	20.205
COVID-19 - Emergency Rental Assistance	21.023
COVID-19 - Coronavirus State and Local Recovery Funds	21.027
Child Care and Development Block Grant Cluster	93.575, 93.596
Medicaid Cluster	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,891,080.

9. Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	<p>Finding: Revenue Recognition and Schedule of Expenditures of Federal Awards Preparation</p> <p>Criteria or Specific Requirement: Governmental Accounting Standards Board (GASB) Statement No. 33 (GASB 33), <i>Accounting and Financial Reporting for Nonexchange Transactions</i>, requires that on the modified accrual basis, revenues should be recognized when all applicable eligibility requirements are met and the resources are available. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction (other than the provision of cash or other assets in advance) can occur. That is, until those requirements are met, the provider does not have a liability, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred. Eligibility requirements for government-mandated and voluntary nonexchange transactions comprise one or more of the following:</p> <ul style="list-style-type: none"> a. The recipient (and secondary recipients, if applicable) has met the characteristics specified by the provider b. Time requirements specified by enabling legislation or the provider have been met c. The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program d. The provider’s offer of resources is contingent upon a specified action of the recipient and that action has occurred <p>Additionally, in accordance with 2 Part 200.510, auditees receiving federal funds must prepare an annual Schedule of Expenditure of Federal Awards (SEFA) detailing the value and type of federal assistance received each year. The federal Office of Management and Budget issues instructions on how to prepare this schedule. Key information to be reported includes the federal assistance listing number provided in the federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the County, the SEFA is prepared by the Department of Finance based on information from the accounting system and additional information provided by the various departments receiving federal funds.</p>

Reference Number	Finding
	<p>Condition: During our testing of revenues and related unearned revenue, we noted the following:</p> <ul style="list-style-type: none"> - The Transportation Infrastructure Sales and Use Tax fund incorrectly recognized unearned revenue related to the US Highway 85 project received from the Colorado Department of Transportation. Initially the County recorded as 2024 revenue and subsequently moved back to 2023 since it was a reimbursable grant. An audit adjustment for \$29,773,000 was proposed and management elected to record. This resulted in \$29,773,000 related to this project being added to the SEFA. - The Health Department fund incorrectly recognized revenue related to the Public Health Emergency Response Cooperative Agreement for Emergency Response PH Crisis Response Grant in 2022. An audit adjustment for \$77,657 was proposed of which \$50,574 management elected to pass on recording and \$27,083 management elected to record. - As a result of grant revenue reconciliations the Health Department fund, an audit adjustment of \$102,945 was proposed which management elected to record on the final SEFA. - The Road and Bridge fund incorrectly recognized revenue related to developer contributions. An audit adjustment for \$109,975 was proposed and management elected to pass on recording. - During SEFA tie out, we identified two grants which were initially recorded under the incorrect federal assistance listing and one award missing from the SEFA. We proposed corrections and management elected to make the corrections on the final SEFA. <p>Effect: The conditions noted above resulted in an adjustment of \$29.7 million to increase revenue and an additional \$29.8 million of additional expenditures to be reported on the SEFA.</p> <p>Cause:</p> <ol style="list-style-type: none"> a. The County does not have adequate internal controls over recording and tracking grant and state cost reimbursement transactions to ensure that revenue is recorded in the correct period and amount. b. Grant management at the County is decentralized and thus departments are responsible for providing the required information to the County's Department of Finance to facilitate the preparation of the SEFA. The Department of Public Health did not complete reconciliations for grant activity. In addition, the Department of Finance was not made aware of all business units being used for grant activity or pending journal entries to record grant activity. <p>Identification as a Repeat Finding: Yes (2022-001 and 2022-002)</p> <p>Recommendation:</p> <ol style="list-style-type: none"> a. We recommend that the County implement a process to review the reasonableness of revenue and expenditures compared to the amount recorded against subsequent receipts and unearned revenue to help ensure the accuracy of the ending balance. In addition, we recommend the County implement a process to obtain and review all new grant agreements to determine the funding type (federal, state, advanced or reimbursement). b. We recommend that the Department of Public Health and Department of Public Works complete monthly reconciliations for all grants and provide all grant and funding agreements to the Department of Finance to help ensure that revenue recognition and SEFA reporting is accurate. <p>Views of Responsible Officials: We agree with the finding. See separate report for planned corrective actions.</p>

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-002	<p>Finding: Allowable Costs and Allowable Activities</p> <p>Federal Assistance Listing Number 20.205 - Highway Planning and Construction Department of Transportation, Passed-through Colorado Department of Transportation</p> <p>Award Number - SHO-105A-016, Award Year 2022 Award Number - 22-HA1-XC-00228, Award Year 2022</p> <p>Criteria: According to 2 CFR Part 200.303 - The non-Federal entity must (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.</p> <p>Condition: During testing, we noted that two transactions totaling \$1,501,269 related to 2022 activities and was included as an expenditure on the fiscal year 2023 Schedule of Expenditures of Federal Awards. The period of performance for the project began in 2022 and extended through 2023.</p> <p>Questioned Costs: None.</p> <p>Context: We tested 4 of the 15 nonpayroll transactions for the grants identified above and noted two instance in which 2022 activities were included as expenditures on the fiscal year 2023 Schedule of Expenditures of Federal Awards. The tested population covered expenditures of \$7.0 million and the total population of expenditures were approximately \$32.2 million. A non-statistical sampling methodology was used to select the sample.</p>

Reference Number	Finding
	<p>Effect: The County did not have adequate internal controls in place over the Highway Planning and Construction program, which resulted in a 2022 expense being reported in 2023.</p> <p>Cause: Grant management at the County is decentralized and thus departments are responsible for providing the required information to the County's Department of Finance to facilitate the preparation of the SEFA. The Engineering Department did not provide the Department of Finance all business units being used for grant activity or pending journal entries to record grant activity.</p> <p>Identification as a repeat finding: Not Applicable</p> <p>Recommendation: We recommend the County revise their internal process to require all grant agreements be provided to the Department of Finance at the time the agreement is signed. In addition, we recommend the Engineering Department complete monthly reconciliations over all grants which should then be subsequently provided to the Department of Finance for final review.</p> <p>Views of responsible officials and planned corrective actions: Agree. See separate report for planned corrective actions.</p>

Douglas County, Colorado
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

Reference Number	Summary of Finding	Status
2022-001	<p>Finding: Revenue Recognition</p> <p>We recommend that the County implement a process to review the reasonableness of revenue and expenditures compared to the amount recorded against subsequent receipts and unearned revenue to help ensure the accuracy of the ending balance. In addition, we recommend that year-end entries to be received from other departments related to state cost reimbursements be added to the Finance Department year-end checklist.</p>	<p>Partially Implemented. See 2023-001</p>
2022-002	<p>Finding: Schedule of Expenditures of Federal Awards Preparation</p> <p>We recommend that the County implement eCivis countywide to allow for a more automated system of tracking federal expenditures. Additionally, we recommend that an updated process be developed to set up new organization codes which would require the grant managers to provide the required information needed for SEFA preparation, including but not limited to, funding source, vendor or subrecipient determination, federal assistance listing number, pass-through number, any special terms and conditions and a copy of the agreement.</p>	<p>Partially Implemented. See 2023-001</p>

2023-001 Finding: Revenue Recognition and Schedule of Expenditures of Federal Awards

Status: Corrective action in progress

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 33 (GASB 33), Accounting and Financial Reporting for Nonexchange Transactions, required that on the modified accrual basis, revenues should be recognized when all applicable eligibility requirements are met and the resources are available. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction (other than the provision of cash or other assets in advance) can occur. That is, until those requirements are met, the provider does not have a liability, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred. Eligibility requirements for government-mandated and voluntary nonexchange transactions comprise one or more of the following:

- a. The recipient (and secondary recipients, if applicable) has the characteristics specified by the provider.
- b. Time requirements specified by enabling legislation or the provider have been met.
- c. The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.
- d. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Additionally, in accordance with 2 Part 200.510, auditees receiving federal funds must prepare an annual Schedule of Expenditure of Federal Awards (SEFA) detailing the value and type of federal assistance received each year. The federal Office of Management and Budget issues instructions on how to prepare this schedule. Key information to be reported includes the federal assistance listing number provided in the federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the County, the SEFA is prepared by the Department of Finance based on information from the accounting system and additional information provided by the various departments receiving federal funds.

Condition: During the testing of revenues and related unearned revenue, the following was noted:

-The Transportation Infrastructure Sales and Use Tax fund incorrectly recognized unearned revenue related to the US Highway 85 project received from the Colorado Department of Transportation. Initially the County recorded as 2024 revenue and subsequently moved back to 2023 since it was a reimbursable grant. An audit adjustment for \$29,773,000 was proposed and management elected to record. This resulted in \$29,773,000 related to this project being added to the SEFA.

- The Health Department fund incorrectly recognized revenue related to the Public Health Emergency Response Cooperative Agreement for Emergency Response PH Crisis Response Grant in 2022. An audit adjustment for \$77,657 was proposed of which \$50,574 management elected to pass on recording and \$27,083 management elected to record.

- As a result of grant revenue reconciliations, the Health Department fund, an audit adjustment of \$102,945 was proposed which management elected to record on the final SEFA.

- The Road and Bridge fund incorrectly recognized revenue related to developer contributions. An audit adjustment for \$109,975 was proposed and management elected to pass on recording.

- During SEFA tie out, we identified two grants which were initially recorded under the incorrect federal assistance listing. We proposed corrections and management elected to make the corrections on the final SEFA.

Corrective Action:

To facilitate more accurate and timelier grant reporting the following improvements are proposed:

1. Increased grant training for all departments. The Engineering Department is bringing in CDOT to do this, last year Forvis Mazars provided countywide training and the Finance Department will provide additional training on an ad hoc basis. A full understanding of the requirements of the grants that are being applied for is crucial.
2. Departments receiving grants will provide monthly reconciliations of all grants and provide grant agreements to the Finance Department to ensure accurate reporting on the SEFA (Schedule of Expenditures of Federal Awards).
3. Effective communication is essential to successful reporting and the Finance Department will formalize meetings with departments to address issues that surface and reporting expectations.

Person(s) Responsible for Implementation: Jill Janz – Accounting Manager, Christie Guthrie – Assistant Finance Director

Implementation Date: 6/1/24 and ongoing

2023-002 Finding: Allowable Costs and Allowable Activities

Status: Corrective action in progress

Criteria: According to 2 CFR Part 200.303 - The non-Federal entity must (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards

Condition: During testing, we noted that one transaction totaling \$1,501,269 related to 2022 activities and was included as an expenditure on the fiscal year 2023 Schedule of Expenditures of Federal Awards. The period of performance for the project began in 2022 and extended through 2023.

Corrective Action:

To facilitate more accurate and timelier grant reporting the following improvements are proposed:

1. Increased grant training for all departments. The Engineering Department is bringing in CDOT to do this, last year Forvis Mazars provided countywide training and the Finance Department will provide additional training on an ad hoc basis. A full understanding of the requirements of the grants that are being applied for is crucial.
2. Departments receiving grants will provide monthly reconciliations of all grants and provide grant agreements to the Finance Department to ensure accurate reporting on the SEFA (Schedule of Expenditures of Federal Awards).
3. Effective communication is essential to successful reporting and the Finance Department will formalize meetings with departments to address issues that surface and reporting expectations.

Person(s) Responsible for Implementation: Jill Janz – Accounting Manager, Christie Guthrie – Assistant Finance Director

Implementation Date: 6/1/24 and ongoing

Prior Year Audit Findings**2022-001 Finding: Revenue Recognition****Status:** Partially Implemented

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 33 (GASB 33), Accounting and Financial Reporting for Nonexchange Transactions, required that on the modified accrual basis, revenues should be recognized when all applicable eligibility requirements are met and the resources are available. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction (other than the provision of cash or other assets in advance) can occur. That is, until those requirements are met, the provider does not have a liability, the recipient does not have a receivable, and the recognition of expenses or revenues for resources transmitted in advance should be deferred. Eligibility requirements for government-mandated and voluntary nonexchange transactions comprise one or more of the following:

- a. The recipient (and secondary recipients, if applicable) has the characteristics specified by the provider.
- b. Time requirements specified by enabling legislation or the provider have been met.
- c. The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.
- d. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Condition: During the testing of revenues and related unearned revenue, the following was noted:

- The Human Service fund incorrectly recognized revenue related to advanced managed care funding received from the Colorado Department of Human Services fund. An audit adjustment for \$317,000 was proposed and management elected to record.
- The American Rescue Plan Act fund incorrectly recognized revenue related to Coronavirus State and Local Fiscal Recovery Funds. An audit adjustment for \$6,000,000 was proposed and management elected to record.
- The Road Sales and Use Tax fund incorrectly recorded accounts receivable and deferred inflow of resources related to the Highway Planning and Construction grant. An audit adjustment for \$410,000 was proposed and management elected to record.

Corrective Action: The year-end processing deadlines checklist will be modified to include more clarity for grant reporting to the Finance Department.

– *Completed. The year-end processing deadlines checklist has been modified.*

The Grant Accounting Supervisor has had a Grant Accountant added to the grants function. The additional staffing will provide more review and better internal controls to avoid the reoccurrence of erroneous revenue recognition

– *A Grant Accountant has been added at the end of January 2024. The organizational chart of the Finance Department has been revised with the Grant Accounting Supervisor being promoted to the Accounting Manager. See 2023-001 for additional steps added to the action plan.*

Person(s) Responsible for Implementation: Jill Janz – Grant Accountant Supervisor, Christie Guthrie – Assistant Finance Director

Implementation Date: 12/31/22 and ongoing

Prior Year Audit Findings**2022-002 Finding: Schedule of Expenditures of Federal Awards Preparation****Status:** Partially Implemented

Criteria: In accordance with 2 Part 200.510, auditees receiving federal funds must prepare an annual Schedule of Expenditure of Federal Awards (SEFA) detailing the value and type of federal assistance received each year. The federal Office of Management and Budget issues instructions on how to prepare this schedule. Key information to be reported includes the federal assistance listing number provided in the federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the County, the SEFA is prepared by the Department of Finance based on information from the accounting system and additional information provided by the various departments receiving federal funds.

Condition: The County does not have adequate internal controls to ensure the SEFA accurately reports all federal assistance the County receives

Corrective Action: An enterprise-wide grant management system called eCivis went live in July of 2022. The goal of this system is to help establish and reinforce consistent standards and processes for all grants to ensure audit success and provide transparency.

The eCivis rollout worked well for subrecipients in the Community Services division but proved to be an ineffective tool for other departments with much duplication of work. A new ERP (Enterprise Resource Planning) is scheduled to be implemented in 2025, the proposed new ERP will fulfill many of the functions of eCivis but be integrated in a separate module.

Onsite grant training will be provided by FORVIS for all Douglas County Employees working with grants to help them navigate the complexities and responsibilities of grants.

Completed. Grant training was provided by FORVIS on August 29th, 2023.

The Grant Accounting Supervisor has had a Grant Accountant added to the grants function to ameliorate the tracking and reporting requirements of the current volume of grants.

A Grant Accountant has been added at the end of January 2024. The organizational chart of the Finance Department has been revised with the Grant Accounting Supervisor being promoted to the Accounting Manager. See 2023-001 for additional steps added to the action plan.

Person(s) Responsible for Implementation: Jill Janz – Grant Accountant Supervisor, Christie Guthrie – Assistant Finance Director

Implementation Date: 12/31/22 and ongoing