

SINGLE AUDIT SECTION

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**Board of County Commissioners
Morgan County, Colorado
Fort Morgan, Colorado**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, Colorado, as of and for the year ended December 31, 2010, which collectively comprise the Morgan County, Colorado's basic financial statements, and have issued our report thereon dated July 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morgan County, Colorado's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County, Colorado's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Morgan County, Colorado's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Board of County Commissioners
Morgan County, Colorado**

Compliance and Other Matters

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

We noted certain matters that we reported to management of Morgan County, Colorado, in a separate letter dated July 8, 2011.

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

July 28, 2011


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**Board of County Commissioners
Morgan County, Colorado
Fort Morgan, Colorado**

**Report on Compliance with Requirements that Could Have a Direct
and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Independent Auditors' Report

Compliance

We have audited Morgan County, Colorado's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Morgan County, Colorado's major federal programs for the year ended December 31, 2010. Morgan County, Colorado's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Morgan County, Colorado's management. Our responsibility is to express an opinion on Morgan County, Colorado's compliance based on our audit.

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

**Board of County Commissioners
Morgan County, Colorado**

In our opinion, Morgan County, Colorado complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

Internal Control Over Compliance

Management of Morgan County, Colorado is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Morgan County, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County, Colorado's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

**Board of County Commissioners
Morgan County, Colorado**

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

July 28, 2011


RubinBrown LLP

MORGAN COUNTY, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Colorado Department of Human Services		
Food Stamp Program Admin	10.561	248,091
Emergency Food Assistance Program (Food Commodities)	10.569	47,489
Emergency Food Assistance Program (Administrative Costs) ARRA	10.568	4,250
Total TEFAP Cluster		<u>51,739</u>
Total Department of Agriculture		<u>299,830</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed Through the State of Colorado		
Community Development Block Grant	14.228	1,000
Total Department of Housing and Urban Development		<u>1,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through Colorado Department of Human Services		
Adjustment to Federal Assistance	93.xxx	5,568
Promoting Safe and Stable Families	93.556	11,444
TANF	93.558	1,109,319
Title IV-D	93.563	159,140
Title IV-D ARRA	93.563	195,838
Title IV-B	93.645	53,585
Title IV-E	93.658	581,509
Adoption	93.659	180,048
Title XX Block Grant	93.667	369,528
Low Income Home Energy Assistance Block Grant	93.568	<u>514,734</u>
Child Care and Development Block Grant	93.575	71,704
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>206,702</u>
Total Child Care Cluster		278,406
Title IV-E Independent Living	93.674	24,515
Title XIX Medicaid Assistance Program	93.778	255,058
Total Department of Health and Human Services		<u>3,738,692</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed Through State of Colorado		
Click It or Ticket Grant	20.600	5,828
Total Department of Transportation		<u>5,828</u>
U.S. DEPARTMENT OF JUSTICE		
Passed Through State of Colorado		
Victims Assistance Program	16.575	24,430
State Criminal Alien Assistance Program	16.606	78,130
Bullet Proof Vest Partnership	16.607	4,194
Passed Through SHARE		
Regional Investigator Grant	16.589	5,250
Total Department of Justice		<u>112,004</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed Through State of Colorado		
Emergency Management Performance Grant	97.042	37,921
Total Department of Homeland Security		<u>37,921</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 4,195,275</u>

See the accompanying independent auditors' report.

MORGAN COUNTY, COLORADO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards, which includes the federal grant activity of Morgan County, Colorado, is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Grant revenues are recorded for financial reporting purposes when the County has met the qualifications for the respective grants. Various reimbursement procedures are used for Federal awards received by the County. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Receivable balances at year-end represent an excess of reimbursable expenditures over cash receipts to date. Deferred revenue balances at year-end represent an excess of cash receipts over reimbursable expenditures to date.

NOTE 2: SUBRECIPIENTS

No federal awards were passed through to subrecipients for the year ended December 31, 2010.

NOTE 3: NONCASH PROGRAM ACTIVITY

Morgan County, Colorado determines eligibility for various benefits funded by federal and state programs. The funds are distributed via electronic benefit transfer to the beneficiaries by the State. Noncash assistance of \$4,250 is included in the schedule of federal expenditures and represents food commodities.

MORGAN COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**
Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major program:

CFDA No. 93.558 Temporary Assistance for Needy Families (TANF)
CFDA No. 93.563 Child Support Enforcement
CFDA No. 93.563 ARRA Child Support Enforcement
CFDA No. 93.658 Title IV-E Foster Care
CFDA No. 93.778 Title XIX - Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

Auditee qualified as low-risk auditee? yes no

MORGAN COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2010

Section II - Financial Statement Findings

There were no findings relating to Morgan County, Colorado's financial statements for the year ended December 31, 2010.

Section III - Federal Award Findings and Questioned Costs

Finding 10-01 – CFDA 93.778, Medical Assistance Program - Title XIX, U.S. Department of Health and Human Services, Passed through the Colorado Department of Human Services

Criteria or
Specific
Requirement:

Per volume 8100.27 of the Colorado State Department of Human Services rules and regulations, the County department shall process an application for Medicaid benefits within 90 days for persons who apply for Medicaid on the basis of a disability or within 45 days for all other Medicaid applicants. Redeterminations are performed within 30 days upon date of receipt of the application.

Condition and
Context:

We tested 40 case files in 2010 and 12 of the applications tested did not meet required processing time lines.

Questioned
Costs:

None.

Effect:

Eligible individuals may not receive Medicaid benefits timely in cases that are not processed within prescribed timelines.

Cause:

Due to large caseload and processing backlogs, the Department of Human Services experienced difficulties in meeting the application processing guidelines and did not have adequate oversight of case files to ensure required documentation was obtained.

Recommendation:

We recommend the Department of Human Services continue to monitor time lines for case file processing to meet prescribed deadlines.

MORGAN COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2010

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 10-01 – CFDA 93.778, Medical Assistance Program - Title XIX, U.S. Department of Health and Human Services, Passed through the Colorado Department of Human Services (Continued)

Management Response: Business and operational practices continue to be adjusted to meet ongoing demands on the local agency. Weekly “pending application” reports are being generated for each respective Income Maintenance Technician, Leadworkers, Managers and Director. This tool is helpful in assisting each technician with a view of their upcoming workload based on their particular applications/redeterminations on that appear on these reports. The weekly pending reports are then compared with the same report that is generated from the state department, to ensure accuracy and timeliness.

MORGAN COUNTY, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2010

Section IV – Prior Federal Award Findings and Questioned Costs

Finding 09-01 – CFDA 93.558, Temporary Assistance for Needy Families (TANF), U.S. Department of Health and Human Services, Passed through the Colorado Department of Human Services

Criteria or Specific Requirement:	The County is able to retain vendors to assist in administering program requirements. A contract for services is entered into between the County and the vendor.
Condition and Context:	The County awards TANF funds to various vendors. The contracts identify the purpose of funding that appears to meet TANF requirements; however, documentation was not retained to show that the TANF funds were incurred on behalf of TANF eligible clients by the vendor.
Effect:	Funds may be expended on behalf of non-eligible clients.
Cause:	The County does not have a process in place to monitor vendor activity and did not obtain documentation to support allowable activity under the program requirements.
Planned Action:	The County contracts utilizing federal funds will require all subrecipients and/or vendors to furnish proper supporting documentation that meet eligibility and program requirements. A process will be implemented to monitor vendor activity of these federally funded contracts. The County attorney assisting with these contracts has been advised of this obligation, and will aid in the implementation of this requirement. The Director of Morgan County Health and Human Services shall have direct oversight of this requirement.
Auditor Response:	The implemented procedures in 2010 are sufficient to verify eligible use of TANF funds. This finding is considered resolved.