



# COLORADO

## Division of Homeland Security & Emergency Management

Department of Public Safety

March 22, 2023

Huerfano County  
401 Main Street  
Walsenburg, CO 81089

**Re: DHSEM Monitoring Site Visit Initial Results - Observations Identified - RESPONSE  
REQUIRED**

Dear Huerfano County:

On behalf of the Colorado Department of Public Safety, Division of Homeland Security & Emergency Management (DHSEM), we would like to thank you for your cooperation with the monitoring visit on November 2, 2022. The reason for the site visit was not to perform an audit, but rather to conduct a monitoring review of your federally funded grant programs (administered by DHSEM), the related processes/procedures, and the quality of documentation being maintained to support program activities. Our goal of this review was to help you prepare for and respond to future audits and/or reviews.

Our monitoring visit was required by the Federal Office of Management and Budget (OMB) Title 2 of the Code of Federal Regulations § 200.331(e), as applicable, which states that DHSEM, as a pass-through entity of federal funding, is responsible for performing on-site reviews of your program operations to ensure proper accountability and compliance with program requirements and achievement of performance goals. The administrative requirements, audit requirements and cost principles for all grant programs are governed by Title 2 of the Code of Federal Regulations and apply to all federal grants awarded to DHSEM.

During our visit, we examined certain functions of your organization related to the administration of funds under the following grant programs and the compliance requirements applicable to your grant(s) and associated project(s):

- **Emergency Management Performance Grant (EMPG) - Assistance Listing Number 97.042**
- **Building Resilient Infrastructure and Communities Grant (BRIC) - Assistance Listing Number 97.047**

The objective of these monitoring activities was to assess performance towards project objectives and an evaluation of compliance towards program requirements. The observations, risks, and recommendations detailed in *Attachment 2* and *Attachment 3* of this letter are based on the fieldwork conducted by our team. *Attachment 1* provides the categories and general scope reviewed during our on-site monitoring visit. *Attachment 2* highlights areas of improvement that require your follow up. *Attachment 3* highlights leading practice recommendations that do not require follow up but are provided for your benefit. Please submit a corrective action plan in the “Subrecipient’s Response” section below for each observation noted in Attachment 2. The corrective action plan should contain your organization’s plans to implement the recommendations listed. Your response should include scheduled dates of implementation and the names of responsible parties. Additionally, please include a detailed response and plan if you intend to present alternative solutions to address the observations reported. Please submit your response to CDPS [SRM@state.co.us](mailto:SRM@state.co.us) by April 23, 2023 to ensure compliance with DHSEM requirements. Based on your response, we will either accept or decline your plan of action.



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If you should have any questions regarding this letter, please contact the Subrecipient Monitoring Team at [CDPS\\_SRM@state.co.us](mailto:CDPS_SRM@state.co.us) or contact Justine Willman at 720.595.6119. We thank you again for your cooperation and will continue to provide assistance to ensure that your entity and the State continue to comply with all federal grant requirements.

Sincerely,



M. Justine Willman  
Grant Compliance Manager

cc: Brittney Cairo, Emergency Manager  
Kimberly Trujillo, Finance Officer  
Carl Young, County Administrator

### **Attachment 1: Scope Activities Performed**

The objective of the Subrecipient Monitoring visit was to assess your organization’s ability to maintain compliance with the regulations governing the federal grants you have received through DHSEM. The following categories and general scope were reviewed during our on-site monitoring visit as applicable:

Category	Scope
Control Environment	Our assessment of your organization’s control environment included a review of the following: <ul style="list-style-type: none"> <li>✓ Overall internal control structure (e.g. policies and procedures, reporting lines, etc.)</li> <li>✓ Code of ethics, Conflict of interest certifications</li> <li>✓ Prior experience with management of grant programs and Federal funding</li> <li>✓ Familiarity with DHSEM points of contact</li> <li>✓ Implementation of corrective action resulting from audits and other monitoring activities</li> <li>✓ Segregation of duties for grant management functions</li> </ul>
Allowable Activities / Costs / Expenditures	Our assessment of your organization’s expenditures included a review of the following: <ul style="list-style-type: none"> <li>✓ Procedures for ensuring expenditures comply with cost principles</li> <li>✓ Process for valuing in-kind contributions and donated resources</li> <li>✓ Allowability and review of travel and per-diem expenses</li> <li>✓ Proper controls in the expenditure cycle (e.g. approval processes for expenditures)</li> </ul>
Accounting	Our assessment of your organization’s grant accounting included a review of the following: <ul style="list-style-type: none"> <li>✓ Validating use of cost centers for grant projects</li> <li>✓ Maintenance of a chart of accounts for federal, state, and insurance funding</li> <li>✓ Review of reconciliation practices and procedures</li> <li>✓ Process for reconciling budget overruns and variances</li> </ul>
Reporting	Our assessment of your organization’s reporting practices included a review of the following: <ul style="list-style-type: none"> <li>✓ Policies and procedures governing reporting practices</li> <li>✓ Supporting documentation for reported milestones and expenditures</li> <li>✓ Communication of passed through funding to DHSEM and Federal agencies</li> </ul>
Cash Management And Advances	Our assessment of your organization’s cash management practices included a review of the following: <ul style="list-style-type: none"> <li>✓ Processes established to manage cash advances in accordance with regulations</li> <li>✓ Policies or procedures for timely payment of vendors</li> <li>✓ Verifying that in-kind contributions are used only for local match amounts</li> </ul>
Equipment & Inventory	Our assessment of your organization’s equipment management practices included a review of the following: <ul style="list-style-type: none"> <li>✓ Policies and procedures in place to manage equipment purchased with grant funding</li> <li>✓ Maintenance of property records that reflect required data points</li> <li>✓ Controls to protect equipment from theft, loss, or damage</li> <li>✓ Tagging of assets</li> <li>✓ Validation of proper disposition practices and policies</li> <li>✓ Inventory practices</li> <li>✓ Depreciation of assets in line with organizational depreciation schedules</li> <li>✓ Documentation of maintenance procedures</li> </ul>

<p>Labor &amp; Time Accounting</p>	<p>Our assessment of your organization’s labor and time accounting practices included a review of the following:</p> <ul style="list-style-type: none"> <li>✓ Documentation of Job descriptions for employees splitting time between grant and non-grant activities</li> <li>✓ Review of salary and fringe benefit allocations to grant projects</li> <li>✓ Support for administrative time and force account labor (timesheets)</li> <li>✓ Compliance with Davis Bacon (as applicable)</li> </ul>
<p>Procurement &amp; Contracts</p>	<p>Our assessment of your organization’s procurement practices included a review of the following:</p> <ul style="list-style-type: none"> <li>✓ Documentation of policies and procedures for procurement</li> <li>✓ Review of contract types used under Federal grants</li> <li>✓ Review of supporting procurement documentation and bid tabulations</li> <li>✓ Review of contracts with vendors for proper flow down provisions</li> <li>✓ Verification of use of debarment and suspension lists</li> <li>✓ Utilization of minority and women owned businesses</li> <li>✓ Use of geographical preference in bid criteria</li> <li>✓ Use of contract management systems for managing vendors</li> </ul>
<p>Subrecipient Monitoring (Subaward)</p>	<p>Our assessment of your organization’s subrecipient monitoring included a review of the following:</p> <ul style="list-style-type: none"> <li>✓ Determination of contract vs. subaward</li> <li>✓ Proper documentation of pass through funding</li> <li>✓ Compliance with FFATA, Single audit reporting</li> <li>✓ Review of single audit results</li> <li>✓ Follow up on subrecipient’s corrective action plans</li> <li>✓ Verification of subrecipient’s use of grant flow down provisions</li> </ul>
<p>Project Progress</p>	<p>Our assessment of your organization’s project progress monitoring included a review of the following:</p> <ul style="list-style-type: none"> <li>✓ Processes for accurately reporting project progress</li> <li>✓ Documentation of why established goals were not met</li> <li>✓ Comparison of actual project progress vs. reported progress</li> </ul>
<p>Record Retention</p>	<p>Our assessment of your organization’s record retention practices included a review of the following:</p> <ul style="list-style-type: none"> <li>✓ Documented record retention policies and procedures</li> <li>✓ Backup and secure storage of documentation</li> <li>✓ Organization of supporting files</li> </ul>
<p>Other</p>	<p>In addition to the reviews listed, the following may have been reviewed or discussed:</p> <ul style="list-style-type: none"> <li>✓ Follow up on variances from quarterly reports</li> <li>✓ Feedback for DHSEM related to program administration</li> <li>✓ Technical training on EMGrants Pro platform</li> <li>✓ Need for in person training or guidance for grant programs</li> <li>✓ Compliance with Title VI of the Civil Rights Act of 1964 and Title II of the American’s with Disabilities Act, 28 CFR 35.101 et seq., as applicable</li> </ul>

**Attachment 2: Summary of Guidance Observations**

Observations related to required guidance require your organization’s response. Responses can be given as either an observation resolution, or a corrective action plan. An observation resolution outlines an action that has already been taken to address the guidance observation, and must include supporting documentation illustrating the implementation of the corrective action. A corrective action plan states the corrective action that will be taken in the future, the estimated date of completion of said action, and the individual responsible for owning the action. NOTE: The Subrecipient Monitoring Team will follow up on the implementation of the corrective action plan at a future point in time, if a corrective action plan is provided.

Please note this response in the “Subrecipient’s Response & Corrective Action Plan.”

*Note: During our on-site monitoring visit, we provided initial results during our exit meeting based on the documentation reviewed and interviews conducted. Since that time, it is possible that observations below were made during the final review of documentation that were not discussed during the exit meeting.*

Guidance Observation #1	
<b>Area of Review:</b>	A.1 General / Entity-Level Standards
<b>Applicable Programs:</b>	EMPG and BRIC
<b>Observations:</b>	<p>During our site visit with the Huerfano County (hereinafter “County”), it was discussed that the County does have the following policies:</p> <ul style="list-style-type: none"> <li>• Grant Management</li> <li>• Allowability of Costs</li> <li>• Travel Costs</li> <li>• Equipment Management</li> </ul> <p>However, the abovementioned policies are either outdated or are not written down and therefore not followable by all employees.</p>
<b>Compliance Requirement:</b>	<p>2 CFR 200.206(2) At a minimum, the information in the system for a prior Federal award recipient must demonstrate a satisfactory record of executing programs or activities under Federal grants, cooperative agreements, or procurement awards; and integrity and business ethics.</p> <p>2 CFR 200.303 Internal controls. The non-Federal entity must:</p> <p>(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).</p> <p>(b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.</p> <p>(c) Evaluate and monitor the non- Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.</p>

	<p>(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.</p> <p>(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.</p>
<b>Risks:</b>	<p>Failure to maintain a uniform policy on grant management activities and requirements exposes the organization to potential inconsistencies in the administration of grants. Failure to establish and maintain effective internal controls over grant activities increases the risk of non-compliance with program requirements.</p>
<b>Recommendations:</b>	<p>Develop policies and procedures tailored to govern the administration of the subrecipient's grants received by DHSEM. These policies at a high level should cover procurement, expenditures, reporting, protection of PII, labor and time accounting and any controls put in place to mitigate the chance of fraudulent activity. In addition, these policies should cover the quarterly reporting process to ensure that reports are reviewed appropriately by the Grants Accountant prior to submission. Additionally, policies and procedures should cover the following: 1.Conflicts of Interest (200.112) 2. Cash Management (200.302/200.305) 3. Allowability of Costs (200.302) 4. Personally Identifiable Information (200.303) 5. Equipment (200.313) 6. Procurement (200.318 - 200.320) 7. Compensation - Personnel Services (200.430) 8. Compensation - Fringe (200.431) 9. Employee Health &amp; Welfare (200.437) 10. Relocation Costs (200.464) 11. Travel Costs (200.474)</p>
<b>Subrecipient's Response &amp; Corrective Action Plan:</b>	<p>INSTRUCTIONS: Please provide one of the following in your response:</p> <ul style="list-style-type: none"> <li>• A corrective action plan that identifies the action to be taken, an owner of the corrective action plan, and a forecasted implementation date; OR</li> <li>• Confirmation that the corrective action has already been taken and supporting documentation to verify the implementation of the action</li> </ul>

Guidance Observation #2	
<b>Area of Review:</b>	A.5 General / Entity-Level Standards
<b>Applicable Programs:</b>	EMPG and BRIC
<b>Observations:</b>	<p>During our visit with the County, it was discussed that they have a Protection of Personally Identifiable Information (PII) Policy, however it is unclear if the PII policy has been adopted and if do, when it was adopted.</p>
<b>Compliance Requirement:</b>	<p>2 CFR 200.82 Protected PII means an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed. (See also 2 CFR 200.79)</p> <p>2 CFR 200.303(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or</p>

	pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.
<b>Risks:</b>	Failure to have a Protection of Personally Identifiable Information (PII) policy could lead to fraud exposure and/or a breach of security for confidential information.
<b>Recommendations:</b>	Establish a formal Personally Identifiable Information (PII) policy to ensure the least amount of exposure to fraud and confidential information, as well as what to do in case of a breach.
<b>Subrecipient's Response &amp; Corrective Action Plan:</b>	<p>INSTRUCTIONS: Please provide one of the following in your response:</p> <ul style="list-style-type: none"> <li>• A corrective action plan that identifies the action to be taken, an owner of the corrective action plan, and a forecasted implementation date; OR</li> <li>• Confirmation that the corrective action has already been taken and supporting documentation to verify the implementation of the action</li> </ul>

### Attachment 3: Summary of Leading Practice Observations

Responses to observations related to Leading Practices are optional. These recommendations are derived from leading practices and interpretations of federal guidance and are provided for your consideration.

Leading Practice Observation #1	
<b>Area of Review:</b>	F.1 Equipment and Property Management
<b>Applicable Programs:</b>	EMPG and HSGP (Not monitored)
<b>Observations:</b>	During the site visit, it was discussed that while the County is missing information when it gets equipment from grants. As well as the County is missing an Equipment management policy (mentioned above in A.1).
<b>Compliance Requirement:</b>	2 CFR 200.313(d)(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
<b>Risks:</b>	Inaccurate or misrepresentative reporting of capitalized assets and asset valuations may lead to untimely, unnecessary or unauthorized replacement or disposition of assets. Furthermore, inaccurate financial statements or reports may expose the organization to legal consequences as well as grant-related penalties.
<b>Recommendations:</b>	It is recommended that the organization establish asset capitalization thresholds, and add all equipment purchased with grant funding to the inventory list.
<b>Subrecipient's Response &amp; Corrective Action Plan:</b>	<b>NOTE: A response to the Leading Practice Observation is OPTIONAL.</b>

Leading Practice Observation #2	
<b>Area of Review:</b>	G.2 Procurement
<b>Applicable Programs:</b>	BRIC
<b>Observations:</b>	During the site visit, it was determined that included in the Request for Procurement for the BRIC grant, there was criteria asking for vendor familiarity of area but does not come out and list local preference.



<p><b>Compliance Requirement:</b></p>	<p>2 CFR Subpart D (200.319)(c)The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.</p> <p>2 CFR Subpart D (200.319)(d)The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations: (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a ‘brand name or equivalent’ description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and (2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.</p>
<p><b>Risks:</b></p>	<p>Failure to maintain a written procurement policy can lead to improper procurement practices across the organization. Additionally, failure to comply with federal procurement regulations can lead to deobligation of funding.</p>
<p><b>Recommendations:</b></p>	<p>The organization should update written policies and procedures to include the procurement requirements outlined in the applicable State and Federal guidance’s.</p>
<p><b>Subrecipient’s Response &amp; Corrective Action Plan:</b></p>	<p><b>NOTE: A response to the Leading Practice Observation is OPTIONAL.</b></p>