

**MOUNTAIN BOARD OF  
COOPERATIVE EDUCATIONAL SERVICES  
LEADVILLE, COLORADO**

**SINGLE AUDIT REPORT**

**For the Year Ended  
June 30, 2017**

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Office of the State Auditor

May 4, 2018

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# Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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Board of Directors  
Mountain Board of Cooperative  
Educational Services  
Leadville, Colorado

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

### **Independent Auditors' Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Mountain Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated December 27, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the BOCES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs and Schedule of Prior Year Findings* that we consider to be material weaknesses and presented as finding 2017-001.

### **Compliance and Other Matters**

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

### **BOCES' Response to Findings**

The BOCES' response to the findings identified in our audit are described in the accompanying *Corrective Action Plan*. The BOCES' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Englewood, Colorado  
December 27, 2017

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Board of Directors  
Mountain Board of Cooperative  
Educational Services  
Leadville, Colorado

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

### **Independent Auditors' Report**

#### **Report on Compliance for Each Major Federal Program**

We have audited the Mountain Board of Cooperative Educational Services (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES, Colorado's major federal programs for the year ended June 30, 2017. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*(Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on Each Major Federal Program**

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES' 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as discussed in the *Schedule of Findings and Questioned Costs and Schedule of Prior Year Findings* as item 2017-002 that we consider to be a significant deficiency.

The BOCES' response to the internal control over compliance findings identified in our audit are described in the accompanying *Corrective Action Plan*. The BOCES' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Mountain Board of Cooperative Educational Services  
Report on Compliance and Internal Control in Accordance with the Uniform Guidance and  
Report on Schedule of Expenditures of Federal Awards

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the BOCES, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements. We issued our report thereon dated December 27, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Holscher, Maybury + Company, LLC*

Englewood, Colorado  
December 27, 2017

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Findings and Questioned Costs and**  
**Schedule of Prior Year Findings**  
**June 30, 2017**

**I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major program:

Special Education Cluster

84.027 Special Education Grants to States

84.173 Special Education – Preschool Grants

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Corrective Action Plan**  
**June 30, 2017**

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

The audit of the financial statements of Mountain BOCES, as of and for the year ended June 30, 2017, disclosed the following material weakness in internal controls over financial statements reported in accordance with general accepted auditing standards as well as related noncompliance with requirements with certain provisions of laws, regulations and grants that were material to those financial statements:

**Finding 2017-001**

- 1) Requirement  
The BOCES must be able to properly track and record financial activity within its general ledger.
- 2) Condition  
The BOCES improperly included a December 2016 grant receipt as being receivable as of June 30, 2016, due to it being related to the fiscal year 2016 grant expenditures that had not been reimbursed by the Colorado Department of Education. Ultimately, it was determined that the receipt in question was related to fiscal year 2017 and should not have been accrued.
- 3) Cause  
The BOCES failed to develop a tracking process that would match grant reimbursement requests with the underlying disbursements. The BOCES also did not have an adequate internal control process over grant reimbursements to be able to discover this oversight.
- 4) Effect  
The BOCES reported grant revenue and a corresponding receivable as of June 30, 2016 for which a reimbursement request had not been submitted.
- 5) Questioned Cost  
None. The BOCES failed to be reimbursed for costs it was entitled to receive.
- 6) Recurrence and Prevalence of the Issues Identified  
While the tracking process had improved for fiscal year 2017, the BOCES also switched business managers effective July 1, 2017 in addition to other BOCES structural changes that occurred effective at that time that could have an impact on existing processes. Due to the limitations in the BOCES staffing, internal control over grant reimbursement requests and recording of the same will be limited.
- 7) Recommendation  
The BOCES should develop a tracking mechanism for grant reimbursement requests based on flow through activities to the member districts. The BOCES is currently utilizing a spreadsheet to track the outflows that correspond with the requests for reimbursement. This spreadsheet should be reconciled to the general ledger activity and made available to the Executive Director for review.

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Corrective Action Plan**  
**June 30, 2017**

**III - Findings and Questioned Costs for Federal Awards**

**A. Material Weaknesses in Internal Control**

The audit of the financial statements of the Mountain Board of Cooperative Educational Services, as of and for the year ended June 30, 2017, disclosed a significant deficiency in internal controls as further described as Finding 2017-002.

**IDEA Program Cluster – 84.027 – IDEA Part B, 84.173 – IDEA Preschool – Passthrough the Colorado Department of Education**

**Reporting**

**Finding 2017-002**

- 1) Requirement  
The BOCES must be able to comply with the reporting requirements of its federal grants.
- 2) Condition  
The BOCES failed to revise its grant budget with the Colorado Department of Education for known staffing changes that had occurred subsequent to the original approval of the grant application. The BOCES correctly requested reimbursement for actual costs rather than budgeted amounts, and limited overall member district reimbursements to allowed budget amounts. Subsequent to year-end, after a change in business manager, and as part of the “End of Year” reporting process, the BOCES contacted CDE to determine what amounts should be included on the “End of Year” report, as the staff paid were not the same as the staff budgeted. Due to miscommunication, the BOCES reported the original staffing on the End of Year report rather than the actual staff paid.
- 3) Cause  
The BOCES failed to develop an internal control system that would allow staff to be properly informed of grant requirements and that would allow proper oversight of grant activities.
- 4) Effect  
The BOCES improperly reported amounts reimbursed by staff member, but properly reported amounts flowed through to the member district’s in total. The member district’s were only allowed to submit claims up to the original staffing budget, and were not reimbursed for excess staffing adjustments.
- 5) Questioned Cost  
None. The BOCES only reimbursed the member districts, and claimed for reimbursement, the amount originally approved in the budget. Certain member districts did not receive their full funding as actual costs were less than what was originally budgeted.
- 6) Recurrence and Prevalence of the Issues Identified  
Due to turnover in staffing, the BOCES has not been able to develop an adequate education process over grant requirements, and similarly has not been able to develop a corresponding internal control system allowing proper oversight. This lack of knowledge over grant activity and coding requirements was evident in other BOCES grants activities and was not identified by the BOCES’ executive directors until it was brought up as part of the external audit process.
- 7) Recommendation  
The BOCES must develop a process whereby multiple personnel within the organization are properly informed of grant requirements. Cooperatively, these staff members should develop internal control processes over grant activities that will allow for proper accounting throughout the process in a format that can be easily overseen.

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Corrective Action Plan**  
**June 30, 2017**

**B. Compliance Findings**

The audit of the financial statements of the Mountain Board of Cooperative Educational Services, as of and for the year ended June 30, 2017, disclosed no instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements

**IV - Schedule of Prior Year Findings**

None.

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Corrective Action Plan**  
**June 30, 2017**

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

**Finding 2017-001**

Corrective Action Plan

The corrective action plan to be put in place for FY17-18 will be to run a general ledger report from APTA Fund to reconcile with the tracking spreadsheet of activity for the IDEA grant money requests(deposits), and IDEA flow through to member districts. These documents will be shared with the Executive Director for review and discussion. I made adjustments in Spring, to staff members who had changed from what was originally reported on the federal app in June, in future if I need to can make adjustments in November as well.

When funds are received for IDEA dollars, the indirect monies need to be tracked in a separate account number in the general ledger not the same account number that flows through to the districts.

**IDEA Program Cluster – 84.027 – IDEA Part B, 84.173 – IDEA Preschool – Passthrough the Colorado Department of Education**

**Finding 2017-002**

Corrective Action Plan

Corrective Action plan, being put in place currently for the Business Manager, who has developed numerous contacts of other finance directors, to understand process of federal grant reporting and end of year reporting. As well as attended several trainings to understand the reporting process. And a working relationship has been developed with Grants fiscal unit and CDE to meet the requirements.

The current Business manager will discuss with the auditor and executive director to make sure reporting requirements have been met and understood by all parties involved.

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017**

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Passthrough Identification Number</u>	<u>Accrued (Unearned) Revenue July 1, 2016</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue June 30, 2017</u>
<u>U.S. Department of Education</u>						
<u>Passed Through Colorado Department of Education:</u>						
<u>Special Education Cluster</u>						
IDEA: Part B	84.027	4027	\$ 1,433,679	\$ 3,104,656	\$ 2,356,791	\$ 685,814
IDEA: Preschool Services	84.173	4173	39,472	74,805	49,953	14,620
Total Special Education Cluster			1,473,151	3,179,461	2,406,744	700,434
CACFP Grant	10.558	4558	(606)	4,925	4,874	(657)
TOTAL			<u>\$1,472,545</u>	<u>\$ 3,184,386</u>	<u>\$ 2,411,618</u>	<u>\$ 699,777</u>

See the accompanying Independent Auditors' Report.

**MOUNTAIN BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2017**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards 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). Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: 10% DE MINIMIS INDIRECT COST RATE**

The BOCES did not utilize the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: SUBRECIPIENTS**

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