

PUEBLO COUNTY

SINGLE AUDIT REPORT



FOR THE YEAR ENDING
December 31, 2017

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August 30, 2018

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PUEBLO COUNTY, COLORADO
GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE REPORTS
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PUEBLO COUNTY, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Year-end Adjustments

Criteria or specific requirement: Generally accepted accounting principles require that revenue and expenditures be recorded in the period in which the revenue is earned or the liability is incurred.

Condition/Context/Effect: Based on audit procedures performed, we noted the following misstatements:

- Inventory was understated and crushed gravel expense was overstated by \$231,060 in the Road & Bridge fund. Year-end inventory counts are performed and a year-end summary spreadsheet is prepared by Road & Bridge personnel. This summary is forwarded to the Finance department to record the appropriate adjustments to the books of the County. A formula error existed in the summary spreadsheet that subtracted an amount entered for crushed gravel inventory related to one of several gravel pits. This number should have been added rather than subtracted.
- Excise tax receivable and excise taxes were understated by \$80,386 in the Excise Tax fund. A spreadsheet is used to assist in the preparation of a year-end journal entry to adjust the revenue and related receivable to recognize revenue in the proper period. A prior year number was not updated within the spreadsheet which led to an improper year-end adjustment.
- Employer and employee contribution payable was overstated and contribution expense was overstated by \$74,970. The retirement administrator prepares a spreadsheet that contains monthly amounts of required contributions. This spreadsheet is forwarded to the finance department to initiate monthly wire transfers to the Plan. The spreadsheet contained formula errors that resulted in excess wire transfers.

Cause: The underlying cause of the above misstatements resulted from spreadsheet errors and the lack of review procedures that would have identified these errors on a timely basis.

Recommendation: We recommend the County establish procedures at the finance department level to verify that underlying spreadsheets used to develop accounting entries are reviewed for accuracy.

Views of responsible officials and planned corrective actions: We agree with the above finding and have implemented an appropriate corrective action plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned cost were noted.

PUEBLO COUNTY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017

Finding 2016-001

Current Status: Corrective action taken.

Finding 2016-002

Current Status: Corrective action taken.

Finding 2016-003

Current Status: Corrective action taken.



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**INDEPENDENT AUDITORS' 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***

Board of County Commissioners
Pueblo County, 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, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado (the County), as of and for the year ended December 31, 2017, 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 22, 2018.

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) to determine the auditing 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 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.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, 2017-001, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Pueblo, 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*.

County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

McPherson, Breyfogle, Davelos & Goodrich, PC

June 22, 2018

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Board of County Commissioners
Pueblo County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Pueblo County, Colorado's (the County's) 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 County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 County'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. 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 material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

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.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Pueblo County, Colorado's basic financial statements. We issued our report thereon dated June 22, 2018, 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 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.

McPherson, Breyfogle, Daveline & Goodrich, PC

August 24, 2018

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PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through Colorado Department of Human Services -				
Supplemental Nutrition Assistance Program Cluster -				
State Administrative Matching Grants for				
Supplemental Nutrition Assistance Program	10.561	Not available		1,594,869
Supplemental Nutrition Assistance Enhanced Workfare	10.551	Not available		79,404
Total SNAP Cluster				<u>1,674,273</u>
Food Distribution Cluster -				
Commodity Supplemental Food Program (Admin)	10.565	Not available		56,935
Commodity Supplemental Food Program (Commodities - Non-Cash)	10.565	Not available		313,895
Passed through Care & Share -				
Emergency Food Assistance Program (Administrative Costs)	10.568	Not available		10,000
Emergency Food Assistance Program (Food Commodities - Non-Cash)	10.569	Not available		498,771
Total Food Distribution Cluster				<u>879,601</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>2,553,874</u>
 <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through Colorado Department of Local Affairs -				
Emergency Shelter Grants Program	14.231	H5ESG14932		26,880
Passed through City of Pueblo, Colorado -				
Community Development Block Grant	14.218	CD1310, F09CDB09084		45,000
Home Investment Partnership Program	14.239	Not available		7,148
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>79,028</u>
 <u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Assistance -				
Federal Forfeiture Funds	16.922	Not available		59,800
Passed through Colorado Department of Public Safety				
Division of Criminal Justice -				
Crime Victim Assistance (DA)	16.575	2015-VA-GX-0040		34,589
Crime Victim Assistance (Sheriff)	16.575	15-VA-137779		113,047
Violence Against Women Formula Grants	16.588	2015-WF-AX-0026		52,199
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>259,635</u>

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through Colorado Department of Transportation -				
Highway Planning and Construction	20.205	15HA2 73574		140,720
	20.205	16-HA2 ZH 00146		103,390
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				244,110
<u>U.S. DEPARTMENT OF ENERGY</u>				
Passed through Colorado Office of Energy Conservation -				
State Energy Program	81.041	C900850 & C900895		544,785
Weatherization Assistance CIP	81.042	C900850 & C900896		148,205
TOTAL U.S. DEPARTMENT OF ENERGY				692,990
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through Colorado Department of Human Services -				
Special Programs for the Aging -				
Title VII - Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Not available		2,293
Title VII - Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	Not available		8,401
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Not available	3,550	3,550
Aging Cluster -				
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not available	69,769	99,940
Title III, Part C - Nutrition Services	93.045	Not available	177,588	177,588
Nutrition Services Incentive Program (USDA)	93.053	Not available	50,517	50,517
Total Aging Cluster			<u>297,874</u>	<u>328,045</u>
Title III, Part E - National Family Caregiver Support Guardianship Assistance	93.052	Not available	48,468	48,468
Affordable Car Act - ADRC	93.090	Not available		29,781
Affordable Care Act-MIPPA	93.517	Not available	13,552	13,552
Promoting Safe & Stable Families	93.518	Not available	54,000	54,000
Temporary Assistance to Needy Families	93.556	Not available		111,666
Title IV-D, Child Support Enforcement	93.558	Not available		11,257,098
Low-Income Home Energy Assistance (DSS)	93.563	Not available		1,537,912
Low-Income Home Energy Assistance (HHS)	93.568	Not available		3,943,306
				544,785
Child Care Cluster -				
Child Care & Development Block Grant	93.575	Not available		1,288,369
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	L15CSBG37		717,400
Total Child Care Cluster				<u>2,005,769</u>
Child Welfare Services-State Grants Title IV-B	93.645	Not available		90,993
Foster Care - Title IV-E	93.658	Not available		2,933,141
Adoption Assistance	93.659	Not available		1,108,798
Social Services Block Grant - Title XX	93.667	Not available		1,056,756
Chafee Foster Care Independence Program	93.674	Not available		92,510
Title XIX, Medicaid Medical Assistance Program	93.778	Not available		2,445,610

PUEBLO COUNTY, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
YEAR ENDED DECEMBER 31, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont'd)</u>				
Passed through Colorado Department of Health Care Policy and Financing -				
Medical Assistance Program (Healthy Communities Outreach and Case Management Program)-EPSDT	93.778	Not available	201,177	211,281
Single Entry Point, Medical Assistance Program	93.778	Not available		1,062,895
Passed through Colorado Department of Local Affairs -				
Community Services Block Grant	93.569	Not available		191,020
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			618,621	29,081,630
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through Colorado Department of Emergency Management -				
Chemical Stockpile Emergency Preparedness	97.040	14CSEP14PC & 15CSEP15PC & 16CSEP16PC & 17CSEP18PC		3,344,264
2015 Homeland Security Grant	97.067	15SH16SR		49,050
2016 Homeland Security Grant	97.067	16SHS17SR		89,365
2017 Emergency Management Performance Grant	97.042	17EM-18-52		72,000
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				3,554,679
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 618,621	\$ 36,465,946

PUEBLO COUNTY, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pueblo County, Colorado (the County) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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 cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The County has elected not to use the 10 percent *de minimus* indirect cost rate allowed under the Uniform Guidance.

TERRY A HART
CHAIR
DISTRICT 1

SAL PACE
CHAIR PRO TEM
DISTRICT 3



GARRISON ORTIZ
COMMISSIONER
DISTRICT 2

AIMEE TIHOVICH
BUDGET & FINANCE DIRECTOR

BOARD OF PUEBLO COUNTY COMMISSIONERS

August 24, 2018

Re: Single Audit Finding Response

The following is the Corrective Action Plan (CAP) related to the noted finding.

Corrective Action Plan (CAP)

Agency:	US Department of Justice
Audit Period:	December 2017
Audit Finding No.:	2017-001
Audit Finding Title:	Year-End Adjustments
Specific Steps to be Taken:	The finance department is responsible for preparing current year and year-end adjustments for Pueblo County. The finance department is increasing review procedures of all workpapers prepared internally or by other departments. All workpapers will now be reviewed for formula accuracy and correct math. This procedure will be done on all workpapers used by the finance office, whether done for year-end adjustments or current year regular work.
Anticipated Completion Date:	August 24, 2018
Name(s) and Title(s) of Contact Person(s) Responsible for Corrective Action:	Aimee Tihonovich, Budget & Finance Director and Sherri Crow, Controller

If you have any questions or comments please do not hesitate to contact me.

719-583-6541

aimee.tihonovich@pueblocounty.us

Aimee Tihonovich

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