

City of Aurora, Colorado

Single Audit Report

Year Ended December 31, 2014

City of Aurora, Colorado
Year Ended December 31, 2014

Contents

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	7
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Independent Auditor’s 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 OMB Circular A-133	11
Schedule of Findings and Questioned Costs.....	14
Summary Schedule of Prior Audit Findings.....	19

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture</u>			
Passed through from the Colorado Department of Public Health and Environment:			
Child and Adult Care Food Program	10.558	FLA CFP11000001	\$ 13,978
Total 10.558			<u>13,978</u>
Total Department of Agriculture			<u>13,978</u>
<u>Department of Commerce</u>			
Direct payments:			
Economic Development Cluster			
Economic Adjustment Assistance	11.307	N/A	192,797
Total Economic Development Cluster			<u>192,797</u>
Total Department of Commerce			<u>192,797</u>
<u>Department of Housing and Urban Development</u>			
Direct payments:			
Housing Counseling Assistance Program (FY2013)	14.169	N/A	27,000
Total 14.169			<u>27,000</u>
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	2,512,215
Community Development Block Grants- Neighborhood Stabilization Program (NSP 3)	14.218	N/A	16,197
Total CDBG Entitlement Grants Cluster			<u>2,528,412</u>
Emergency Solutions Grant Program	14.231	N/A	259,477
Total 14.231			<u>259,477</u>
Home Investment Partnerships Program	14.239	N/A	274,276
Total 14.239			<u>274,276</u>
Total Department of Housing and Urban Development			<u>3,089,165</u>
<u>Department of Interior</u>			
<i>National Park Service</i>			
Passed through from the State Historical Society:			
Historic Preservation Fund Grants-In-Aid (Aurora Historic Resources Survey Plan)	15.904	CO-14-011	3,741
Total 15.904			<u>3,741</u>
<i>Bureau of Land Management</i>			
Direct payments:			
Fish, Wildlife and Plant Conservation Resource Management (Hayden Ranch Wetlands)	15.231	N/A	8,417
Total 15.231			<u>8,417</u>
Total Department of Interior			<u>12,158</u>

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice			
Passed through from the Colorado Division of Criminal Justice:			
Antiterrorism Emergency Reserve (Theater Shooting)	16.321	2013-RF-GX-1	7,390
Total 16.321			7,390
Passed through from the City of Colorado Springs, Colorado:			
Missing Children's Assistance	16.543	None	14,908
Total 16.543			14,908
Passed through from the Colorado Bureau of Investigations:			
National Institute of Justice Research, Evaluation, and Development Projects Grants (Solving Cold Cases with DNA Program)	16.560	2010-DN-BX-K234	12,829
Total 16.560			12,829
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program (FY2011)	16.738	N/A	29,881
Edward Byrne Memorial Justice Assistance Grant Program (FY2012)	16.738	N/A	41,314
Edward Byrne Memorial Justice Assistance Grant Program (FY2013)	16.738	N/A	128,866
Edward Byrne Memorial Justice Assistance Grant Program (FY2014)	16.738	N/A	37,757
Passed through from the Colorado Division of Criminal Justice:			
Edward Byrne Memorial Justice Assistance Grant Program (Youth Development and Gang Reduction Year 3)	16.738	2013-DJ-BX-0027	77,157
Edward Byrne Memorial Justice Assistance Grant Program (Power Up Youth Intervention Year 3)	16.738	2012-DJ-BX-0222	500
Edward Byrne Memorial Justice Assistance Grant Program (Power Up Youth Intervention Year 4)	16.738	2013-DJ-13-001427	68,616
Edward Byrne Memorial Justice Assistance Grant Program (Judicial Planning JAG Grant)	16.738	2014-DX-BX-0792	13,456
Edward Byrne Memorial Justice Assistance Grant Program (Violence Prevention Program)	16.738	2014-DJ-BX-0792	11,337
Total JAG Program Cluster			408,884
Direct payments:			
Second Chance Act Prisoner Reentry Initiative (Females Utilizing Treatment and Undertaking Recovery Efforts)	16.812	N/A	204,946
Total 16.812			204,946
Equitable Sharing Program (Seizures-Federal)	16.922	N/A	169,079
Equitable Sharing Program (MGTF Seizures-Federal)	16.922	N/A	57,877
Total 16.922			226,956
Total Department of Justice			875,913

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation			
Highway Planning and Construction Cluster			
Passed through from the Colorado Department of Transportation:			
Highway Planning and Construction (Tollgate Bridge TIP Grant)	20.205	STE M055-029 (18452)	980,829
Highway Planning and Construction (Smith-Peoria Bicycle Pedestrian Improvements)	20.205	STE M055-031 (19042)	26,160
Highway Planning and Construction (Nine Mile Station Bicycle Pedestrian Improvements)	20.205	STU M055-032 (19041)	28,715
Highway Planning and Construction (Flood)	20.205	14 HA1 64606	363,279
Total Highway Planning and Construction Cluster			<u>1,398,983</u>
Federal Transit Cluster			
Passed through from the Regional Transportation District:			
Federal Transit - Formula Grants (Urban Area Formula Program) (Fitzsimons Station Plan)	20.507	CO-95-x022	131,426
Total Federal Transit Cluster			<u>131,426</u>
Highway Safety Cluster			
Passed through from the Colorado Department of Transportation:			
State and Community Highway Safety (Aurora Speed Campaign)	20.600	211020310	18,374
State and Community Highway Safety (Aurora Speed Campaign)	20.600	411001031	20,287
State and Community Highway Safety (Aurora Speed Campaign)	20.600	411003130	25,689
State and Community Highway Safety (Aurora PD Distracted Driver Campaign)	20.600	211020311	14,767
State and Community Highway Safety (Aurora PD Distracted Driver Campaign)	20.600	411001050	32,953
State and Community Highway Safety (Aurora PD Distracted Driver Campaign)	20.600	411003136	21,288
State and Community Highway Safety (Pedestrian Education and Safety Campaign)	20.600	211020312	7,459
State and Community Highway Safety (Pedestrian Education and Safety Campaign)	20.600	411001066	28,796
State and Community Highway Safety (Pedestrian Education and Safety Campaign)	20.600	411003140	16,621
State and Community Highway Safety (Child Safety and Child Booster Seats Incentive Grants)	20.600	211020078	13,667
State and Community Highway Safety (Child Safety and Child Booster Seats Incentive Grants)	20.600	411001054	29,493
Total Highway Safety Cluster			<u>229,394</u>

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Transportation (continued)</u>			
Passed through from the Colorado Department of Transportation:			
National Priority Safety Program (Twist Campaign)	20.616	211020256	51,693
National Priority Safety Program (Twist Campaign)	20.616	411003143	11,393
National Priority Safety Program (DUI Enforcement)	20.616	211020255	37,116
National Priority Safety Program (DUI Enforcement)	20.616	491000427	115,821
National Priority Safety Program (DUI Enforcement)	20.616	411003147	42,597
National Priority Safety Program (State Traffic Safety Information System Improvement Grants (Crash Scanner))	20.616	211020708	2,821
National Priority Safety Program (CDOT E-Citation)	20.616	411003121	60,973
Total 20.616			322,414
Total Department of Transportation			2,082,217
<u>Department of Treasury</u>			
Direct payments:			
Equitable Sharing Program (Seizures-Federal)	21.000	N/A	129,435
Equitable Sharing Program (MGTF Seizures-Federal)	21.000	N/A	53,682
Passed through from the Colorado Housing and Finance Authority:			
2011 Emergency Home Loan Program (DBA Neighbor Works America)	21.000	PL 112-1095X1350	4,185
Neighborhood Reinvestment Corporation (DBA Neighbor Works America)	21.000	PL 113-6X1350	4,287
Neighborhood Reinvestment Corporation (DBA Neighbor Works America)	21.000	PL113-76X1350	32,700
Total 21.000			224,289
Total Department of Treasury			224,289
<u>National Endowment for the Arts</u>			
Direct payments:			
Promotion of the Arts_Grants to Organization and Individuals	45.024	N/A	5,258
Total 45.024			5,258
Total National Endowment for the Arts			5,258
<u>Institute of Museum and Library Services</u>			
Passed through from the Colorado Department of Education:			
Grants to States (Library Services and Technology Act)	45.310	FY12-012	1,901
Total 45.310			1,901
Total Institute of Museum and Library Services			1,901

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Small Business Administration</u>			
Passed through from the South Metro Denver Chamber of Commerce:			
Small Business Development Centers (Satellite)	59.037	2011 #603001-Z-0012	98,179
Total 59.037			98,179
Total Small Business Administration			98,179
<u>Department of Health and Human Services</u>			
Direct payments:			
Metropolitan Medical Response System (MMRS)	93.FAR 52.232.25	N/A	1,924
Total 93.FAR 52.232.25			1,924
Total Department of Health and Human Services			1,924
<u>Office of National Drug Control Policy</u>			
Direct payments:			
High Intensity Drug Trafficking Areas Program (Intelligence)	95.001	N/A	351,361
High Intensity Drug Trafficking Areas Program (FY2013 MGTf)	95.001	N/A	38,329
High Intensity Drug Trafficking Areas Program (FY2013 MGTf)	95.001	N/A	421,179
Total 95.001			810,869
Total Office of National Drug Control Policy			810,869
<u>Department of Homeland Security</u>			
Passed through from West Metro Fire Protection District:			
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-K004-S01	4,480
Total 97.025			4,480
Passed through from the Colorado Department of Public Safety, Division of Homeland Security:			
Flood Mitigation Assistance (Lower Westerly Creek)	97.029	11FMA13LWC	340,017
Total 97.029			340,017
Passed through from the Colorado Department of Public Safety Division of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4145-CO: 14-L4145-055	1,604,098
Total 97.036			1,604,098
Emergency Management Performance Grants (13 CO LEMS grant)	97.042	13EM1482	60,108
Emergency Management Performance Grants (14 CO LEMS grant)	97.042	14EM1582	43,093
Total 97.042			103,201

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Homeland Security (continued)</u>			
Passed through from the Colorado Department of Public Safety, Division of Homeland Security:			
Homeland Security Grant Program (MMRS 11)	97.067	11MMR12NCA	143,071
Passed through from Arapahoe County:			
Homeland Security Grant Program (State Homeland Security Program)	97.067	14SHS15NCR	<u>610</u>
Total 97.067			<u>143,681</u>
Total Department of Homeland Security			<u>2,195,477</u>
Total Federal Awards			<u>\$ 9,604,125</u>

The accompanying notes are an integral part of this schedule.

City of Aurora, Colorado
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of the City of Aurora, Colorado (the City). The City's reporting entity is defined in note 1 in the City's basic financial statements for the year ended December 31, 2014.

The information in the accompanying schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies. The schedule of expenditures of federal awards includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

(2) Basis of Accounting

Expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis. The City's summary of significant accounting policies is presented in note 1 to the City's basic financial statements for the year ended December 31, 2014.

(3) Federal CFDA Number

Certain grant programs have not been assigned Catalog of Federal Domestic Assistance (CFDA) numbers by the federal government, or the numbers are not obtainable. These programs are identified in the accompanying schedule by the federal agency number followed by three zeros (for example, 21.000).

(4) Pass-through Grantor's Number

For federal awards expended by the City as a subrecipient, the accompanying schedule includes identification of the pass-through grantor and the identifying number assigned to the grant by the pass-through grantor where the pass-through grantor has supplied such number to the City.

(5) Revolving Loan Funds – Not Subject to Compliance

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the Community Development Block Grant Program, the HOME Investment Partnership Program and the Brownfields Grant Program. The outstanding balances of these loan funds at December 31, 2014 were \$2,973,602 for the Community Development Block Grant Program, \$13,555,219 for the HOME Investment Partnership Program, and \$886,495 for the Urban Renewal Division. Since there are no continuing compliance requirements other than continued loan payments, the outstanding loan balances have not been included in the accompanying schedule of expenditures of federal awards.

City of Aurora, Colorado
Notes to Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

(6) Revolving Loan Funds – Subject to Further Compliance

The City has certain revolving loan funds, which were originally financed from the Department of Commerce, Economic Development Administration through the City’s Gifts and Grants Fund. The outstanding balances at December 31, 2014 were \$106,881 in loans outstanding and \$74,634 in funds available to lend. The 2014 expenditures for administrative costs were \$47. The 2014 loan write offs were \$11,235. There are no City match requirements.

(7) FEMA

The City received a 2014 pass-through grant from the Colorado Department of Public Safety; Division of Homeland Security and Emergency Management for the 2013 Colorado floods. The City incurred expenditures of \$705,849 and \$1,432,949 in 2013 and 2014 respectively. The total federal portion of the expenditures for years 2013 and 2014 were \$1,604,098. There are City and State match requirements of 12.5 percent each.

The City received a 2014 pass-through grant from the Colorado Department of Transportation for the 2013 Colorado floods. The City incurred expenditures of \$363,279 in 2013. There are no City match requirements.

(8) Payments to Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Amounts Provided to Subrecipient
Community Development Block Grants/Entitlement Grants	14.218	\$ 132,209
Emergency Solutions Grant Program	14.231	246,380
HOME Investment Partnerships Program	14.239	332,500
Edward Byrne Memorial Justice Assistance Grant Program	16.738	158,843
Second Chance Act Reentry Initiative	16.812	102,449
		\$ 972,381

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Mayor and Members of City Council
City of Aurora, Colorado
Aurora, 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 activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Aurora, Colorado (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2015, which contained a reference to the reports of other auditors and an emphasis of matter paragraph regarding a change in accounting principle. Our report includes a reference to other auditors who audited the financial statements of the General Employee's Retirement Plan (GERP), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Havana Business Improvement District (BID), the discretely presented component unit included in the financial statements, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be material weakness.

Honorable Mayor and Members of City Council
City of Aurora, Colorado

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 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. 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 City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Aurora, Colorado's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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.

We also noted certain matters that we reported to the City's management in a separate letter dated June 2, 2015.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
June 2, 2015

**Independent Auditor's 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 OMB Circular A-133**

Honorable Mayor and Members of City Council
City of Aurora, Colorado
Aurora, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Aurora, Colorado (the City) 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 its major federal programs for the year ended December 31, 2014. The City's 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 City'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 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 the City'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 of the City's compliance.

Honorable Mayor and Members of City Council
City of Aurora, Colorado

Opinion on Each Major Federal Program

In our opinion, the City 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, 2014.

Report on Internal Control Over Compliance

Management of the City 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 City's 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 our opinion on compliance for each major federal program 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 the City'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and Members of City Council
City of Aurora, Colorado

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 2, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed 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 OMB Circular A-133 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 basic 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.

BKD, LLP

Denver, Colorado
June 2, 2015

City of Aurora, Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified ? Yes None reported

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

5. Type of auditor’s report issued on compliance for major programs:
 Unmodified Qualified Adverse Disclaimer

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

City of Aurora, Colorado
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	CDBG - Entitlement Grants Cluster
16.922	Equitable Sharing Program
20.205	Highway Planning and Construction Cluster
20.600	Highway Safety Cluster
20.616	National Priority Safety Program
95.001	High Intensity Drug Trafficking Areas Program
97.029	Flood Mitigation Assistance
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

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

City of Aurora, Colorado
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Section II – Financial Statement Findings

Reference Number	Finding
2014-001	<p>Finding: Schedule of Expenditures of Federal Awards Preparation</p> <p>Criteria or specific requirement: Per OMB Circular A-133, 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 catalog of federal domestic assistance (CFDA) number provided in the Federal awards/subaward agreements and associated expenditures incurred in the fiscal year. At the City, the SEFA is prepared by the Finance Department based on information provided by the grant managers of the various departments receiving Federal funds and the accounting system.</p> <p>Condition: The City does not have adequate internal controls to ensure the SEFA accurately reports all federal assistance the City receives.</p> <p>Context: We identified seven federal awards which were incorrectly included (approximately \$71,000), five federal awards incorrectly classified under the wrong CFDA number (\$314,000) and two federal awards improperly excluded (\$136,000). Total expenditures reported on the SEFA are \$9.6 million.</p> <p>Effect: Errors in the SEFA effect the accuracy of information reported to the federal government in the City's data collection form. In addition, appropriate major program determination by the auditor is dependent upon the accuracy and completeness of the information included in the SEFA. The above conditions resulted in an additional major program being required for testing late in the audit process.</p> <p>Cause: Grant management at the City is decentralized and thus grant managers are responsible for providing the required information to the City's Finance Department for SEFA preparation. The Finance Department was not provided up-to-date grant agreements or amendments with accurate funding information, including CFDA numbers and pass-through identifying numbers. Additionally, some of the Memorandum of Understanding (MOU) agreements the City has relating to its federal awards are not clear as to whether the City is a vendor or subrecipient and the City had not obtained clarification from the granting agency. Vendor agreements are not required to be reported on the SEFA. Finally, the City received disaster relief funding with unique SEFA reporting requirements which the City was unaware were required.</p> <p>Recommendation: We recommend that the City complete a review of federal grants administered by the City to help ensure the Finance Department has the most current required information to complete the SEFA. 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, CFDA number, pass-through number, any special terms and conditions and a copy of the agreement. This information should be maintained in the City's eCivis system. Finally, we recommend that a grant agreement/MOU template or checklist be generated and distributed to the departments to help ensure that required information is obtained prior to the acceptance of the grant agreement or MOU.</p>

City of Aurora, Colorado
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: The City will implement a new org key request form that will include key information concerning the grant, as applicable, including the CFDA number. Receiving the CFDA number early in the process will help ensure the SEFA is complete and accurate. Grant managers applying for grants will also complete an analysis of compliance requirement/compliance survey to alert management and staff of applicable grant compliance requirements. Also, eCivis will be reviewed on a monthly basis for any gaps in grant information, including blank CFDA numbers. Before the grant is loaded to eCivis and the org key is created in the financial system, the CFDA number will be verified by the Grant/Project Manager or designee. The exception to this rule will be any grant funded covert operations/projects. For security reasons, these grants will not be entered into the eCivis system and thus the Project Manager or their designee will be required to verify and submit all required information to the Finance Department directly for SEFA reporting purposes. On federal pass through grants, the City will verify with the grant's Prime Recipient Agency that the City is classified as either a sub-recipient or a vendor and will also obtain the CFDA number and provide it to the Finance Department. The CFDA number will be verified at the initial award offer as well as whenever a document with a new pass through identifying number is received. As part of this process, all pass through grants will have documentation in the file, and also provided to the Finance Department, detailing the City's status as either a sub-recipient or a vendor. If the City is unable to obtain written clarification from the fiduciary agency, a management letter will be included in the file detailing the City's classification and the reasoning for that classification. As an additional measure of security, whenever funds are received with a new identifying number, a new internal org will be established in order to more accurately track those funds. As a final security measure, the Finance Department will disseminate the SEFA to all other departments upon completion for their review to ensure accuracy in all reporting fields.

Person(s) responsible for implementing: All departmental grant managers and their supervisors.

Implementation date: October 1, 2015.

City of Aurora, Colorado
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
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No matters are reportable.

City of Aurora, Colorado
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
2013-001	<p>CDBG - Entitlement Grants Cluster</p> <p><i>Reporting</i> - We recommend that policies and procedures be changed to require all subrecipients/subcontractors submit a DUNS number at the time of application or withhold the issuance of the subaward until a DUNS number is obtained. Additionally, we recommend the City develop a tracking tool to identify which subawards and related federal information must be reported under FFATA to help ensure all required reports are submitted timely.</p>	Implemented.
2013-002	<p>CDBG - Entitlement Grants Cluster</p> <p><i>Subrecipient Monitoring</i> - We recommend that program staff follow updates to OMB Circulars as well as ensure grant agreements are reviewed each year for any changes in requirements. In addition, we recommend that the program policies relating to subrecipient monitoring be updated to comply with recent changes and current program practices. Also, the subaward template should be updated to contain all required information.</p>	Implemented.
2013-003	<p>Equitable Sharing Program</p> <p><i>Equipment and Real Property Management</i> - We recommend that the 15 identified assets be marked as federally funded within the City's capital asset listing to help ensure they are included in the City's annual physical inventory. In addition, we recommend that the City review the City's capital asset listing to search for other assets incorrectly marked as not federally funded.</p>	Implemented.
2013-004	<p>Highway Safety Cluster</p> <p><i>Allowable Costs and Activities</i> - We recommend the Telestaff time reporting tool system protocols be updated to help ensure that all overtime approval occurs within the required chain of command. In addition, we recommend the Police Directives Manual be updated for instances in which the chain of command approval process may be circumvented.</p>	Implemented.
2013-005	<p>Highway Safety Cluster</p> <p><i>Reporting</i> - We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report.</p>	Implemented.