PUEBLO COUNTY
SINGLE AUDIT REPORT

FOR THE YEAR ENDING
December 31, 2017
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FINANCIAL STATEMENTS

An unmodified opinion was rendered on the basic financial statements of Pueblo County as of and for the year ended December 31, 2017 that were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

- Material weakness(es) identified?  
  - X Yes  
  - No

- Significant deficiency(ies) identified?  
  - Yes  
  - None Reported

Noncompliance material to financial statements noted?  
  - Yes  
  - X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified?  
  - Yes  
  - X No

- Significant deficiency(ies) identified?  
  - Yes  
  - None Reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  
  - Yes  
  - X No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.575, 93.596</td>
<td>Child Care Cluster</td>
</tr>
<tr>
<td>93.568</td>
<td>Low-Income Home Energy Assistance</td>
</tr>
<tr>
<td>97.040</td>
<td>Chemical Stockpile Emergency Preparedness Program</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs:  
  $1,093,978

Auditee qualified as a low-risk auditee?  
  - X Yes  
  - No
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.
Finding 2016-001

    Current Status: Corrective action taken.

Finding 2016-002

    Current Status: Corrective action taken.

Finding 2016-003

    Current Status: Corrective action taken.
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.
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, Darlison & Goodrich, P.C.

June 22, 2018
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.
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, Darblain & Goodsir, P.C.

August 24, 2018
### U.S. Department of Agriculture

Passed through Colorado Department of Human Services -
Supplemental Nutrition Assistance Program Cluster -
State Administrative Matching Grants for
- Supplemental Nutrition Assistance Program
  - CFDA 10.561
  - Not available
  - 1,594,869
- Supplemental Nutrition Assistance Enhanced Workfare
  - CFDA 10.551
  - Not available
  - 79,404
Total SNAP Cluster
- CFDA 10.561
- CFDA 10.551
- 1,674,273

Food Distribution Cluster -
- Commodity Supplemental Food Program (Admin)
  - CFDA 10.565
  - Not available
  - 56,935
- Commodity Supplemental Food Program (Commodities - Non-Cash)
  - CFDA 10.565
  - Not available
  - 313,895
Total Food Distribution Cluster
- CFDA 10.565
- 498,771

**TOTAL U.S. DEPARTMENT OF AGRICULTURE**
- 2,553,874

### U.S. Department of Housing and Urban Development

Passed through Colorado Department of Local Affairs -
- Emergency Shelter Grants Program
  - CFDA 14.231
  - H5ESG14932
  - 26,880
- Community Development Block Grant
  - CFDA 14.218
  - CD1310, F09CDB09084
  - 45,000
- Home Investment Partnership Program
  - CFDA 14.239
  - Not available
  - 7,148

**TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
- 79,028

### U.S. Department of Justice

Direct Assistance -
- Federal Forfeiture Funds
  - CFDA 16.922
  - Not available
  - 59,800
Passed through Colorado Department of Public Safety
Division of Criminal Justice -
- Crime Victim Assistance (DA)
  - CFDA 16.575
  - 2015-VA-GX-0040
  - 34,589
- Crime Victim Assistance (Sheriff)
  - CFDA 16.575
  - 15-VA-137779
  - 113,047
- Violence Against Women Formula Grants
  - CFDA 16.588
  - 2015-WF-AX-0026
  - 52,199

**TOTAL U.S. DEPARTMENT OF JUSTICE**
- 259,635
### U.S. Department of Transportation

Passed through Colorado Department of Transportation -
- Highway Planning and Construction
  - CFDA Number: 20.205
  - Identifying Number: 15HA2 73574
  - Expenditures: 140,720
- Highway Planning and Construction
  - CFDA Number: 20.205
  - Identifying Number: 16-HA2 ZH 00146
  - Expenditures: 103,390

**TOTAL U.S. Department of Transportation**

- **Total Expenditures:** 244,110

### U.S. Department of Energy

Passed through Colorado Office of Energy Conservation -
- State Energy Program
  - CFDA Number: 81.041
  - Not Available
  - Expenditures: 544,785
- Weatherization Assistance CIP
  - CFDA Number: 81.042
  - Not Available
  - Expenditures: 148,205

**TOTAL U.S. Department of Energy**

- **Total Expenditures:** 692,990

### U.S. Department of Health and Human Services

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
  - CFDA Number: 93.041
  - Not Available
  - Expenditures: 2,293
- Title VII - Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals
  - CFDA Number: 93.042
  - Not Available
  - Expenditures: 8,401
- Title III, Part D - Disease Prevention and Health Promotion Services
  - CFDA Number: 93.043
  - Not Available
  - Expenditures: 3,550

Aging Cluster -
- Title III, Part B - Grants for Supportive Services and Senior Centers
  - CFDA Number: 93.044
  - Not Available
  - Expenditures: 69,769
- Title III, Part C - Nutrition Services
  - CFDA Number: 93.045
  - Not Available
  - Expenditures: 177,588
- Nutrition Services Incentive Program (USDA)
  - CFDA Number: 93.053
  - Not Available
  - Expenditures: 50,517

Total Aging Cluster

- **Expenditures:** 297,874

- Title III, Part E - National Family Caregiver Support
  - CFDA Number: 93.052
  - Not Available
  - Expenditures: 48,468
- Guardianship Assistance
  - CFDA Number: 93.090
  - Not Available
  - Expenditures: 29,781
- Affordable Car Act - ADRC
  - CFDA Number: 93.517
  - Not Available
  - Expenditures: 13,552
- Affordable Care Act-MIPPA
  - CFDA Number: 93.518
  - Not Available
  - Expenditures: 54,000
- Promoting Safe & Stable Families
  - CFDA Number: 93.556
  - Not Available
  - Expenditures: 111,666
- Temporary Assistance to Needy Families
  - CFDA Number: 93.558
  - Not Available
  - Expenditures: 11,257,098
- Title IV-D, Child Support Enforcement
  - CFDA Number: 93.563
  - Not Available
  - Expenditures: 1,537,912
- Low-Income Home Energy Assistance (DSS)
  - CFDA Number: 93.568
  - Not Available
  - Expenditures: 3,943,306
- Low-Income Home Energy Assistance (HHS)
  - CFDA Number: 93.575
  - Not Available
  - Expenditures: 544,785

Child Care Cluster -
- Child Care & Development Block Grant
  - CFDA Number: 93.575
  - Not Available
  - Expenditures: 1,288,369
- Child Care Mandatory and Matching Funds of the Child Care and Development Fund
  - CFDA Number: 93.596
  - Not Available
  - Expenditures: 717,400

Total Child Care Cluster

- **Expenditures:** 2,005,769

- Child Welfare Services-State Grants Title IV-B
  - CFDA Number: 93.645
  - Not Available
  - Expenditures: 90,993
- Foster Care - Title IV-E
  - CFDA Number: 93.658
  - Not Available
  - Expenditures: 2,933,141
- Adoption Assistance
  - CFDA Number: 93.659
  - Not Available
  - Expenditures: 1,108,798
- Social Services Block Grant - Title XX
  - CFDA Number: 93.667
  - Not Available
  - Expenditures: 1,056,756
- Chafee Foster Care Independence Program
  - CFDA Number: 93.674
  - Not Available
  - Expenditures: 92,510
- Title XIX, Medicaid Medical Assistance Program
  - CFDA Number: 93.778
  - Not Available
  - Expenditures: 2,445,610

**The accompanying notes are an integral part of this schedule.**
<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</th>
<th>PASS-THROUGH CFDA NUMBER</th>
<th>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</th>
<th>SUBRECIPIENTS EXPENDITURES</th>
</tr>
</thead>
</table>

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont'd)**

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

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**U.S. DEPARTMENT OF HOMELAND SECURITY**

Passed through Colorado Department of Emergency Management -


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

The accompanying notes are an integral part of this schedule.
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.
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)**

<table>
<thead>
<tr>
<th>Agency:</th>
<th>US Department of Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Period:</td>
<td>December 2017</td>
</tr>
<tr>
<td>Audit Finding No.:</td>
<td>2017-001</td>
</tr>
<tr>
<td>Audit Finding Title:</td>
<td>Year-End Adjustments</td>
</tr>
<tr>
<td>Specific Steps to be Taken:</td>
<td>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.</td>
</tr>
<tr>
<td>Anticipated Completion Date:</td>
<td>August 24, 2018</td>
</tr>
<tr>
<td>Name(s) and Title(s) of Contact Person(s) Responsible for Corrective Action:</td>
<td>Aimee Tihonovich, Budget &amp; Finance Director and Sherri Crow, Controller</td>
</tr>
</tbody>
</table>

If you have any questions or comments please do not hesitate to contact me.
719-583-6541
aimee.tihonovich@pueblocounty.us