

City Fort Collins, Colorado

Compliance Report

December 31, 2009

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City of Fort Collins, Colorado

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Identifying Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development				
Community Development Block Grants (Direct):				
Grant Year 2007 / 2008	14.218	B-07-MC-08-0008		\$ 474,869
Grant Year 2008 / 2009	14.218	B-08-MC-08-0008		998,391
Grant Year 2009 / 2010	14.218	B-09-MC-08-0008		69,263
ARRA - CDBG-R Projects	14.253	B-09-MY-08-0008		271,137
Home Investment Partnership Programs (Direct):				
Grant Year 2006 / 2007	14.239	M-06-MC-08-0209		451,762
Grant Year 2007 / 2008	14.239	M-07-MC-08-0209		270,866
Total Department of Housing and Urban Development				<u>2,536,288</u>
Department of the Interior (Direct)				
Prairie Ecosystem Conservation Education	15.608	601819J318		4,358
Preserve America Grant	15.929	08-06-ML-2005		845
Preserve America 2 Grant	15.929	08-07-PA-3010		72,032
Total Department of Interior				<u>77,235</u>
Department of Justice				
(Pass through the Colorado Division of Criminal Justice):				
JABG Federal 08/09	16.523	None	26-JB-L-8-310	19,510
JABG Federal 08/10	16.523	None	28-JB-L-310	5,899
JABG Federal - Restorative Justice 08/09	16.523	None	29-DV-08-23	9,370
JABG Federal - Restorative Justice 09/10	16.523	None	10-DV-08-23	11,904
Multi-Jurisdictional Drug Grant (JAG) - 08/09	16.738	2008-DJ-BX-0296	None issued	21,536
Multi-Jurisdictional Drug Grant (JAG) - 09/10	16.738	2009-DJ-BX-1241	None issued	18,848
(Pass through the Colorado ICAC Task Force):				
ICAC Internet Crimes against Children	16.800	2005-MC-CX-K027	None issued	7,741
ICAC Internet Crimes against Children	16.800	2009-MC-CX-K011	None issued	12,060
Total Department of Justice				<u>106,868</u>
Office of National Drug Control Policy (Direct)				
2007 HIDTA	07.000	17PRMP581Z		24,703
2008 HIDTA	07.000	18PRMP81Z		30,404
2009 HIDTA	07.000	G09RM0020A		95,036
Total Office of National Drug Control Policy				<u>150,143</u>

(Continued)

City of Fort Collins, Colorado

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Identifying Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation				
National Highway Traffic Safety Administration				
(Pass through Colorado Department of Transportation):				
2008 DUI Enforcement	20.601	None	None issued	646
2009 DUI Enforcement	20.601	None	None issued	6,683
2009 Seatbelt Grant - Click It or Ticket	20.604	None	None issued	6,670
Total National Highway Traffic Safety Administration				<u>13,999</u>
Federal Highway Administration				
(Pass through Colorado Department of Transportation):				
Mason Street Transportation Corridor - Design of Trail Project	20.205	None	STU-M455-068	221,335
Turn Lane @ LeMay & Mulberry - CMAQ	20.205	None	AQC M455-070	4,681
Mason Street Transportation Corridor - NRRC Trail Underpass	20.205	None	AQC M455-071	164,523
South College Bikelane	20.205	None	STE-M455-063	17,096
Harmony/Shields Intersection Improvement - CMAQ	20.205	None	AQC M455-074	697,686
Mason Trail Troutman Underpass - CMAQ	20.205	None	AQC M455-089	93,265
Intersection Improvements & Traffic Signals - CMAQ	20.205	08 HA4 000017	STU M455-077	115,934
Jefferson Street/SH 14 Intersection	20.205	09 HA4 00066	AQC M455-088	9,436
North College Ave Improve Hazard Elimination - CMAQ	20.205	08 HA4 00051	SHE M455-080	8,579
2009 FC Bikes - CMAQ	20.205	08-HTD-00055	None issued	87,600
2008 Bike Library - CMAQ	20.205	08-HTD-00054	None issued	7,234
2009 Bike Library - CMAQ	20.205	08-HTD-00054	None issued	44,885
Linden Street Improvement	20.205	09 HA4 00036	STE M455-093	5,886
Vine to Conifer CMAQ	20.205	09 HA 00055	AQC M455-079	11,639
Harmony Rd Traffic Response	20.205	08 HA4 00060	AQC M455-082	168,628
Comprehensive Signal Timing	20.205	08 HA4 00043	AQC M455-081	289,041
Total Federal Highway Administration				<u>1,947,448</u>
Federal Transit Administration				
(Formula Grants - Capital 5309) (Direct)				
2006 Capital	20.500	CO-04-0005		182,204
2007 Capital	20.500	CO-04-0034		123,080
2008 Capital	20.500	CO-04-0050		304,537
Small Starts Mason Project	20.500	CO-03-0206-00		1,171,463
(Urbanized Area Formula Grants - 5307) (Direct)				
2008 Grant	20.507	CO-90-x172		903,285
2009 Grant	20.507	CO-90-X179		1,197,234
2008 and 2009 CMAQ Test Rides and New Routes	20.507	CO-95-X004		62,811
ARRA - Federal Transit Formula Grant	20.507	CO-96-X0003-00		1,010,730

(Continued)

City of Fort Collins, Colorado

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Identifying Number	Pass-Through Entity Identifying Number	Federal Expenditures
(JARC Operations Grants - 5316)				
(Pass through MPO):				
2008 Grant	20.507	None	None issued	37,212
2009 Grant	20.507	None	None issued	32,525
(New Freedoms Grants - 5317)				
(Pass through MPO):				
2008 Grant	20.507	None	None issued	34,573
Total Federal Transit Administration				<u>5,059,654</u>
Total Department of Transportation				<u>7,021,101</u>
National Endowment for the Humanities (Direct)				
Promotions of the Humanities - Preliminary Collections Move	45.149	PG-50516-09		<u>5,309</u>
Institute of Museum and Library Services (Direct)				
Museums for America - Collections Move	45.301	MA-05-09-0165-09		<u>15,889</u>
Environmental Protection Agency				
(Direct)				
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities	66.034	XA-97866601-0		36,115
(Pass through Colorado Department of Public Health & Environment):				
2008-09 Radon Grant	66.605	NONE	HAZ09000005	<u>4,051</u>
Total Environmental Protection Agency				<u>40,166</u>
Department of Energy (Direct)				
Renewable and Distributed Systems Integration	81.122	DE-FC26-08NT02876		917,136
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002516		<u>36,366</u>
Total Department of Energy				<u>953,502</u>
Department of Education				
(Pass through Sub-recipient of Colorado State University)				
Recreation Works II	84.128J	H128J010116	G-4207.1	1,131
Passport Grant	84.128J	H128J080025	G-4215.1	<u>27,105</u>
Total Department of Education				<u>28,236</u>
Total Expenditures of Federal Awards				<u>\$ 10,934,737</u>

See Notes to Schedule of Expenditures of Federal Awards.

City Fort Collins, Colorado

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Fort Collins, Colorado (the City) and its discretely presented component unit and is presented on the modified accrual basis of accounting. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance/net assets or cash flows of the City.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue and the revenue met the availability criteria. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and approved for reimbursement.

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG) - Entitlement Grants	14.218	\$ 1,316,964
ARRA - CDBG-R Projects	14.253	271,137
Home Investment Partnership Program	14.239	455,975
Federal Transit Administration - Urbanized Area Formula Grants	20.507	684,281
Renewable and Distributed Systems Integration	81.122	762,614

City of Fort Collins, Colorado

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009**

Number	Comment	Status	Corrective Action or Other Explanation
Findings Related to the Basic Financial Statements			
08-II-A	The City is not in compliance with Article 75, Part 6 of the state statutes of Colorado in relation to security lending transactions.	Corrected	N/A
Findings and Questioned Costs for Federal Awards			
08-III-A	The City did not ensure that subrecipients expending \$500,000 or more in federal awards during the current year met the requirements of OMB Circular A-133.	Corrected	N/A

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's 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*

Honorable Mayor and
Members of the City Council and City Manager
of the City of Fort Collins, Colorado
Fort Collins, Colorado

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Fort Collins, Colorado as of and for the year ended December 31, 2009, which collectively comprise the City of Fort Collins, Colorado's basic financial statements, and have issued our report thereon dated May 28, 2010. Our opinion was modified to include an explanatory paragraph that the City adopted GASB Statement No. 54. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fort Collins, Colorado's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Fort Collins, Colorado's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Collins, Colorado's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Collins, 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*.

We noted certain matters that we reported to management of the City of Fort Collins, Colorado in a separate letter dated May 28, 2010.

This report is intended solely for the information and use of management, others within the entity, the City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Denver, Colorado
May 28, 2010

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Honorable Mayor and
Members of the City Council and City Manager
Of the City of Fort Collins, Colorado
Fort Collins, Colorado

Compliance

We have audited the compliance of the City of Fort Collins, Colorado with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Fort Collins, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fort Collins, Colorado's management. Our responsibility is to express an opinion on the City of Fort Collins, Colorado's compliance based on our audit.

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 of Fort Collins, Colorado'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. Our audit does not provide a legal determination on the City of Fort Collins, Colorado's compliance with those requirements.

In our opinion, the City of Fort Collins, Colorado complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 09-III-A.

Internal Control Over Compliance

Management of the City of Fort Collins, Colorado is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fort Collins, Colorado's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of Fort Collins, Colorado'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Fort Collins, Colorado as of and for the year ended December 31, 2009, and have issued our report thereon dated May 28, 2010. Our opinion was modified to include an explanatory paragraph that the City adopted GASB Statement No. 54. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of Fort Collins, Colorado's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Fort Collins, Colorado's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City Management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Denver, Colorado
May 28, 2010

City of Fort Collins, Colorado

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants (CDBG)
14.253	ARRA - CDBG-R Projects
20.205	Highway Planning and Construction Grants
20.500	Federal Transit Cluster
20.507	ARRA - Federal Transit Formula Grant
81.122	Renewable and Distributed Systems Integration

Dollar threshold used to distinguish between type A and type B programs: \$328,042

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiencies in Internal Control

No matters reported.

B. Instances of Noncompliance

No matters reported.

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiency in Administering Federal Awards

No matters reported.

B. Instances of Noncompliance

**U.S. Department of Energy (Direct)
Renewable and Distributed Systems Integration Grant (CFDA 81.122)
Federal Award Year: 2009**

**Federal Transit Administration
Federal Transit Formula Grant (CFDA 20.500 and 20.507) (Direct)
ARRA – Federal Transit Formula Grant (CFDA 20.507) (Direct)
Passed through MPO, Federal Transit Formula Grant (CFDA 20.507)
Federal Award Year: 2008 and 2009**

09-III-A

Finding: The City did not meet the requirements of OMB Circular A-133 relating to suspension and debarment requirements under the Renewable and Distributed Systems Integration (RDSI) Grant, the Federal Transit Formula Grants and ARRA – Federal Transit Formula Grant.

Criteria: The Office of Management and Budget Circular A-133 dictates when a nonfederal entity enters into a contract or purchase order with an entity under a “covered transaction”, the nonfederal entity must verify the entity is not suspended or debarred from participation in federal programs. A “covered transaction” includes all procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all nonprocurement transactions (i.e., subawards to subrecipients) irrespective of award amount.

Condition: The City did not ensure that vendors or recipients of subawards (subrecipients) were not suspended or debarred from participation in federal programs.

Questioned Costs: \$817,630 for the RDSI Grant and \$684,281 for the Federal Transit Formula Grants.

City Fort Collins, Colorado

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

Context: Under the RDSI Grant, the City paid \$55,016 to one vendor and \$762,614 to three subrecipients in which the City did not verify whether or not these entities were suspended or debarred from participation in federal programs. Under the Federal Transit Formula Grants, the City paid \$684,281 to two subrecipients in which the City did not verify whether or not these entities were suspended or debarred from participation in federal programs.

Effect: Noncompliance with federal grant requirements.

Recommendation: We recommend the City ensure vendors and recipients of subawards (subrecipients) used under federal grant programs have not been suspended or debarred from participation in federal programs. The City should do this by either having the vendors and subrecipients sign certifications or by checking the *Excluded Parties List System (EPLS)* (<http://epls.arnet.gov>).

Response and Corrective Action Plan: Purchasing has instituted a process where before any purchase orders are issued for projects containing federal funding, a check of the federal Excluded Parties List System web site will be made <https://www.epls.gov/>. The results of the search will be copied put with the Purchase Order, Bid or RFP. This will ensure we comply even with small orders where the sum may exceed \$25,000 in a year. If subrecipients are paid by mechanism of a Purchase Order this check will also be made. Subrecipients must be verified regardless of dollar amount.

City of Fort Collins, Colorado

**Corrective Action Plan
Year Ended December 31, 2009**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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Findings Related to the Basic Financial Statements

No matters reported.

Findings and Questioned Costs for Federal Awards

09-III-A	The City was not in compliance with the suspension and debarment requirements contained in OMB A-133.	See response and corrective action plan at 09-III-A.	December 31, 2009	Chuck Seest, Finance Director
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