

# **City of Fort Collins, Colorado**

Compliance Report  
December 31, 2010

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**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2010**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Housing and Urban Development</b>			
Community Development Block Grants (Direct):			
Grant Year 2009 / 2010	14.218	B-09-MC-08-0008	\$ 689,105
Grant Year 2010 / 2011	14.218	B-10-MC-08-0008	103,567
Home Investment Partnership Programs (Direct):			
Grant Year 2007 / 2008	14.239	M-07-MC-08-0209	70,057
Grant Year 2008 / 2009	14.239	M-08-MC-08-0209	304,899
Grant Year 2009 / 2010	14.239	M-09-MC-08-0209	451,605
Grant Year 2010 / 2011	14.239	M-10-MC-08-0209	16,664
<b>Total Department of Housing and Urban Development</b>			<u>1,635,897</u>
<b>Department of the Interior (Direct)</b>			
Prairie Ecosystem Conservation Education	15.608	601819J318	11,127
Preserve America 2 Grant	15.929	08-07-PA-3010	10,334
<b>Total Department of Interior</b>			<u>21,461</u>
<b>Department of Justice</b>			
(Direct):			
ARRA - 800 MHZ Radio	16.804	2009-SB-B9-1340	352,713
(Pass through the Colorado Division of Criminal Justice):			
JABG Federal 08/10	16.523	28-JB-L-8-310	24,101
JABG Federal 10/11	16.523	29-JB-S-8-310	5,179
JABG Federal - Restorative Justice 09/10	16.523	10-DV-08-23	15,812
JABG Federal - Restorative Justice 10/11	16.523	11-DV-08-23	7,927
Multi-Jurisdictional Drug Grant (JAG) - 09/10	16.738	2009-DJ-BX-1241	80,811
Multi-Jurisdictional Drug Grant (JAG) - 10/11	16.738	2010-DJ-BX-0967	228
(Pass through the Colorado ICAC Task Force):			
ICAC Internet Crimes against Children	16.800	2009-MC-CX-K011	5,600
ICAC Internet Crimes against Children	16.800	2009-MC-CX-K011	1,542
<b>Total Department of Justice</b>			<u>493,913</u>
<b>Office of National Drug Control Policy (Direct)</b>			
2008 HIDTA	07.000	18PRMP581Z	5,677
2009 HIDTA	07.000	G09RM0020A	6,601
2010 HIDTA	07.000	G10RM0020A	81,435
<b>Total Office of National Drug Control Policy</b>			<u>93,713</u>
<b>Department of Transportation</b>			
<b>National Highway Traffic Safety Administration</b>			
(Pass through Colorado Department of Transportation):			
2010 DUI Enforcement	20.601	NONE	11,086
2010 Seatbelt Grant Click It or Ticket	20.604	NONE	5,885
<b>Total National Highway Traffic Safety Administration</b>			<u>16,971</u>

(Continued)

**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2010**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Highway Administration</b>			
(Pass through Colorado Department of Transportation):			
Mason Street Transportation Corridor - Design of Trail Project	20.205	STU-M455-068	221,960
Mason Street Transportation Corridor - NRRRC Trail Underpass	20.205	AQC M455-071	15,549
Mason Trail Troutman Underpass - CMAQ	20.205	AQC M455-089	71,300
Intersection Improvements & Traffic Signals - CMAQ	20.205	STU M455-077	2,192,960
Jefferson Street/SH 14 Intersection	20.205	AQC M455-088	112,602
Linden Street Improvement	20.205	STE M455-093	94,479
2008 Bike Library - CMAQ	20.205	08-HTD-00054	4,737
2009 Bike Library - CMAQ	20.205	08-HTD-00054	21,115
2010 Bike Library - CMAQ	20.205	10-HTD-10927	41,997
FC Bikes Project - CMAQ	20.205	10-HTD-10928	136,577
Harmony Rd Traffic Response	20.205	AQC M455-082	7,947
Comprehensive Signal Timing	20.205	AQC M455-081	10,459
Traveler Web Page	20.205	AQC M455-087	132,000
Harmony Bridge Replacement	20.205	STU M455-092	1,405,789
I-25 & SH 392 Interchange & Improvements	20.205	IM 392A-012	1,690,581
<b>Total Federal Highway Administration</b>			<b>6,160,052</b>
<b>Federal Transit Administration</b>			
(Formula Grants - Capital 5309) (Direct):			
2007 Capital	20.500	CO-04-0034	18,077
2008 Capital	20.500	CO-04-0050	39,476
2009 Capital	20.500	CO-04-0070	294,283
Small Starts Mason Project	20.500	CO-03-0206-00	2,817,048
(Urbanized Area Formula Grants - 5307) (Direct):			
2010 Grant	20.507	CO-95-X013	950,000
2008 Grant	20.507	CO-90-X172	16,144
2009 Grant	20.507	CO-90-X179	338,006
2008 and 2009 CMAQ Test Rides and New Routes	20.507	CO-95-X004	8,180
ARRA - Federal Transit Formula Grant	20.507	CO-96-X0003-00	1,631,068
(JARC Operations Grants - 5316)			
(Pass through MPO):			
2010 Grant	20.507	NONE	97,227
<b>Total Federal Transit Administration</b>			<b>6,209,509</b>
<b>Total Department of Transportation</b>			<b>12,386,532</b>

(Continued)

**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2010**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>National Endowment for the Humanities (Direct)</b>			
Preliminary Collection Move	45.149	PG-50516-09	<u>402</u>
<b>Institute of Museum and Library Services (Direct)</b>			
Collections Move	45.301	MA-05-09-0165-09	<u>42,846</u>
<b>Environmental Protection Agency</b>			
(Pass through Colorado Department of Public Health & Environment):			
2009-10 Radon Grant	66.605	HAZ10000014	<u>6,384</u>
<b>Department of Energy (Direct)</b>			
Renewable and Distributed Systems Integration - Non-ARRA	81.122	DE-FC26-08NT02876	564,597
ARRA - Renewable and Distributed Systems Integration	81.122	DE-FC26-08NT02876	1,093,846
ARRA - Smart Grid Investment Grant	81.122	DE-OE0000357	509,014
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002516	487,168
Main Street Energy Initiative (MSEI)	81.128	CD-EE0000913	3,449
<b>Total Department of Energy</b>			<u><u>2,658,074</u></u>
<b>Department of Education</b>			
(Pass through Sub-recipient of Colorado State University)			
Recreation Works II	84.128J	H128J010116	10,846
Passport Grant	84.128J	H128J080025	36,700
<b>Total Department of Education</b>			<u><u>47,546</u></u>
<b>Department of Education</b>			
(Pass through Colorado Department of Public Health & Environment):			
NRPA Achieve	93.283	5U58DP001663-03	8,206
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 17,394,974</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

**City of Fort Collins, Colorado**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2010**

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**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 1. 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 2. 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	\$ 716,210
Home Investment Partnership Program	14.239	762,134
Federal Transit Administration - Urbanized Area Formula Grants	20.507	51,035
Renewable and Distributed Systems Integration	81.122	1,012,497

**City of Fort Collins, Colorado**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2010**

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<b>Number</b>	<b>Comment</b>	<b>Status</b>	<b>Corrective Action or Other Explanation</b>
<b>Findings Related to the Basic Financial Statements</b>			
09-II-A	No matters reported		
<b>Findings and Questioned Costs for Federal Awards</b>			
09-III-A	The City was not in compliance with the suspension and debarment requirements contained in OMB A-133	Corrected	N/A



**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, the discretely presented component unit and the aggregate remaining fund information of the City of Fort Collins, Colorado as of and for the year ended December 31, 2010, which collectively comprise the City of Fort Collins Colorado's basic financial statements and have issued our report thereon dated June 1, 2011. 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 June 1, 2011.

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  
June 1, 2011



**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and Internal Control Over Compliance in Accordance with OMB Circular A-133  
and Supplementary Schedule of Expenditures of Federal Awards**

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 City of Fort Collins, Colorado's compliance with the types of compliance requirements described in the Office of Management and Budget (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, 2010. 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 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, 2010. 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 items 10-III-A and 10-III-B.

## 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The City of Fort Collins, Colorado's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City of Fort Collins, Colorado's responses and, accordingly, we express no opinion on them.

## Schedule of Expenditures of Federal Awards and Other Supplementary Information

We have audited the basic financial statements of the City of Fort Collins, Colorado as of and for the year ended December 31, 2010, and have issued our report thereon dated June 1, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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.

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  
June 1, 2011

**City of Fort Collins, Colorado**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2010**

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**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
20.500 and 20.507	Federal Transit Administration Grants; ARRA - Federal Transit Formula Grant
14.239	Home Investment Partnership Programs
81.122	Renewable and Distributed Systems Integration Grants; ARRA - Renewable and Distributed Systems Integration Grants; ARRA - Smart Grid Investment Grant
81.128	ARRA - Energy Efficiency and Conservation Block Grant; Main Street Energy Initiative (MSEI)
16.804	ARRA - 800 MHZ Radio

Dollar threshold used to distinguish between type A and type B programs: \$521,849

- Auditee qualified as low-risk auditee?  Yes  No

(Continued)

City of Fort Collins, Colorado

Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010

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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)  
ARRA - Energy Efficiency and Conservation Block Grant (CFDA 81.128)  
Federal Award Year: 2010**

**10-III-A**

Finding: The City did not meet the requirements of OMB Circular A-133 relating to the Davis-Bacon Act requirements under the ARRA-Energy Efficiency and Conservation Block Grant.

Criteria: The Office of Management and Budget Circular A-133 dictates that non-Federal entities must ensure all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a statement of compliance (certified payrolls).

Condition: The City did not obtain certified payrolls for each week in which the contract work was performed.

Questioned Costs: \$100,036

Context: The City paid \$100,036 in the current year to two contractors for which no certified payrolls were obtained.

Effect: Noncompliance with federal grant requirements.

Recommendation: We recommend the City obtain weekly certified payrolls from contractors used under federal grant programs.

(Continued)

**City of Fort Collins, Colorado**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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Response and Corrective Action Plan: Certified payrolls have been requested from the two contractors noted above. Although most of the work has been completed on one of the contracts, payments have been withheld as directed by the Department of Labor. The City will review its current policies and procedures and improve them to ensure compliance with the requirements of federal grants, the Davis-Bacon Act and the need for certified payroll reports.

**U.S. Department of Transportation  
(Passed Through Federal Transit Administration)  
Federal Transit Administration Grants (CFDA 20.507 and 20.500)  
ARRA – Federal Transit Formula Grant  
Federal Award Year: 2010**

**10-III-B**

Finding: During a procurement audit performed in 2010, the Federal Transit Administration (FTA) reported the City was not in compliance with certain federal procurement requirements of their transit program.

Criteria: The Federal Transit Administration has multiple restrictions on how its grantees conduct their procurement process. These requirements are referenced to the Master Agreements and FTA Circular 4220.1F.

Condition: The City awarded a contract for engineering services using cost as one of the selection criteria. This is contrary to the Brooks Act whereby services of this type must be selected using only qualification-based criteria.

Questioned Costs: \$673,333

Context: The City paid \$673,333 to a vendor that the FTA determined to have been awarded a contract through a procurement process that was not in compliance with FTA requirements.

Effect: Noncompliance with federal grant requirements.

Recommendation: We recommend the City review its procurement procedures to ensure compliance with all grant agreements and federal compliance requirements.

Response and Corrective Action Plan: In 2010, the City issued a new request for proposal to select the services for this project. This selection process was reviewed in 2011 by the FTA and was found to be compliant with all required procurement processes. In addition, procedures have been updated to ensure this type of service is procured in conformance with the Brooks Act.

## City of Fort Collins, Colorado

### Corrective Action Plan Year Ended December 31, 2010

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Findings Related to the Basic Financial Statements</b>				
No matters reported.				
<b>Findings and Questioned Costs for Federal Awards</b>				
10-III-A	The City was not in compliance with the Davis-Bacon Act requirements under their ARRA - Energy Efficiency and Conservation Block Grant.	See response and corrective action plan at 10-III-A.	December 31, 2011	John Voss, Interim Finance Director
10-III-B	The Federal Transit Administration (FTA) found that the City was not in compliance with certain procurement requirements contained in the City's FTA grant agreement.	See response and corrective action plan at 10-III-B	December 31, 2011	John Voss, Interim Finance Director