

# **City of Colorado Springs**

Single Audit Reports

Year Ended December 31, 2015

**City of Colorado Springs**  
**Year Ended December 31, 2015**

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**City of Colorado Springs**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Community Development Block Grants/Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-13-MC-08-0004	14.218	\$ 1,057,278	\$ -
Community Development Block Grants/Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-14-MC-08-0004	14.218	190,482	61,559
Community Development Block Grants/Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-15-MC-08-0004	14.218	763,829	101,453
Community Development Block Grants/Entitlement Grants Total					2,011,589	163,012
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-13-MC-08-0002	14.231	102,240	-
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-14-MC-08-0002	14.231	80,161	34,801
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	H5ESG15046	14.231	140,460	59,044
Emergency Solutions Grant Program Total					322,861	93,845
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-09-MC-08-0203	14.239	97,626	97,626
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-10-MC-08-0203	14.239	768,842	570,274
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-13-MC-08-0203	14.239	161	-
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-14-MC-08-0203	14.239	120,209	2,598
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-15-MC-08-0203	14.239	496,032	3,354
Home Investment Partnerships Program Total					1,482,870	673,852
<b>Total U.S. Department of Housing and Urban Development</b>					<b>\$ 3,817,320</b>	<b>\$ 930,709</b>

**City of Colorado Springs**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2015**

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Missing Children's Assistance	Direct	U.S. Department of Justice	2012-MC-FX-K009	16.543	\$ 280,254	\$ 97,391
Missing Children's Assistance	Direct	U.S. Department of Justice	2015-MC-FX-K030	16.543	85,675	-
Missing Children's Assistance Total					365,929	97,391
National Institute of Justice Research, Evaluation, and Development Project Grants	Pass-Through	Rutgers, The State University of New Jersey	NP	16.560	13,836	-
National Institute of Justice Research, Evaluation, and Development Project Grants Total					13,836	-
Crime Victim Assistance	Pass-Through	Colorado Department of Public Safety	2013-VA-14-003160-04	16.575	69,044	-
Crime Victim Assistance Total					69,044	-
Public Safety Partnership and Community Policing Grants	Direct	U.S. Department of Justice	2014CKWX0005	16.710	39,736	-
Public Safety Partnership and Community Policing Grants	Direct	U.S. Department of Justice	2014UMWX0087	16.710	46,826	-
Public Safety Partnership and Community Policing Grants Total					86,562	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2012-DJ-BX-0215	16.738	50,787	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2013-DJ-BX-0302	16.738	102,833	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2014-DJ-BX-0817	16.738	84,060	37,218
Edward Byrne Memorial Justice Assistance Grant Program	Pass-Through	Colorado Department of Public Safety	2014-DB-14-003159-03-1	16.738	26,541	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2015-DJ-BX-0137	16.738	5,721	-
Edwards Byrne Memorial Justice Assistance Grant Program Total					269,942	37,218
Crime Free Multi Housing Program	Pass-Through	Colorado Department of Public Safety	2015-MU-BX-0390	16.738	7,813	-
Crime Free Multi Housing Program Total					7,813	-
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2013-DN-BX-0043	16.741	82,739	-
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2014-DN-BX-0095	16.741	64,782	-
DNA Backlog Reduction Program Total					147,521	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Direct	U.S. Department of Justice	2013-CD-BX-0057	16.742	90,656	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Pass-Through	Colorado Department of Public Safety	14-DN-01-12-1	16.742	13,157	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Direct	U.S. Department of Justice	2015-CD-BX-0014	16.742	3,070	-
Paul Coverdell Forensic Sciences Improvement Grant Program Total					106,883	-
<b>Total U.S. Department of Justice</b>					<b>\$ 1,067,530</b>	<b>\$ 134,609</b>

**City of Colorado Springs**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2015**

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-55	20.106	\$ 11,005	\$ -
Airport Improvement Program	Direct	U.S. Department of Transportation	03-08-0010-057-2014	20.106	19,343	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-056-2014	20.106	15,847	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-00100-058-2015	20.106	527,088	-
Airport Improvement Program Total					573,283	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-046 (12717)	20.205	358,742	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	ACQ M240-134 (18525)	20.205	55,274	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO M240-145 (19270)	20.205	53,669	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STE M240-147 (19337)	20.205	13,093	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-154 (19809)	20.205	19,529	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-150 (19601)	20.205	357,425	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-152 (19794)	20.205	3,867	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-160 (19945)	20.205	124,534	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	BRO M240-155 (19810)	20.205	99,892	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-148 (19450)	20.205	1,264,512	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-102 (15837)	20.205	4,910	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-103 (15838)	20.205	2,157	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-125 (17429)	20.205	47,061	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-119 (17173)	20.205	3,615	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-133 (18373)	20.205	1,024,475	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SAR M240-143 (19251)	20.205	63	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-153 (19808)	20.205	255,296	-
Highway Planning and Construction Cluster Total					3,688,114	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X014	20.507	642,962	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-90-X204	20.507	1,333,258	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X018	20.507	24,201	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X019-00	20.507	178,293	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-90-X205	20.507	2,249,351	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X019	20.507	84,635	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X019	20.507	225,324	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X019	20.507	69,385	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X019	20.507	27,862	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	29,289	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	1,065	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	925	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	800	-
Federal Transit - Formula Grants	Direct	U.S. Department of Transportation	CO-34-0006-00	20.507	1,252,058	-
Federal Transit Cluster Total					6,119,408	-

**City of Colorado Springs**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2015**

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-16-X044	20.513	\$ 232,844	\$ 200,672
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-16-X047	20.513	21,961	17,630
Job Access And Reverse Commute Program	Direct	U.S. Department of Transportation	CO-37-X040	20.516	167,785	-
New Freedom Program	Direct	U.S. Department of Transportation	CO-57-X011	20.521	24,411	-
Transit Services Programs Cluster Total					447,001	218,302
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	411003141	20.600	36,372	-
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	411005968	20.600	5,430	-
National Priority Safety Programs	Pass-Through	Colorado Department of Transportation	PO411005149	20.616	4,900	-
Highway Safety Cluster Total					46,702	-
<b>Total U.S. Department of Transportation</b>					<b>\$ 10,874,508</b>	<b>\$ 218,302</b>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>						
Textile Care, Handling, and Storage Assessment and Training	Direct	National Endowment for the Humanities	PS-52505-15	45.149	3,266	-
Textile Care, Handling, and Storage Assessment and Training Total					3,266	-
<b>Total National Endowment for the Humanities</b>					<b>\$ 3,266</b>	<b>\$ -</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>						
High Intensity Drug Trafficking Areas Program	Pass-Through	El Paso County Sheriff's Office	G14RM0034A	95.001	37,926	-
High Intensity Drug Trafficking Areas Program Total					37,926	-
<b>Total Executive Office of the President</b>					<b>\$ 37,926</b>	<b>\$ -</b>

**City of Colorado Springs**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2015**

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-Through	Colorado Department of Public Safety	FEMA-DR-4145-CO:14-L4145-034	97.036	\$ 1,331,996	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-Through	Colorado Department of Public Safety	FEMA-DR-4229-CO:15-D4229-003	97.036	916,373	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total					<u>2,248,369</u>	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	HMGP4145-11P	97.039	47,865	-
Hazard Mitigation Grant Total					<u>47,865</u>	-
Emergency Management Performance Grants	Pass-Through	Colorado Department of Public Safety	13EM-14-83	97.042	26,261	-
Emergency Management Performance Grants	Pass-Through	Colorado Department of Public Safety	14EM-15-83	97.042	9,422	-
Emergency Management Performance Grants					<u>35,683</u>	-
Pre-Disaster Mitigation	Pass-Through	Colorado Department of Public Safety	12PDM13GCS	97.047	1,400,093	-
Pre-Disaster Mitigation	Pass-Through	Colorado Department of Public Safety	11PDM13COS	97.047	2,205,890	-
Pre-Disaster Mitigation Total					<u>3,605,983</u>	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	13SHS14SCR	97.067	219,996	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	14SHS15SCR	97.067	165,717	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	15SHS16SCR	97.067	2,224	-
Homeland Security Grant Program Total					<u>387,937</u>	-
National Explosives Detection Canine Team Program	Direct	U.S. Department of Homeland Security	HSTS02-15-NCP418	97.072	151,000	-
National Explosives Detection Canine Team Program Total					<u>151,000</u>	-
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct	U.S. Department of Homeland Security	EMW-2011-FH-00666	97.083	172,107	-
Staffing for Adequate Fire and Emergency Response (SAFER) Total					<u>172,107</u>	-
<b>Total U.S. Department of Homeland Security</b>					<b><u>\$ 6,648,944</u></b>	<b><u>\$ -</u></b>
<b>Total Federal Expenditures</b>					<b><u>\$ 22,449,494</u></b>	<b><u>\$ 1,283,620</u></b>

**City of Colorado Springs**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

**(1) General**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the primary government of the City of Colorado Springs (the City) under programs of the federal government for the year ended December 31, 2015. The accompanying notes are an integral part of this Schedule. The City's reporting entity is defined in note I.A in the City's basic financial statements for the year ended December 31, 2015.

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 this 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 net position or cash flows of the City. The Schedule 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.

The City's basic financial statements include the operations of Colorado Springs Utilities (CSU), an enterprise fund of the City of Colorado Springs, which expended \$631,303 in federal awards, which are not included in the Schedule for the year ended December 31, 2015.

**(2) Basis of Accounting**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The City's summary of significant accounting policies is presented in note I.A to the City's basic financial statements for the year ended December 31, 2015. Such expenditures are recognized following, as applicable, the cost principles in OMB A-87 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Colorado Springs**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

**(3) Revolving Loan Funds**

The City has certain revolving loan funds as follows:

14.218 - Community Development Block Grant/Entitlement Grants	\$ 7,009,300
14.239 - HOME Investment Partnership Program	<u>14,213,066</u>
	<u>\$ 21,222,366</u>

These loans do not have continuing compliance requirements and have not been included in the accompanying Schedule.

**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  
and City Auditor  
City of Colorado Springs  
Colorado Springs, 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 basic 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 the City of Colorado Springs (the City), as of and for the year ended December 31, 2015, 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 8, 2016. Our report includes an "Emphasis of Matter" paragraph for a change in accounting principle and a reference to other auditors who audited the financial statements of the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network, and a reference to other auditors who audited the financial statements of Colorado Springs Utilities, presented as an enterprise fund, and the financial statements of Public Authority for Colorado Energy, presented as a blended component unit (enterprise fund), 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 the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network, were not audited in accordance with *Government Auditing Standards*, nor was the financial statements of Public Authority for Colorado Energy, presented as a blended component unit.

***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.

Honorable Mayor and Members of City Council  
and City Auditor  
City of Colorado Springs

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 City'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness 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 identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency in internal control.

### ***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*.

We also noted certain matters that we reported to the City's management in a separate letter dated June 8, 2016.

### ***City's Response to Finding***

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's responses were 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 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**

Colorado Springs, Colorado  
June 8, 2016

## **Independent Auditor's Report on Compliance with Requirements for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Members of City Council  
and City Auditor  
City of Colorado Springs  
Colorado Springs, Colorado

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of City of Colorado Springs (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. 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.

The City's basic financial statements include the operations of the Colorado Springs Utilities (CSU), presented as an enterprise fund, which received \$631,303 in federal awards, which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of CSU because the enterprise fund engaged other auditors to perform an audit in accordance with the Uniform Guidance.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards 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.

Honorable Mayor and Members of City Council  
 and City Auditor  
 City of Colorado Springs

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 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.

***Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants and Home Investment Partnerships Program***

As listed in the chart below and described in the accompanying schedule of findings and questioned costs, the City did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

<b>CFDA #</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Type of Opinion</b>	<b>Finding Number</b>
14.218	Community Development Block Grants/Entitlement Grants	Reporting	Qualified	2015-002
14.239	Home Investment Partnerships Program	Cash Management, Special Tests and Provisions	Qualified	2015-003 and 2015-004

***Qualified Opinion on Community Development Block Grants/Entitlement Grants and Home Investment Partnerships Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Community Development Block Grants/Entitlement Grants and Home Investment Partnerships Program for the year ended December 31, 2015.

Honorable Mayor and Members of City Council  
and City Auditor  
City of Colorado Springs

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule for the year ended December 31, 2015.

### ***Other Matters***

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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 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 City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003 and 2015-004 to be material weaknesses.

Honorable Mayor and Members of City Council  
and City Auditor  
City of Colorado Springs

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-005 and 2015-006 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

#### ***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 the City as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 8, 2016, which contained unmodified opinions 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. Other auditors audited the financial statements of the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network and other auditors audited the financial statements of Colorado Springs Utilities, presented as an enterprise fund, and the financial statements of Public Authority for Colorado Energy, presented as a blended component unit (enterprise fund). 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 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*

Colorado Springs, Colorado  
June 17, 2016



**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?  Yes  No

7. Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
20.507	Federal Transit Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.047	Pre-Disaster Mitigation

8. The threshold to distinguish between Type A and Type B programs was \$750,000.

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

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
<b>2015-001</b>	<p><b>Finding: Internal Controls over Accounts Payable</b></p> <p><b>Criteria or Specific Requirement:</b> Segregation of accounting duties is an essential element of an internal control system, involving the separation of custody of assets from the related recording and monitoring of the transactions. This separation helps ensure transactions are recorded accurately and timely, reducing possibilities of errors or fraud being undetected in the normal course of business, thereby providing accurate financial data. Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><b>Condition:</b> The Accounts Payable Supervisor has the ability to add and modify vendors in the accounts payable system, without secondary review. Furthermore, the accounts payable system does not display who added or modified the vendor. The Accounts Payable Supervisor's duty combined with the limitation of the system are incompatible with the Accounts Payable Supervisor's ability to process checks for payment.</p> <p><b>Effect:</b> The effect of the lack of segregation of duties, noted above, could result in the processing of unapproved or improper check requests or payment to unapproved or illegitimate vendors.</p> <p><b>Cause:</b> The Accounts Payable Supervisor was given the ability to add and modify vendors to assist in the 1099 process during an expected three month period. However, the removal of this access was overlooked after the 1099 process was completed. Furthermore, the City does not appear to be using the full capabilities of PeopleSoft to ensure proper segregation of duties.</p> <p><b>Identification as a repeat finding:</b> N/A</p> <p><b>Recommendation:</b> We recommend the City take immediate steps to strengthen internal controls over the accounts payable process either by physically segregating duties amongst personnel or by utilizing system controls to strengthen this process.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> Agree - see separate report for planned corrective action.</p>

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
2015-002	<p><b>Finding: Reporting</b></p> <p><b>CFDA No. 14.218 Community Development Block Grants/Entitlement Grants</b>  <b>Department of Housing and Urban Development, Award Number - B-15-MC-08-0004, Award Year - 2015</b>  <b>Department of Housing and Urban Development, Award Number - B-14-MC-08-0004, Award Year - 2014</b>  <b>Department of Housing and Urban Development, Award Number - B-13-MC-08-0004, Award Year - 2013</b></p> <p><b>Criteria or Specific Requirement:</b> All reports for federal awards are required to include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements. In accordance with 24 CFR 570.502(a)(15) and 24 CFR 85.41(b), submission of the SF-425, Federal Financial Report, to the Department of Housing and Urban Development, is required on a quarterly basis.</p> <p><b>Condition:</b> The required SF-425 Federal Financial Reports were not submitted to the Department of Housing and Urban Development during the fiscal year.</p> <p><b>Questioned Costs:</b> N/A</p> <p><b>Context:</b> No SF-425 reports were submitted during the fiscal year, therefore we were unable to test these reports.</p> <p><b>Effect:</b> The financial information reported in the SF-425 was not reported to the Department of Housing and Urban Development during the fiscal year.</p> <p><b>Cause:</b> Due to staff turnover this requirement was overlooked by the City. The City employee previously responsible for the submission of the SF-425 reports had left the City several years ago and this duty/responsibility was not transferred to another employee. The representative with the Department of Housing and Urban Development had attempted to contact the City regarding this requirement but was contacting the employee who had left.</p> <p><b>Identification as a repeat finding:</b> N/A</p> <p><b>Recommendation:</b> We recommend that formal policies and procedures relating to administrative duties and required reports be implemented by management, which could include a calendar of report due dates, to help ensure the continuity of processes in the event of staff turnover. Furthermore, the City should begin submitting the SF-425 reports going forward.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> Agree - see separate report for planned corrective action.</p>

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

Reference Number	Finding
2015-003	<p><b>Finding: Cash Management</b></p> <p><b>CFDA No. 14.239 Home Investment Partnerships Program</b>  <b>Department of Housing and Urban Development, Award Number - M-15-MC-08-0203, Award Year - 2015</b>  <b>Department of Housing and Urban Development, Award Number - M-14-MC-08-0203, Award Year - 2014</b>  <b>Department of Housing and Urban Development, Award Number - M-13-MC-08-0203, Award Year - 2013</b>  <b>Department of Housing and Urban Development, Award Number - M-10-MC-08-0203, Award Year - 2010</b>  <b>Department of Housing and Urban Development, Award Number - M-09-MC-08-0203, Award Year - 2009</b></p> <p><b>Criteria or Specific Requirement:</b> Per Circular A-102 and 2 CFR Section 200.307, program income which is directly generated from the use of HOME funds is to be used before drawing down new HOME funds. Unless the federal awarding agency has given prior approval otherwise, the program income should be deducted from the total allowable costs in order to determine the net allowable costs eligible for reimbursement.</p> <p><b>Condition:</b> The City did not properly apply program income prior to the draw-down of new HOME funds during the fiscal year, thereby applying for and receiving reimbursement for total allowable costs.</p> <p><b>Questioned Costs:</b> \$166,481 - total program income received during 2015.</p> <p><b>Context:</b> We tested 3 of 22 cash reimbursement requests submitted by the City through Integrated Disbursement and Information Systems (IDIS), noting that program income received during 2015 was not properly applied to the request prior to the draw down of new funds. The sampling method was not, and was not intended to be, statistically valid.</p> <p><b>Effect:</b> The City did not fulfill the cash management requirements of the grant agreement. The City did not properly utilize the program income and by not doing so, drew an excess amount of federal funds.</p> <p><b>Cause:</b> The City was aware of the requirement in the HOME program, however staff was not fully trained on reporting the program income within the IDIS system. Additionally, there was no management oversight to ensure that this requirement was met during the period of staff turnover.</p> <p><b>Identification as a repeat finding:</b> N/A</p> <p><b>Recommendation:</b> We recommend implementation of formal policies and procedures relating to the application of program income prior to new draw downs. Controls should be designed and implemented to help ensure the continuity of processes in the event of staff turnover.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> Agree - see separate report for planned corrective action.</p>

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

Reference Number	Finding
2015-004	<p><b>Finding: Special Tests and Provisions</b></p> <p><b>CFDA No. 14.239 Home Investment Partnerships Program</b>  <b>Department of Housing and Urban Development, Award Number - M-15-MC-08-0203, Award Year - 2015</b>  <b>Department of Housing and Urban Development, Award Number - M-14-MC-08-0203, Award Year - 2014</b>  <b>Department of Housing and Urban Development, Award Number - M-13-MC-08-0203, Award Year - 2013</b>  <b>Department of Housing and Urban Development, Award Number - M-10-MC-08-0203, Award Year - 2010</b>  <b>Department of Housing and Urban Development, Award Number - M-09-MC-08-0203, Award Year - 2009</b></p> <p><b>Criteria or Specific Requirement:</b> Per 24 CFR sections 92.209(i), 92.251(f) and 92.504(d), during the period of affordability (<i>i.e.</i>, the period for which the non-federal entity must maintain subsidized housing) for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every 3 years for project containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards.</p> <p><b>Condition:</b> The required inspections were not performed during the fiscal year.</p> <p><b>Questioned Costs:</b> N/A</p> <p><b>Context:</b> We tested 11% of the properties requiring inspections during the fiscal year. The City did not perform the required inspection on two of the four properties selected for testing. The sampling method was not, and was not intended to be, statistically valid.</p> <p><b>Effect:</b> The City did not perform the required inspections and thereby fulfilling the housing quality standards requirement of the program.</p> <p><b>Cause:</b> The employee responsible for coordinating home inspections and verifying completion left the City's employment during 2015. Controls were inadequate to ensure the responsibilities over home inspections were transferred to another employee. Therefore, the inspections were not performed once this employee left.</p> <p><b>Identification as a repeat finding:</b> N/A</p> <p><b>Recommendation:</b> We recommend implementation of formal policies and procedures relating to the housing quality standards requirement, including tracking and performance of the required inspections. Additionally, we recommend strengthening management oversight of this requirement to help ensure the continuity of processes in the event of staff turnover.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> Agree - see separate report for planned corrective action.</p>

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

**Reference  
Number**

**Finding**

**2015-005 Finding: Procurement, Suspension and Debarment**

**CFDA No. 14.218 Community Development Block Grants/Entitlement Grants**  
**Department of Housing and Urban Development, Award Number - B-15-MC-08-0004, Award Year - 2015**  
**Department of Housing and Urban Development, Award Number - B-14-MC-08-0004, Award Year - 2014**  
**Department of Housing and Urban Development, Award Number - B-13-MC-08-0004, Award Year - 2013**

**Criteria or Specific Requirement:** Per 2 CFR 180 and 2 CFR Section 200.213, all non-federal entities are prohibited from contracting with or making sub-awards under covered transactions with parties that are suspended or debarred or otherwise excluded from participating in the transaction. The City is required to verify that the contracted entity is not suspended or debarred or otherwise excluded from participation in the transaction. Verification can be accomplished by:

- 1) Checking the Excluded Parties List System (EPLS)
- 2) Collecting a certification from the entity
- 3) Adding a clause or condition to the contract with the entity

If checking of the EPLS is used, the verification should be done at the time the award is entered into, but prior to the disbursement of any funds and whenever the contract is renewed.

**Condition:** Documentation to support compliance with the above requirement was not included in the project file selected for testing.

**Questioned Costs:** N/A

**Context:** We tested 11% of the provider procurement case files (one out of nine total) to evaluate compliance with the applicable procurement requirement. The sampling method was not, and was not intended to be, statistically valid.

**Effect:** By not documenting verification of vendors against the excluded party list, the City risks contracting with and making payments to a contractor/vendor that has been suspended or debarred in a violation of federal regulations. The documentation of such review is the control necessary to ensure such risks are properly mitigated.

**Cause:** The City failed to retain documentation verifying review of EPLS and therefore controls over the procedures were not operating effectively during the year. The City obtained self-certification from the vendor prior to disbursement of the funds; however, this documentation was not included in the file in a timely manner.

**Identification as a repeat finding:** N/A

**Recommendation:** We recommend that the City of Colorado Springs implement policies and procedures to ensure that the EPLS be reviewed and documented prior to awarding a contract. Performance of such reviews should be documented by including supporting documentation in the contract file. Additionally, the contract file should be reviewed to ensure compliance with these procedures.

**Views of Responsible Officials and Planned Corrective Actions:** Agree - see separate report for planned corrective action.

**City of Colorado Springs**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

Reference Number	Finding
2015-006	<p><b>Finding: Reporting</b></p> <p><b>CFDA No. 14.218 Community Development Block Grants/Entitlement Grants</b>  Department of Housing and Urban Development, Award Number - B-15-MC-08-0004, Award Year - 2015  Department of Housing and Urban Development, Award Number - B-14-MC-08-0004, Award Year - 2014  Department of Housing and Urban Development, Award Number - B-13-MC-08-0004, Award Year - 2013</p> <p><b>CFDA No. 14.239 Home Investment Partnerships Program</b>  Department of Housing and Urban Development, Award Number - M-15-MC-08-0203, Award Year - 2015  Department of Housing and Urban Development, Award Number - M-14-MC-08-0203, Award Year - 2014  Department of Housing and Urban Development, Award Number - M-13-MC-08-0203, Award Year - 2013  Department of Housing and Urban Development, Award Number - M-10-MC-08-0203, Award Year - 2010  Department of Housing and Urban Development, Award Number - M-09-MC-08-0203, Award Year - 2009</p> <p><b>CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)</b>  Department of Homeland Security, Award Number - FEMA-DR-4229-CO:15-D4229-003, Award Year - 2015  Department of Homeland Security, Award Number - FEMA-DR-4145-CO:14-L4145-034, Award Year - 2014  Passed-through Colorado Department of Public Safety</p> <p><b>Criteria or Specific Requirement:</b> Per Circular A-102 and 2 CFR Section 200.303, entities are required to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.</p> <p><b>Condition:</b> The required reports were timely submitted to the federal agency. However, there is no secondary internal review over these reports. Only the preparer of the reports self-reviews prior to submission.</p> <p><b>Questioned Costs:</b> N/A</p> <p><b>Context:</b> Reports submitted in each of these programs were submitted to the federal agency without secondary internal review of such reports.</p> <p><b>Effect:</b> Without a secondary review, the risk of errors, omissions, or incomplete information is increased. Furthermore there is greater risk that the reports may not be timely submitted.</p> <p><b>Cause:</b> Due to staffing limitations, one person is preparing and submitting the required reports without secondary internal review.</p> <p><b>Identification as a repeat finding:</b> N/A</p> <p><b>Recommendation:</b> We recommend implementation of formal internal controls surrounding the secondary review of reports which are submitted to federal agencies to ensure accuracy of such reports.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b> Agree - see separate report for planned corrective action.</p>

**City of Colorado Springs**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2015**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2014-001	Capital Reinvestment Agreements Recommendation that the Airport ensure all information is considered when analyzing and determining proper accounting treatment of capital reinvestment revenue.	Implemented.
2014-002	Airline Shared Income Credit Recommendation that the Airport strengthen appropriate accounting policies and internal controls to address the accounting and reporting of the decisions made throughout the year by the Airport's Commission and City Council which affect airline settlement calculation.	Implemented.