

# **City of Aurora, Colorado**

Single Audit Report

Year Ended December 31, 2013

**City of Aurora, Colorado**  
**Year Ended December 31, 2013**

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**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>Department of Agriculture</u></b>			
Passed through from the Colorado Department of Public Health and Environment:			
Child and Adult Care Food Program	10.558	FLA CFP11000001	\$ 14,148
Total 10.558			<u>14,148</u>
<b>Total Department of Agriculture</b>			<b><u>14,148</u></b>
<b><u>Department of Commerce</u></b>			
Direct payments:			
<b>Public Works and Economic Development Cluster</b>			
Economic Adjustment Assistance	11.307	N/A	<u>354,452</u>
Total Public Works and Economic Development Cluster			<u>354,452</u>
<b>Total Department of Commerce</b>			<b><u>354,452</u></b>
<b><u>Department of Housing and Urban Development</u></b>			
Direct payments:			
Housing Counseling Assistance Program	14.169	N/A	<u>39,029</u>
Total 14.169			<u>39,029</u>
<b>CDBG - Entitlement Grants Cluster</b>			
Community Development Block Grants	14.218	N/A	<u>2,370,157</u>
Total CDBG - Entitlement Grants Cluster			<u>2,370,157</u>
<b>CDBG - State-Administered Small Cities Program Cluster</b>			
Passed through from the Colorado Department of Local Affairs:			
Community Development Block Grants/State's Program	14.228	HONSP09301	<u>696</u>
Total CDBG - State-Administered Small Cities Program Cluster			<u>696</u>
Direct payments:			
Emergency Solutions Grant Program	14.231	N/A	<u>92,901</u>
Total 14.231			<u>92,901</u>
HOME Investment Partnerships Program	14.239	N/A	<u>458,164</u>
Total 14.239			<u>458,164</u>
<b>Total Department of Housing and Urban Development</b>			<b><u>2,960,947</u></b>
<b><u>Department of Interior, Bureau of Land Management</u></b>			
Direct payments:			
Fish, Wildlife and Plant Conservation Resource Management	15.231	N/A	<u>7,723</u>
Total 15.231			<u>7,723</u>
<b>Total Department of Interior, Bureau of Land Management</b>			<b><u>7,723</u></b>

The accompanying notes are an integral part of this schedule.

**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>Department of Justice</u></b>			
Passed through from the Colorado Division of Criminal Justice: Antiterrorism Emergency Reserve	16.321	2013-RF-GX-1	25,841
Total 16.321			25,841
Passed through from the City of Colorado Springs, Colorado: Missing Children's Assistance	16.543	None	3,957
Total 16.543			3,957
Passed through from the Colorado Bureau of Investigations: National Institute of Justice Research, Evaluation, and Development Projects Grants (Solving Cold Cases with DNA Program)	16.560	2010-DN-BX-K234	2,057
Total 16.560			2,057
Passed through from the Colorado Department of Justice: Project Safe Neighborhoods (Metro Gang Task Force PSN)	16.609	11-CP-04-2-3	17,141
Total 16.609			17,141
<b>Justice Assistance Grant Program Cluster</b>			
Direct payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	263,530
Passed through from the Colorado Division of Criminal Justice: Edward Byrne Memorial Justice Assistance Grant Program (Youth Development and Gang Reduction Year 2)	16.738	2012-DJ-12-000089-03-2	97,035
Edward Byrne Memorial Justice Assistance Grant Program (Youth Development and Gang Reduction Year 3)	16.738	2013-DJ-BX-0027	12,763
Edward Byrne Memorial Justice Assistance Grant Program (Power Up Youth Intervention Year 2)	16.738	11-DJ-5-45-2	28,595
Edward Byrne Memorial Justice Assistance Grant Program (Power Up Youth Intervention Year 3)	16.738	2012-DJ-BX-0222	75,239
Total 16.738			477,162
Direct payments:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	N/A	147,410
Total 16.804			147,410
Total Justice Assistance Grant Program Cluster			624,572

The accompanying notes are an integral part of this schedule.

**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>Department of Justice (continued)</u></b>			
Direct payments:			
Second Chance Act Prisoner Reentry Initiative	16.812	N/A	97,970
Total 16.812			97,970
Equitable Sharing Program	16.922	N/A	426,906
Total 16.922			426,906
<b>Total Department of Justice</b>			<b>1,198,444</b>
<b><u>Department of Transportation</u></b>			
<b>Highway Planning and Construction Cluster</b>			
Passed through from the Colorado Department of Transportation:			
Highway Planning and Construction (Mississippi/Potomac Improvements)	20.205	M055-024	60,290
Highway Planning and Construction (Tollgate Bridge TIP Grant)	20.205	STE M055-029 (18452)	17,241
Highway Planning and Construction (Smith-Peoria Bicycle Pedestrian Improvements)	20.205	STE M055-031 (19042)	5,280
Highway Planning and Construction (Nine Mile Station Bicycle Pedestrian Improvements)	20.205	STU M055-032 (19041)	3,956
Passed through from the Regional Air Quality Council:			
Highway Planning and Construction (RAQC Charging Ahead, Phase 1)	20.205	597	12,520
Total Highway Planning and Construction Cluster			99,287
<b>Highway Safety Cluster</b>			
Passed through from the Colorado Department of Transportation:			
State and Community Highway Safety (Twist Campaign)	20.600	211019344	41,417
State and Community Highway Safety (Aurora Speed Campaign)	20.600	211017399	61,132
State and Community Highway Safety (Aurora PD Distracted Driver Campaign)	20.600	211017437	47,441
State and Community Highway Safety (Pedestrian Education and Safety Campaign)	20.600	211017436	63,284
Total 20.600			213,274

The accompanying notes are an integral part of this schedule.

**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>Department of Transportation (continued)</u></b>			
Passed through from the Colorado Department of Transportation:			
State Traffic Safety Information System Improvement Grants (Crash Scanner)	20.610	211017400	62,753
Total 20.610			62,753
Child Safety and Child Booster Seats Incentive Grants	20.613	211017390	46,460
Total 20.613			46,460
Total Highway Safety Cluster			322,487
National Priority Safety Programs (DUI Enforcement)	20.616	211020255	69,890
Total 20.616			69,890
<b>Total Department of Transportation</b>			<b>491,664</b>
<b><u>Department of Treasury</u></b>			
Passed through from the Colorado Housing and Finance Authority:			
Neighborhood Reinvestment Corporation (DBA Neighbor Works America)	21.000	PL 112-55:95X1350	20,007
2011 Emergency Home Loan Program (DBA Neighbor Works America)	21.000	PL 112-1095X1350	13,868
Neighborhood Reinvestment Corporation (DBA Neighbor Works America)	21.000	PL 113-6X1350	30,362
Total 21.000			64,237
<b>Total Department of Treasury</b>			<b>64,237</b>
<b><u>National Endowment for the Arts</u></b>			
Direct payments:			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	1,806
Total 45.024			1,806
Passed through from the Colorado Office of Economic Development:			
Promotion of the Arts - Partnership Agreements (Colorado Creates 2012-13)	45.025	13000000065	7,757
Promotion of the Arts - Partnership Agreements (Colorado Creates 2013-14)	45.025	00043461207	1,541
Total 45.025			9,298
<b>Total National Endowment for the Arts</b>			<b>11,104</b>

The accompanying notes are an integral part of this schedule.

**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>Institute of Museum and Library Services</u></b>			
Passed through from the Colorado Department of Education:			
Grants to States (Library Services and Technology Act)	45.310	FY12-012	4,599
Total 45.310			4,599
<b>Total Institute of Museum and Library Services</b>			<b>4,599</b>
<b><u>Small Business Administration</u></b>			
Passed through from the South Metro Denver Chamber of Commerce:			
Small Business Development Centers	59.037	2011 #603001-Z-0012	23,692
Small Business Development Centers (Satellite)	59.037	2011 #603001-Z-0012	62,836
Total 59.037			86,528
<b>Total Small Business Administration</b>			<b>86,528</b>
<b><u>Environmental Protection Agency</u></b>			
Direct payments:			
Brownfields Training, Research and Technical Assistance Grants and Cooperative Agreements	66.814	None	3,668
Total 66.814			3,668
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	None	58,383
Total 66.818			58,383
<b>Total Environmental Protection Agency</b>			<b>62,051</b>
<b><u>Department of Energy</u></b>			
Direct payments:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	None	58,916
Total 81.128			58,916
<b>Total Department of Energy</b>			<b>58,916</b>
<b><u>Department of Health and Human Services</u></b>			
Direct payments:			
Metropolitan Medical Response System	93.FAR 52.232.25	N/A	814
Total 93.FAR 52.232.25			814
Passed through from the Colorado Department of Health Care Policy and Financing:			
State Health Access Program (Program Eligibility Application Kit - PEAK)	93.256	UHA-CCR12000003	2,952
Total 93.256			2,952
<b>Total Department of Health and Human Services</b>			<b>3,766</b>

The accompanying notes are an integral part of this schedule.

**City of Aurora, Colorado**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2013**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>Office of National Drug Control Policy</u></b>			
Direct payments:			
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	N/A	1,036,845
Passed through from City of Denver HIDTA:			
High Intensity Drug Trafficking Areas Program (Front Range Task Force)	95.001	None	18,485
High Intensity Drug Trafficking Areas Program (Computer Forensics Labs)	95.001	None	15,634
High Intensity Drug Trafficking Areas Program (Fugitive Location and Apprehension)	95.001	None	9,411
Total 95.001			<u>1,080,375</u>
<b>Total Office of National Drug Control Policy</b>			<b><u>1,080,375</u></b>
<b><u>Department of Homeland Security</u></b>			
Passed through from the Colorado Department of Public Safety, Division of Homeland Security:			
Flood Mitigation Assistance (Lower Westerly Creek)	97.029	11FMA13LWC	<u>76,932</u>
Total 97.029			<u>76,932</u>
Passed through from the Colorado Department of Public Safety Division of Homeland Security and Emergency Management:			
Emergency Management Performance Grants (12 CO LEMS grant)	97.042	12EM1382	77,779
Emergency Management Performance Grants (13 CO LEMS grant)	97.042	13EM1482	<u>18,708</u>
Total 97.042			<u>96,487</u>
Passed through from the Colorado Department of Public Safety, Division of Homeland Security:			
Homeland Security Grant Program (MMRS 10)	97.067	10MMR11NCA	84,498
Homeland Security Grant Program (MMRS 11)	97.067	11MMR12NCA	<u>71,321</u>
Total 97.067			<u>155,819</u>
<b>Total Homeland Security</b>			<b><u>329,238</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 6,728,192</u></b>

The accompanying notes are an integral part of this schedule.



**City of Aurora, Colorado**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

**(1) General**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of the City of Aurora, Colorado (the City). The City's reporting entity is defined in note 1 in the City's basic financial statements for the year ended December 31, 2013.

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

**(2) Basis of Accounting**

Expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis. The City's summary of significant accounting policies is presented in note 1 to the City's basic financial statements for the year ended December 31, 2013.

**(3) Federal CFDA Number**

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

**(4) Pass-through Grantor's Number**

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

**(5) Revolving Loan Funds – Not Subject to Compliance**

The City has certain revolving loan funds, which were originally financed with federal financial assistance through the Community Development Block Grant Program, the HOME Investment Partnership Program and the Brownfields Grant Program. The outstanding balances of these loan funds at December 31, 2013 were \$4,131,868 for the Community Development Block Grant Program, \$13,332,693 for the HOME Investment Partnership Program, and \$886,495 for the Urban Renewal Division. Since there are no continuing compliance requirements other than continued loan payments, the outstanding loan balances have not been included in the accompanying schedule of expenditures of federal awards.

**City of Aurora, Colorado**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2012**

**(6) Revolving Loan Funds – Subject to Further Compliance**

The City has certain revolving loan funds, which were originally financed from the Department of Commerce, Economic Development Administration through the City’s Gifts and Grants Fund. The outstanding balances at December 31, 2013 were \$70,473 in loans outstanding and \$117,787 in funds available to lend. The 2013 expenditures for administrative costs were \$107. The 2013 loan write offs were \$166,085. There are no City match requirements.

**(7) Payments to Subrecipients**

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

<b>Program</b>	<b>CFDA Number</b>	<b>Amounts Provided to Subrecipient</b>	
Community Development Block Grant	14.218	\$	115,648
Emergency Shelter Grant Program	14.231		43,311
HOME Investment Partnership	14.239		3,000
Edward Byrne Memorial Justice Assistance Grant	16.738		153,340
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818		40,696
		\$	<u>355,995</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of City of Aurora, Colorado (the City), as of and for the year ended December 31, 2013, 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 3, 2014. Other auditors audited the financial statements of the General Employee's Retirement Plan (GERP) and Havana Business Improvement District (BID), 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 separately by those auditors for GERP. The financial statements of BID, the discretely presented component unit included in the financial statements, were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

### **Compliance**

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*.

### **Other Matters**

We noted certain matters that we reported to the City's management in a separate letter dated June 3, 2014.

The purpose of this communication 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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Denver, Colorado  
June 3, 2014

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

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

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

We have audited the compliance of City of Aurora, Colorado (the City) with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

***Basis for Qualified Opinion on Equitable Sharing Program and Highway Safety Cluster***

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>
16.922	Equitable Sharing Program	Equipment and Real Property Management	Qualified	2013-003
20.600	Highway Safety Cluster	Reporting	Qualified	2013-005

***Qualified Opinion on Equitable Sharing Program and Highway Safety Cluster***

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Equitable Sharing Program and Highway Safety Cluster programs for the year ended December 31, 2013.

***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 of findings and questioned costs for the year ended December 31, 2013.

***Other Matters***

The results of our auditing procedures also disclosed other 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 2013-001, 2013-002 and 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

The City’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

## **Report on Internal Control Over Compliance**

The 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 requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses 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 2013-003 and 2013-005 to be material weaknesses.

*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 2013-001, 2013-002 and 2013-004 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**BKD, LLP**

Denver, Colorado  
June 3, 2014



**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. Type of auditor’s report issued:

Unmodified       Qualified       Adverse       Disclaimed

2. Internal control over financial reporting:

Significant deficiency(ies)?       Yes       None reported

Material weakness(es)?       Yes       No

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

*Federal Awards*

4. Internal control over major programs:

Significant deficiency(ies)?       Yes       None reported

Material weakness(es)?       Yes       No

5. Types of auditor’s report issued on compliance for major programs:

Unmodified       Qualified       Adverse       Disclaimed

Unmodified for all major programs except for Highway Safety Cluster and Equitable Sharing Program, which are qualified.

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

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

7. Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
11.307	Public Works and Economic Development Cluster
14.218	CDBG - Entitlement Grants Cluster
16.738, 16.803, 16.804	Justice Assistance Grant (JAG) Program Cluster, including ARRA
16.922	Equitable Sharing Program
20.600, 20.610, 20.613	Highway Safety Cluster

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

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

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

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

<b>Reference Number</b>	<b>Finding</b>
2013-001	<p><b>Finding:</b> Reporting</p> <p><b>CFDA No. 14.218 CDBG - Entitlement Grants Cluster</b>  <b>Department of Housing and Urban Development, Award Number - B-08-MN-08-0001, Award Year - 2009</b>  <b>Department of Housing and Urban Development, Award Number - B-011-MN-08-0001, Award Year - 2011</b>  <b>Department of Housing and Urban Development, Award Number - B-12-MC-08-0002, Award Year - 2012</b>  <b>Department of Housing and Urban Development, Award Number - B-13-MC-08-0002, Award Year - 2013</b></p> <p><b>Criteria or specific requirement:</b> Per 2 CFR Part 170.320, each grant or cooperative agreement of \$25,000 or more passed through by a non-federal recipient of federal awards to a first-tier subrecipient or subcontractor is subject to the Federal Financial Assistance Transparency Act (FFATA or Transparency Act). Recipients are required to register in the Federal Subaward Reporting System (FSRS) and report subaward data through FSRS. Required reports are to be submitted by the end of the month following the award date.</p> <p><b>Condition:</b> The City did not meet the required timeframe for reporting subawards made during 2013 subject to FFATA requirements.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> Three subawards totaling \$90,241 were awarded under this program during 2013 to which the FFATA requirements applied.</p> <p><b>Effect:</b> Required reports were not submitted by the end of the month following the award date.</p> <p><b>Cause:</b> Subcontractors and/or subrecipients receiving subawards had not registered within the System for Award Management and thus did not have a Bradstreet Data Universal Numbering System (DUNS) number. Without a DUNS number, program staff were unable to complete reporting requirement in a timely fashion.</p> <p><b>Recommendation:</b> We recommend that policies and procedure be changed to require all subrecipients/subcontractors submit a DUNS number at the time of application or withhold the issuance of the subaward until a DUNS number is obtained. Additionally, we recommend the City develop a tracking tool to identify which subawards and related federal information must be reported under FFATA to help ensure all required reports are submitted timely.</p>

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. The same deficiency was identified by Community Development staff in late 2013 and by the end of that program year, documentation was complete. Corrective actions include (1) one staff member responsible for compliance will collect and enter the FFATA information into the system; (2) FFATA compliance has been added as a line item on the standardized monitoring tracking spreadsheet in use; and (3) DUNS numbers have been added to both the application and subrecipient agreements, as well as the monitoring tracking spreadsheet.

*Person(s) responsible for implementing:* Aaron Gagné, Manager of Community Development and Tim Gough, Community Development Compliance Specialist.

*Implementation date:* January 2014.

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
2013-002	<p><b>Finding:</b> Subrecipient Monitoring</p> <p><b>CFDA No. 14.218 CDBG - Entitlement Grants Cluster</b> <b>Department of Housing and Urban Development, Award Number - B-08-MN-08-0001, Award Year - 2009</b> <b>Department of Housing and Urban Development, Award Number - B-011-MN-08-0001, Award Year - 2011</b> <b>Department of Housing and Urban Development, Award Number - B-12-MC-08-0002, Award Year - 2012</b> <b>Department of Housing and Urban Development, Award Number - B-13-MC-08-0002, Award Year - 2013</b></p> <p><b>Criteria or specific requirement:</b> Per 2 CFR section 25.110 and Appendix A to 2 CFR part 25, applicants for non-ARRA subawards made on or after October 1, 2010 are required to provide a Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before the award is issued. In addition, as a pass-through entity the City is required to identify to the subrecipient the federal award information and applicable compliance requirements at the time the subaward is made.</p> <p><b>Condition:</b> We noted the following issues in our testing:</p> <ol style="list-style-type: none"><li>1. Of the subawards selected for testing, two were issued on or after October 1, 2010. We noted the City did not obtain the DUNS number prior to issuance for one of the subawards selected.</li><li>2. The City did not communicate all required federal award information within the subaward agreement.</li></ol> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested three of the program's fifteen subrecipients and noted the issues identified above.</p> <p><b>Effect:</b> The City is not in compliance with subrecipient monitoring requirements as identified by Office of Management and Budget (OMB) Circular A-133 and thus proper reporting of information by the City and/or its subrecipients may not be occurring.</p> <p><b>Cause:</b> The CDBG program policies and procedures relating to subrecipient monitoring are outdated and do not include all recent changes made by the federal government, including the requirement to obtain DUNS numbers prior to issuance of subawards. Additionally, the program does not have a subaward template that contains all of the federal information that is required to be communicated at the time subawards are made.</p> <p><b>Recommendation:</b> We recommend that program staff follow updates to OMB Circulars as well as ensure grant agreements are reviewed each year for any changes in requirements. In addition, we recommend that the program policies relating to subrecipient monitoring be updated to comply with recent changes and current program practices. Also, the subaward template should be updated to contain all required information.</p>

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* We agree with the finding. Community Development has worked consistently and diligently to address such matters as SAMs registration and fund accounting methodology. Corrective actions include (1) DUNS numbers have been added to both the application and subrecipient agreements. (2) CFDA numbers have been added to all subrecipient agreements.

*Person(s) responsible for implementing:* Aaron Gagné, Manager of Community Development and Tim Gough, Community Development Compliance Specialist.

*Implementation date:* January 2014.

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
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2013-003 **Finding:** Equipment and Real Property Management

**CFDA No. 16.922 Equitable Sharing Program**

**Department of Justice, Award Numbers - Not Available, Award Year - 2013**

**Criteria or Specific Requirement:** The A-102 Common Rule requires equipment records be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

**Condition:** Approximately \$224,000 of equipment purchased (15 different assets) with federal funds from 2008-2012 was not recorded as federally funded within in the City's capital asset listing and thus was not included in the City's annual physical inventory.

**Questioned Costs:** None.

**Context:** Total capital assets maintained by the program, including the equipment identified above, is \$1,168,892. We identified a total of 15 assets that were not properly identified as being purchased with federal funds and as such were not included in the annual city-wide inventory report.

**Effect:** By not recording equipment purchased in the City's capital asset listing as federal, the asset will not be included in the annual physical inventory and will only be inventoried every three years with city-wide inventory, which is not in accordance with federal requirements.

**Cause:** The City was not aware these funds were federal funds subject to OMB Circular A-133, *Compliance Supplement*.

**Recommendation:** We recommend that the above identified assets be marked as federally funded within the City's capital asset listing to help ensure they are included in the City's annual physical inventory. In addition, we recommend that the City review the City's capital asset listing to search for other assets incorrectly marked as not federally funded.

**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* The above mentioned assets have now been correctly identified as federally funded in the City's capital asset inventory listing and, as a result of this identification, will be subject to the annual physical inventory of federal assets. The capital asset listing is currently under review to ensure all assets have been correctly identified as to whether or not they are federally funded.

*Person(s) responsible for implementing:* John Schneebeck, Business Services Manager.

*Implementation date:* May 1, 2014.



**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
2013-004	<p><b>Finding:</b> Allowable Costs and Activities</p> <p><b>CFDA No. 20.600, 20.610 &amp; 20.613 - Highway Safety Cluster Passed-through Colorado Department of Transportation</b></p> <p><b>Criteria or specific requirement:</b> Office of Management and Budget (OMB) Circular A-87, <i>Cost Principles for State, Local and Indian Tribal Governments</i>, specifies that charges to federal awards for salaries and wages, whether treated as direct or indirect costs, be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit. City of Aurora Police Directives Manual 8.14 requires all overtime, except court overtime, be authorized by the member's supervisor or command officer. A command officer in the member's chain of command will review and approve for payment all requests for overtime pay and compensatory time.</p> <p><b>Condition:</b> We identified the following issues in our testing:</p> <ol style="list-style-type: none"><li>1. One instance in which an employee approved their own overtime. We reviewed the population further and noted an additional 14 instances in which an employee approved their own overtime.</li><li>2. Four instances in which a sergeant's overtime was approved by another sergeant rather than a supervisor or command officer.</li></ol> <p><b>Questioned Costs:</b> \$5,284.</p> <p><b>Context:</b> We tested 40 expenditures charged to the grant and noted the issues describe above. Of the 40 expenditures tested, 36 related to payroll costs totaling \$10,243. Total payroll costs charged to the program during 2013 were \$251,285 and total expenditures charged to the program during 2013 were \$322,487.</p> <p><b>Effect:</b> Grant expenditures were not approved by a responsible official as required and thus unallowable costs could be charged to the grant.</p> <p><b>Cause:</b> The Telestaff time reporting tool does not have system protocols in place to ensure that the appropriate level of approval is obtained for employee overtime.</p> <p><b>Recommendation:</b> We recommend the Telestaff time reporting tool system protocols be updated to help ensure that all overtime approval occurs within the required chain of command. In addition, we recommend the Police Directives Manual be updated for instances in which the chain of command approval process may be circumvented.</p>

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

**Reference  
Number**

**Finding**

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**Views of Responsible Officials and Planned Corrective Actions:**

*Response:* Aurora Police Department (APD) reprogrammed Telestaff on February 26, 2014, to prevent any self-approval of overtime or compensatory time. The Chief of Police has authorized an exception to the directive concerning overtime in regard to grant funded projects and events. Per this authorization, the APD directive concerning overtime will be updated to allow the sergeant-in-charge of the grant and/or event to approve overtime of all staff working on the grant funded project. This will define the grant manager and/or event commanding officer as the authorized official to approve any and all overtime for that particular grant/event. In the circumstances where the grant manager and/or event commanding officer will be working overtime, their approval must be obtained from someone holding the rank of lieutenant or higher.

*Person(s) responsible for implementing:* John Schneebeck, Business Services Manager.

*Implementation date:* March 1, 2014.

**City of Aurora, Colorado**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

<b>Reference Number</b>	<b>Finding</b>
2013-005	<p><b>Finding:</b> Reporting</p> <p><b>CFDA No. 20.600, 20.610 &amp; 20.613 - Highway Safety Cluster Passed-through Colorado Department of Transportation</b></p> <p><b>Criteria or specific requirement:</b> The U.S. Office of Management and Budget (OMB) Circular A- 133, <i>Compliance Supplement</i> , requires that all reports for federal awards 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.</p> <p><b>Condition:</b> The information reported to Colorado Department of Transportation (Grantor) did not match supporting documentation and/or supporting documentation could not be provided.</p> <p><b>Questioned Costs:</b> None.</p> <p><b>Context:</b> We tested four quarterly performance reports and one annual report submitted noting the amounts reported did not agree to supporting documentation or supporting documentation could not be provided.</p> <p><b>Effect:</b> Inaccurate information was reported to the awarding agency.</p> <p><b>Cause:</b> Lack of detailed review by someone other than the preparer resulted in inaccurate information being submitted to the awarding agency.</p> <p><b>Recommendation:</b> We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b></p> <p><i>Response:</i> The Program or Grant Manager will be responsible for tracking all required data for the particular grant/project prior to any report due dates. Once the reports have been written (<i>i.e.</i> , quarterly, annual, closeout, etc.) the Section Lieutenant will be responsible for reviewing the reports and all supporting documentation for accuracy, completeness, relevance, etc. The Section Lieutenant will sign and date an approved copy of the report prior to submission to the funding agency and the signed approved copy will be provided to the Research and Development (R&amp;D) Specialist who will place a copy in the hard file as well as putting a digital copy on the City Grant's Center.</p> <p><i>Person(s) responsible for implementing:</i> Kevin Krogulski, Research and Development Specialist and Program/Grant Managers.</p> <p><i>Implementation date:</i> March 1, 2014.</p>

**City of Aurora, Colorado**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2013**

Reference Number	Summary of Finding	Status
2012-01	<i>Accounting for Capital Assets</i> - We recommend that a detailed review of all capital assets held by the City be completed within the capital assets tracking system, as the City plans to change useful lives of assets in future years. Additionally, we recommend the accounting staff receive training on the requirement to capitalize the interest related to the construction projects.	Implemented.
2012-02	<i>Financial Information Preparation</i> - We recommend that the City continue to strengthen its existing review policies and procedures to ensure the timely and accurate presentation of financial information necessary for external reporting.	Implemented.
2012-03	Economic Adjustment Assistance <i>Reporting</i> - We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report.	Implemented.
2012-04	Economic Adjustment Assistance <i>Special Tests and Provisions - Loan Requirements</i> - We recommend that a detailed review of all loan recipient files be completed annually to ensure that all required documents are present. In addition, if documentation cannot be obtained from the loan recipient, supporting documentation of request attempts should be maintained within the loan file.	Implemented.
2012-05	CDBG - Entitlement Grants Cluster <i>Reporting</i> - We recommend that formal policies and procedures relating to administrative duties 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. In addition, a detailed review of reports should be performed by someone other than the preparer prior to reports being submitted. The detailed review should include agreeing amounts and other information reported to supporting records and documentation of this review should be maintained with the supporting documents used to prepare the report.	Partially Implemented. See current year finding at 2013-001.
2012-06	Justice Assistance Grant Program Cluster <i>Equipment and Real Property Management</i> - We recommend that a detailed review of nonpayroll expenditures be performed to help ensure that capitalizable expenditures are properly recorded within the capital asset listing and tracked by the City. Additionally, we suggest that an inventory be required before program managers transfer out of a department.	Implemented.