



Federal Awards Reports in Accordance  
with the Uniform Guidance  
December 31, 2017

## Summit County, Colorado

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

To the Board of County Commissioners  
Summit County, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Summit County, Colorado as of December 31, 2017, and the related notes to the financial statements, which collectively comprise Summit County, Colorado’s (“County”) basic statements, and have issued our report thereon dated July 25, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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 County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-A to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

**Summit County's Response to the Finding**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Eric Sully LLP".

Fort Collins, Colorado  
July 25, 2018



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of County Commissioners  
Summit County, Colorado

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

We have audited Summit County, Colorado’s (“County”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County’s major federal programs for the year ended December 31, 2017. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, 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 the compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the County’s complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2017.

## Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

*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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a material weakness.

*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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiency.

The County'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 corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Summit County, Colorado as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Summit County, Colorado's basic financial statements. We issued our report thereon dated July 25, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fort Collins, Colorado  
July 25, 2018

Summit County, Colorado  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017

Federal Grant/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Amounts Passed Through to Sub-Recipients
<b>U.S. Department of Agriculture</b>				
<b>Passed through Colorado Department of Public Health and Environment</b>				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	*	\$ 104,454	\$ -
Special Supplemental Nutrition Program for Women, Infants and Children - non-cash assistance	10.557	*	177,435	-
Subtotal - Women, Infants and Children			281,889	-
<b>Passed through Colorado Department of Human Services</b>				
State Administrative Matching Grants for the Supplemental Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	*	190,533	-
<b>Total U.S. Department of Agriculture</b>			472,422	-
<b>U.S Environmental Protection Agency</b>				
<b>Passed through Colorado Dept. of Public Health and Environment</b>				
Capitalization Grants for Drinking Water State Revolving Funds (Drinking Water State Revolving Fund Cluster)	66.468	WQC-FEGA2016	40	-
Performance Partnership Grants	66.605	*	6,100	-
<b>Total U.S. Environmental Protection Agency</b>			6,140	-
<b>U.S Department of Justice</b>				
<b>Passed through Colorado Division of Criminal Justice</b>				
Bulletproof Vest Partnership Program	16.607	*	21,819	-
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through Colorado Division of Housing</b>				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	*	24,500	24,500
<b>U.S. Department of Health and Human Services:</b>				
<b>Direct Program</b>				
Head Start Program	93.600		426,748	413,422
Head Start Program (Early Head Start)	93.600		322,268	315,294
Subtotal Head Start Program			749,016	728,716
<b>Passed through Colorado Dept. of Public Health and Environment</b>				
Immunization Cooperative Agreements	93.268	*	4,194	- (1)
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	*	114,977	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	*	13,032	-
Subtotal HPP and PHEP Aligned Cooperative Agreements			128,009	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	*	49,140	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	*	34,769	-
Subtotal Injury Prevention and Control Research and State and Community Based Programs			83,909	-
Preventive Health and Health Services Block Grant Funded Solely With Prevention and Public Health Funds (PPHF)	93.758	*	13,750	-
Maternal & Child Health Services Block Grant	93.994	*	19,429	-

Summit County, Colorado  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017

Federal Grant/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Amounts Passed Through to Sub-Recipients
<b>Passed through Colorado Dept. of Human Services</b>				
Guardianship Assistance	93.090	*	1,322	-
Temporary Assistance for Needy Families (TANF Cluster)	93.558	*	212,871	-
Child Support Enforcement	93.563	*	180,510	-
Low-Income Home Energy Assistance	93.568	*	879	-
Promoting Safe and Stable Families	93.556	*	86,181	-
Child Care and Development Block Grant	93.575	*	259,456	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	113,557	-
Subtotal - CCDF Cluster			<u>373,013</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	*	5,927	-
Foster Care Title IV-E	93.658	*	194,414	-
Adoption Assistance	93.659	*	7,482	-
Social Services Block Grant	93.667	*	102,914	-
Medical Assistance Program (Medicaid Cluster)	93.778	*	196,594	-
<b>Passed through Colorado Department of Education</b>				
Immunization Cooperative Agreements - Early Childhood Connections	93.268	*	62,645	- (1)
<b>Passed through Colorado Dept. of Local Affairs</b>				
Community Services Block Grant	93.569	*	<u>40,365</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,463,424</u>	<u>728,716</u>
<b>U.S. Department of Transportation:</b>				
<b>Passed through Colorado Dept. of Transportation:</b>				
FTA - Formula Grants for Other Than Urbanized Areas-Section 5311	20.509	17-HTR-ZL-00146	482,040	-
Subtotal FTA Section 5311 Program			482,040	-
<b>Total U.S. Department of Transportation</b>			<u>482,040</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
<b>Passed through Colorado Dept. of Local Affairs</b>				
Emergency Management Performance Grants	97.042	*	<u>45,416</u>	<u>-</u>
<b>Total Federal Grants/Programs</b>			<u>\$ 3,515,761</u>	<u>\$ 753,216</u>

(1) Immunization grant cluster passed through the Colorado Dept. of Education and the Colorado of Dept. of Public Health and Environment totaling \$66,839

\* Pass-through identification number not available

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Summit County, Colorado (the County) under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County. The County received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is incurred by the subrecipient.

**Note B - Significant Accounting Policies**

Governmental fund types account for the County's federal grant activity. Therefore, expenditures in the schedule are reported on the modified accrual basis – when they become a demand on current available financial resources. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

**Note C - Indirect Cost Rate**

The County does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

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

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Federal Transit Administration - Section 5311, Formula Grants for Other Than Urbanized Areas	20.509
Head Start	93.600
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

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**2017-A Material Audit Adjustments including a Restatement for Correction of Error  
Material Weakness**

*Criteria:* An organization's internal control structure should provide for the proper recording of all transactions. The County is required to provide accurate financial statements in accordance with generally accepted accounting principles (GAAP).

*Condition:* As part of the implementation of a new accounting system, the County discovered that the original useful lives used for certain assets were incorrect. The County corrected the errors in the current year, which resulted in a restatement of beginning net position related to accumulated depreciation to correct the errors. Additionally, during the course of our engagement we proposed audit adjustments to the County's recorded account balances.

*Cause:* In prior years, when capital assets were entered into the capital asset program, there was not a sufficient review of the estimated useful lives of capital assets to determine that capital assets were being assigned accurate and consistent useful lives. Additionally, there was not a thorough review of year-end balances and transactions to ensure that activity was recorded in accordance with GAAP prior to the start of the audit.

*Effect:* The need for proposed audit adjustments and correction of beginning net position indicates that the County's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

*Recommendation:* We recommend an increased review of all transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed. We also recommend a review of capital asset additions upon entering into the new accounting software to ensure that proper useful lives are being used to calculate depreciation.

*Views of Responsible Officials:* Management agrees with the finding.

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

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**2017-001 Federal Transit Administration Passed-through Colorado Department of Transportation  
CFDA #20.509, 17-HTR-ZL-00146, 2017  
Formula Grants for Rural Areas  
FTA Section 5311 Grant**

**Procurement, Suspension and Debarment  
Significant Deficiency in Internal Controls over Compliance**

*Criteria:* The Uniform Guidance, Section 200.303 *Internal Controls*, requires the non-Federal entity to establish and maintain effective internal controls over Federal awards that provide reasonable assurance that awards are being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Federal regulation 2. C.F.R. 180.300 requires that when a non-federal entity enters into a covered transaction with another entity, the non-federal entity must verify that the person or entity they intend to do business with is not excluded or disqualified from receiving federal funds. This can be done by: (1) checking the System of Award Management (SAM) exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that person.

*Condition:* The County contracts fleet maintenance services to one primary vendor. The County was unable to support that the suspension and debarment verification for the vendor was performed and approved prior to entering into the amended contract with this vendor.

*Cause:* Due to insufficient controls over the suspension and debarment approval process, the controls are not operating as designed to prevent, detect and correct errors in a timely manner.

*Effect:* Failure to properly review and approve the suspension and debarment status of vendors may result the County doing business with a contractor who has been suspended or debarred.

*Questioned Costs:* None reported.

*Context/Sampling:* The entire population was tested as there was only one transaction subject to this compliance requirement.

*Repeat Finding from Prior Years:* No

*Recommendation:* We recommend that the County review its process for reviewing and approving the suspension and debarment status of contractors prior to entering into a contract or contract amendments. The County needs to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

*Views of Responsible Officials:* Management agrees with the finding.

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

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**2017-002 U.S. Department of Health and Human Services  
CFDA #93.600, 08CH1136-03-04, 2017  
Head Start Program  
Head Start and Early Head Start Grants**

**Subrecipient Monitoring  
Material Weakness in Internal Controls over Compliance**

*Criteria:* The Uniform Guidance, Section 200.303 *Internal Controls*, requires the non-Federal entity to establish and maintain effective internal controls over Federal awards that provide reasonable assurance that awards are being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

The Uniform Guidance, Section 200.331 *Subrecipient Monitoring and Management*, requires every subaward is clearly identified to the subrecipient as a subaward and includes information including information relating to the Federal Award Identification, including but not limited to subaward amount of federal funds obligated in each action, total federal funds obligated to the subrecipient, and project description. Further documentation is required with respect to all requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and terms and conditions of the federal award. Additionally, Uniform Guidance Sections 200.331(e) – (h) requires the pass-through entity to verify every subrecipient is audited as required and to consider the result of the audit, as well as consider whether the results of the audit necessitate adjustments to the pass-through entities own records and consider taking enforcement action, if needed.

*Condition:* We reviewed the subaward agreements for all subrecipients. We noted that all of the agreements were missing several required contractual elements that are described in the Uniform Guidance, Section 200.331. While we noted in other testing that most information was communicated in other ways (such as Memorandums of Understanding with each subrecipient, separate budgets or during ongoing meetings), this information was not included in the subaward agreement. We also reviewed the single audit report for the applicable subrecipient and noted that the pass-through entity identifying information appeared to be improperly reported on the subrecipient's Schedule of Expenditures of Federal Awards (SEFA).

*Cause:* Due to insufficient controls over the preparation and approval of subaward agreements, the controls are not operating as designed to prevent, detect and correct errors in a timely manner. Further there was not a process in place to perform a detailed review of the subrecipients SEFA to identify that the pass-through entity identifying information was improperly presented.

*Effect:* Failure to include the required elements in the subgrant agreement may result in ambiguity in the award identification and potential noncompliance with the applicable federal compliance requirements. Further, failure to properly monitor subrecipients' SEFA may result in possible inaccurate reporting of the pass-through entity identifying information or other relevant information.

*Questioned Costs:* None reported.

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

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*Context/Sampling:* No sampling was used. All subawards granted to subrecipients were tested, and there was only one subrecipient that met the requirement for a single audit during the period covered by the audit which was tested.

*Repeat Finding from Prior Years:* No

*Recommendation:* We recommend that the County review its process for preparing and approving the subaward agreements in accordance with the Uniform Guidance. We also recommend that the County review its process for monitoring the reporting of its subrecipients, including all details included on the subrecipients' SEFA. The County needs to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

*Views of Responsible Officials:* Management agrees with the finding.