

IV. SINGLE AUDIT SECTION



INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Board of County Commissioners,
Yellowstone County
Billings, Montana:

We have audited the general purpose financial statements of Yellowstone County, Montana, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Yellowstone County, Montana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Yellowstone County, Montana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Yellowstone County, Montana in a separate letter dated October 22, 2002.

This report is intended solely for the information and use of the Board of County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Billings, Montana
October 22, 2002



INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of County Commissioners,
Yellowstone County
Billings, Montana:

Compliance

We have audited the compliance of Yellowstone County, Montana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. Yellowstone County, Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Yellowstone County, Montana's management. Our responsibility is to express an opinion on Yellowstone County, Montana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yellowstone County, Montana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Yellowstone County, Montana's compliance with those requirements.

In our opinion, Yellowstone County, Montana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Yellowstone County, Montana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Yellowstone County, Montana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Yellowstone County, Montana, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 22, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Billings, Montana
October 22, 2002

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
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<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/01</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/02</u>
U.S. Department of Transportation							
<u>Passed through State Department of Justice / Highway Traffic Safety:</u>							
Highway Traffic Safety Plan - Safe Communities Project	20.600	01-09-02-01	\$103,970	\$0	\$22,458	\$22,458	\$0
Highway Traffic Safety Plan - Safe Communities Project	20.600	02-09-01-01	86,000	0	58,518	58,518	0
			189,970	0	80,976	80,976	0
<u>Passed through State Department of Disaster & Emergency Services</u>							
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	USDOT-HMEP	10,010	0	0	0	0
			10,010	0	0	0	0
<u>Passed through State Department of Transportation:</u>							
Montana Safe Kids, Safe Communities	20.600	n/a	20,903	0	3,774	3,774	0
Community Transportation Enhancement Program - Two Moon Park	20.205	STPE- 1099(24)	78,683	0	5,308	5,308	0
Community Transportation Enhancement Program - WHC Landscaping	20.205	STPE 1099(7)	29,294	0	13,490	13,490	0
Community Transportation Enhancement Program - Pompey's Pillar Walkway	20.205	STPE 56(33)	42,648	0	40,981	40,981	0
Community Transportation Enhancement Program - Downtown Bike	20.205	STPE 1099(30)	862,916	0	144,866	144,866	0
			1,034,444	0	208,419	208,419	0
Total U.S. Department of Transportation			\$1,234,424	\$0	\$289,395	\$289,395	\$0
U.S. Department of Justice							
<u>Direct Programs:</u>							
2001 Local Law Enforcement Block Grant	16.592	2001-LB-BX-2196	\$20,879	\$0	\$20,879	\$15,273	\$5,606
2000 Local Law Enforcement Block Grant	16.592	2000-LB-BX-0824	22,217	0	0	1,303	0
Community Gun Violence Prosecution Program	16.609	2002-GP-CS-0142	120,000	0	0	0	0
Continued Implementation of Youth Intake	16.542	2001-JN-FX-0048	249,450	0	37,478	37,478	0
2000 COPS in Schools Program	16.710	2000SHWX0468	125,000	0	40,712	40,712	0
2000 COPS Technology - Computer Upgrades	16.710	2000CKWX0021	1,200,000	0	726,676	726,676	0
2000 COPS Technology - Simulators	16.710	2000CKWX0022	650,000	0	25,669	25,669	0
2001 COPS Technology - Range	16.710	2001CKWX0066	149,670	0	62,036	62,036	0
			2,537,216	0	913,450	909,147	5,606
<u>Passed through State Board of Crime Control:</u>							
Misdemeanor Supervision Program	16.579	01-K20-80665	14,796	0	14,613	14,613	0
Victim Witness Program	16.588	01-W03-80768	44,590	0	44,590	44,590	0
Community Asset Training Program	16.54	01-J12-80695	14,000	0	13,988	13,988	0
Youth Intake & Assessment	16.523	01-A02-80866	240,818	0	192,655	177,483	15,172
			314,204	0	265,846	250,674	15,172
Total U.S. Department of Justice			\$2,851,420	\$0	\$1,179,296	\$1,159,821	\$20,778

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
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<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 6/30/01</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 6/30/02</u>
U.S Environmental Protection Agency							
<u>Passed through Montana Department of Environmental Quality:</u>							
Air Pollution Control Program	66.001	N/A	\$55,395	\$0	\$55,395	\$55,395	\$0
Direct Programs							
Real time Monitoring & Reporting of SO2 Data	66.606	X-98822301-0	170,000	0	46,118	46,118	0
Total U.S. Environmental Protection Agency			\$225,395	\$0	\$101,513	\$101,513	\$0
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Econ. Dev. Revolving Loan Fund	14.228	MT-CDBG-98-ED-06	\$400,000	\$0	\$0	\$0	\$0
Community Development Block Grant/Education Technical Assistance	14.228	MT-CDBG-ED-MBDC-TA-2001-09	5,000	0	5,000	5,000	0
Community Development Block Grant/Lockwood Housing Project	14.228	MT-CDBG-99HR-05	400,000	0	76,057	76,057	0
Total U.S. Department of Housing & Urban Development			\$805,000	\$0	\$81,057	\$81,057	\$0
U.S. Federal Emergency Management Agency							
Direct Programs							
Project Impact - Building Disaster Resistant Communities	83.551	EMD-2000-GR-0043	\$321,230	\$0	\$174,211	\$172,875	\$1,336
Total U.S Federal Emergency Management Agency			\$321,230	\$0	\$174,211	\$172,875	\$1,336
U.S, Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
Volunteer & Rural Fire Assistance Title IV Grant	N/A	01-56-00	\$ 17,935	\$0	\$17,935	\$17,935	\$0
			17,935	0	17,935	17,935	0
U.S. Department of Interior							
Direct Programs							
Taylor Grazing	N/A	N/A	N/A	\$0	\$261	\$261	\$0
Bankhead Jones	N/A	N/A	N/A	0	1,593	1,593	0
Total U.S. Department of Interior				\$0	\$1,854	\$1,854	\$0
TOTAL FEDERAL AWARDS			\$5,455,404	\$0	\$1,845,261	\$1,824,450	\$22,114

The accompanying notes are an integral part of this schedule.

YELLOWSTONE COUNTY, MONTANA

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2002

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yellowstone County, Montana (County) and is presented using a basis of accounting which is consistent with the general purpose financial statements, which is described in note 1 to the County's general purpose financial statements. The information in this 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 this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

(2) Relationship to General Purpose Financial Statements

Federal awards revenues are reported in the County's general purpose financial statements as follows:

	Federal Awards <u>Revenues</u>	State and Local Intergovernmental <u>Revenue</u>	Total Intergovernmental <u>Revenues</u>
General Fund	\$ 358,142	\$ 543,964	\$ 902,106
Special Revenue Funds	1,487,119	5,184,756	6,671,875
Debt Service Funds	0	172,421	172,421
Capital Projects Funds	<u>0</u>	<u>9,579</u>	<u>9,579</u>
Totals	\$ <u>1,845,261</u>	\$ <u>5,910,720</u>	\$ <u>7,755,981</u>

YELLOWSTONE COUNTY, MONTANA

Schedule of Findings and Questioned Costs

For Fiscal Year ended June 30, 2002

(1) Summary of Auditors' Results

- (a) The type of report issued on the general purpose financial statements: **Unqualified opinion.**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None Reported** Material weaknesses: **No**
- (c) Noncompliance which is material to the general purpose financial statements: **No**
- (d) Reportable conditions in internal control over major programs: **None reported** Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion.**
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **No**
- (g) Major programs: **CFDA No. 16.710 Public Safety Partnership and Community Policing Grants**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None

(3) Findings and Questioned Costs relating to Federal Awards:

None

**Yellowstone County, Montana
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2002**

Finding 01-1: Suspension and Debarment – Internal Controls

Condition: The County has no procedures in place to ensure that suspension and debarment certifications are received.

Response: The County added a provision in request for proposals or bids, which requires suspension and debarment certifications from vendors for all contracts greater than \$100,000 to confirm that they are not suspended or debarred. The County utilizes the following web site to verify eligible vendors: <http://www.arnet.gov/epl>.

Finding 01-2: Cash Management-Internal Control related to Advances of Federal Funds

Condition: No procedure to ensure interest in excess of \$250 earned on advances of Federal funds are remitted to the Federal government.

Response: The County established procedures for tracking any interest earned on Federal advances. Any interest in excess of \$250 will be remitted annually to the Federal government. Separate funds will be maintained for any grant receiving Federal advances, to ensure all interest can be computed.