

CITY OF BANGOR, MAINE

**Reports Required by *Maine Uniform
Accounting and Auditing Practices for
Community Agencies***

For the Year Ended June 30, 2016

CITY OF BANGOR, MAINE
Reports Required by *Maine Uniform Accounting and*
Auditing Practices for Community Agencies
For the Year Ended June 30, 2016

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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

City Council
City of Bangor, Maine

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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bangor, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements and have issued our report thereon dated December 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bangor, Maine'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 City of Bangor, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, Maine'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bangor, Maine'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*.

We noted certain matters that we have reported to the management of the City of Bangor, Maine in a separate letter dated December 28, 2016.

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.



December 28, 2016, except for testing of CDC 15-1049 and CDC 16-1049;
CDC 16-337; and CSN 34715, which were dated February 1, 2017
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF DEPARTMENT AWARDS REQUIRED BY MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES
FOR COMMUNITY AGENCIES**

City Council
City of Bangor, Maine

Report on Compliance for Each Major Department Agreement

We have audited the City of Bangor, Maine's compliance with the types of compliance requirements described in *Maine Uniform Accounting and Auditing Practices for Community Agencies* that could have direct and material effect on each of the City of Bangor, Maine's major department agreements for the year ended June 30, 2016. The City of Bangor, Maine's major department agreements 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 department agreements.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bangor, Maine's major department agreements 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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Those standards and *Maine Uniform Accounting and Auditing Practices for Community Agencies*, 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 department agreement occurred. An audit includes examining, on a test basis, evidence about the City of Bangor, Maine'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 department agreement. However, our audit does not provide a legal determination of the City of Bangor, Maine's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF DEPARTMENT AWARDS REQUIRED BY MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES
FOR COMMUNITY AGENCIES, CONTINUED**

Basis for Qualified Opinion on Agreement CDC 16-337 and CDC 15-1049

As described in the accompanying schedule of findings and questioned costs, the City of Bangor, Maine did not comply with requirements regarding Agreement No. CDC 16-337 Healthy Maine Partnerships as described in finding number 2016-001 for Cash Management. In addition, the City of Bangor, Maine did not comply with the requirements regarding Agreement No. CDC 15-1049 Sodium Reduction as described in finding number 2016-002 for Budget. Compliance with such requirements is necessary, in our opinion, for the City of Bangor, Maine to comply with the requirements applicable to that agreement.

Qualified Opinion on Agreements CDC 16-337 and CDC 15-1049

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph above, the City of Bangor, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on agreements CDC 16-337 and CDC 15-1049 for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Department Agreements

In our opinion, the City of Bangor, Maine 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 department agreements identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The City of Bangor, Maine's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Bangor, Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

Management of the City of Bangor, Maine 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 of Bangor, Maine's internal control over compliance with the types requirements that could have a direct and material effect on each major department agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major department agreement and to test and report on internal control over compliance in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, Maine's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

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 department agreement 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 department agreement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*

We have audited 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 the City of Bangor, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements. We issued our report thereon dated December 28, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of department agreements is presented for the purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of department agreements is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 28, 2016, except for testing of CDC 15-1049 and CDC 16-1049;
CDC 16-337; and CSN 34715 which were dated February 1, 2017
South Portland, Maine

CITY OF BANGOR, MAINE
Schedule of Expenditures of Department Agreements
For the Fiscal Year Ended June 30, 2016

| Department Office | Grant Name | Agreement Number | Agreement Amount | Agreement Period | Agreement Service | Agreement Status | Federal Expenses | State Expenses | Total Department Expenses | Local Share Expenses | Total Agree/Match Expenses |
|--|---------------------------|------------------|------------------|-------------------|------------------------|------------------|---------------------|----------------|---------------------------|----------------------|----------------------------|
| DHHS-Direct | | | | | | | | | | | |
| WIC | Women Infant & Children | CDC 16-168 | \$ 3,051,463 | 10/1/15 - 9/30/16 | Health Promotion | Interim | 1,740,562 | - | 1,740,562 | - | - |
| WIC | Women Infant & Children | CDC 15-168 | 2,979,461 | 10/1/14 - 9/30/15 | Health Promotion | Final | 818,817 | - | 818,817 | - | - |
| CDC | Lead Poison Prevent | CDC 16-719B | 37,500 | 7/1/15 - 12/31/16 | Lead Poison Prevent | Interim | - | 15,466 | 15,466 | - | - |
| CDC | Sodium Reduction | CDC 15-1049A | 119,202 | 11/1/14 - 9/29/15 | Health Promotion | Final | 35,331 | - | 35,331 | - | - |
| CDC | Sodium Reduction | CDC 16-1049 | 132,000 | 9/30/15 - 9/29/16 | Health Promotion | Interim | 84,590 | - | 84,590 | - | - |
| CDC | In-home Asthma | CDC 16-3057 | 119,731 | 7/1/15 - 8/31/16 | Health Promotion | Interim | 97,944 | - | 97,944 | - | - |
| CDC | Healthy Maine Partnership | CDC 16-337 | 602,941 | 7/1/15 - 9/30/16 | Health Promotion | Interim | 68,943 | 381,868 | 450,811 | - | - |
| CDC | Public Health Nurse | CDC 15-567B | 133,480 | 7/1/14 - 6/30/16 | Health Promotion | Final | - | 67,697 | 67,697 | 184,786 | 252,483 |
| OSA | Overdose Prevention | OSA 16-373 | 50,000 | 7/1/15 - 6/30/16 | Substance Abuse | Final | - | 48,836 | 48,836 | - | - |
| OSA | Expanded Prevention | OSA 16-154 | 25,000 | 7/1/15 - 6/30/16 | Substance Abuse | Final | 13,047 | 9,219 | 22,266 | - | - |
| OSA | Partnership for Success | OSA 16-414 | 115,638 | 10/1/15 - 6/30/16 | Substance Abuse | Final | 75,660 | - | 75,660 | - | - |
| OSA | Partnership for Success | OSA 15-414 | 79,185 | 10/1/14 - 9/29/15 | Substance Abuse | Final | 12,818 | - | 12,818 | - | - |
| Passed through: | | | | | | | | | | | |
| University of New England | Supp Nutrition Assistance | OFI 15-351 | 156,119 | 10/1/14 - 9/30/15 | Health Promotion | Final | 39,642 | - | 39,642 | - | - |
| University of New England | Supp Nutrition Assistance | OFI 16-351 | 155,369 | 10/1/15 9/30/16 | Health Promotion | Interim | 119,817 | - | 119,817 | - | - |
| Total Department of Health and Human Services | | | | | | | 3,107,171 | 523,086 | 3,630,257 | 184,786 | 252,483 |
| MDOT-Direct | | | | | | | | | | | |
| OPT | Safety Conference | CSN 34095 | 2,500 | 7/1/15 - 6/30/16 | Transportation Systems | Final | 631 | 158 | 789 | - | 789 |
| | Mid Life Overhaul | CSN 34838 | 99,997 | 7/1/15 - 12/31/15 | Transportation Systems | Final | 99,997 | - | 99,997 | - | 99,997 |
| OPT | Operating | CSN 34715 | 101,109 | 7/1/15 6/30/16 | Transportation Systems | Final | 101,108 | - | 101,108 | 101,108 | 202,216 |
| Total Department of Transportation | | | | | | | 201,736 | 158 | 201,894 | 101,108 | 303,002 |
| Total | | | | | | | \$ 3,308,907 | 523,244 | 3,832,151 | 285,894 | 555,485 |

See accompanying notes to schedule of expenditures of department agreements.

CITY OF BANGOR, MAINE
Notes to Schedule of Expenditures of Department Agreements
June 30, 2016

PURPOSE OF THE SCHEDULE

Maine Uniform Accounting and Auditing Practices for Community Agencies require a Schedule of Expenditures of Department Agreements showing total expenditures for each award as identified in the respective department agreements.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all department agreements of the City of Bangor, Maine for the fiscal year ended June 30, 2016. The reporting entity is defined in Notes to Financial Statements of the City of Bangor, Maine.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Department Agreements is presented in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
 - 1. Pursuant to *Maine Uniform Accounting and Auditing Practices for Community Agencies*, department agreements are defined as a legally binding written document between two or more parties, including, but not limited to, a document commonly referred to as accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.
 - 2. Major Agreement - *Maine Uniform Accounting and Auditing Practices for Community Agencies* establishes the levels of expenditures or expenses to be used in defining major department agreements. Major department agreements for the City of Bangor, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Department Agreements is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.
- D. During the fiscal year, the City had some grants that were not completely expended and the unspent funds were returned to the awarding or pass-through agencies. The amounts returned to the agencies have been excluded from current year expenditures.

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs
June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

State Agreements

| | |
|--|---------------|
| Internal control over programs tested: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditor's report issued on compliance for programs tested: | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with <i>Maine Uniform Accounting and Auditing Practices for Community Agencies</i> ? | Yes |

Federal Awards

| | |
|--|-----|
| Required to have an audit in Accordance with the Uniform Guidance? | Yes |
|--|-----|

Identification of program(s) tested:

| <u>Agreement Number(s)</u> | <u>Name of Department - Agreement</u> |
|----------------------------|---------------------------------------|
| CDC – 16-168 | Women, Infants, and Children (WIC) |
| CDC – 15-168 | Women, Infants, and Children (WIC) |
| CDC – 15-1049 | Sodium Reduction |
| CDC – 16-1049 | Sodium Reduction |
| CDC – 16-337 | Healthy Maine Partnership |
| CSN – 34715 | Federal Transit – Formula Grants |

| | |
|---|-----|
| Percentage of department agreements tested: | 84% |
| Auditee qualified as low-risk? | No |

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II – Findings Required to be Reported under *Government Auditing Standards*

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III – Findings and Questioned Costs for State Agreements

2016-001 - Noncompliance with Cash Management Requirements for Agreement CDC 16-337

Criteria - The agreement for CDC 16-337 requires the grantee to comply with cash management requirements and those requirements extend to subrecipients of the grant.

Condition - The City's subrecipients did not spend grant proceeds in a timely manner and had cash on-hand for at least half of the fiscal year.

Known Questioned Costs - None

Likely Questioned Costs - None

Cause - The City did not ensure that subrecipients adhered to cash management requirements.

Recommendations - We recommend that the City prepare its subrecipient agreements in a way that ensures subrecipients will not have excess cash on hand. In addition, the City should implement procedures for monitoring the subrecipients' compliance with cash management.

Management response/corrective action - *The City of Bangor has been designated "Lead Fiscal Agent" by the State of Maine for the Penquis Public Health District. Accordingly, the selection and management of subrecipients will be overseen by the City. The Public Health & Community Services Department is drafting a subrecipient agreement and procedures that will be utilized beginning in FY 2017 due to the new designation. Within the policy the monitoring and timing of payments is specifically addressed, which will ensure compliance with the cash management requirements.*

2016-002 - Noncompliance with Budget Requirements for Agreement CDC 15-1049

Criteria - MAAP regulations require a community agency to obtain a budget revision in the event that the total expenses per subcontract vary from the budgeted amount by at least ten percent or \$1,000, whichever is greater.

Condition - The City paid amounts to the subrecipients that were less than the amounts budgeted, which by individual contract and in the aggregate were less by both ten percent and \$1,000.

Known Questioned Costs - None

Likely Questioned Costs - None

Cause - The City did not request a budget amendment as required.

Recommendations - Although total expenses were under budget and no questioned costs were identified, we nevertheless recommend that the City be sure to request budget revisions in the future, if agreement expenses in any category are expected to vary from budgeted levels by more than the allowable variance.

Management response/corrective action - *Staff will ensure that budget revisions are obtained when actual expenses are less than the budgeted amount.*

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV – Status of Prior Year Audit Findings

2015-001 - Noncompliance with Allowable Cost Requirements for Agreement CDC 15-337

Criteria - MAAP regulations require a community agency to adhere to the guidance of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. OMB Circular A-87 requires time and effort be documented when less than 100% of an employee's time is charged to a program.

Condition - The City's personnel did not complete time cards or comparable documentation that supported their time that was charged to the program when their time was allocated between more than one program or function.

Known Questioned Costs - None

Likely Questioned Costs - None

Cause - The City did not prepare time and effort documentation for this grant.

Recommendations - We recommend that the City implement a process for tracking employees' time when their time is split between programs or functions.

Current year status - This finding was corrected and not repeated in the current year.