**CITY OF BANGOR, MAINE**

**Reports Required by *Government Auditing Standards* and the Uniform Guidance**

**For the Year Ended June 30, 2021**

**CITY OF BANGOR, MAINE**
**Reports Required by *Government Auditing Standards* and the Uniform Guidance**
**For the year ended June 30, 2021**

Runyon Kersteen Ouellette

Certified Public Accountants and Business Consultants

**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, 2021, 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 March 21, 2022.

**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) as a basis for designing 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. 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 financial statements. 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 management of the City of Bangor, Maine in a separate letter dated March 21, 2022.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Runyon Kersteen Ouellette

March 21, 2022, except for the testing of
Community Development Block Grant Entitlement Cluster (CFDA #14.218),
and Coronavirus Relief Funds (CFDA #21.019),
which were dated April 26, 2022
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Bangor, Maine

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

We have audited the City of Bangor, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bangor, Maine's major federal programs for the year ended June 30, 2021. The City of Bangor, Maine'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 compliance for each of the City of Bangor, Maine'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 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 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City of Bangor, Maine's compliance.

***Basis for Qualified Opinion on Special Education Cluster***

As described in the accompanying schedule of findings and questioned costs, the City of Bangor, Maine did not comply with requirements regarding Assistance Listing #84.027-84.173 Special Education Cluster as described in finding 2021-001 for Allowable Costs, Time and Effort Documentation. Compliance with such requirements in necessary, in our opinion, for the City of Bangor, Maine to comply with the requirements applicable to that program.

***Qualified Opinion on Special Education Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Special Education Cluster for the year ended June 30, 2021.

***Unmodified Opinion on Each of the Other Major Federal Program***

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 federal programs identified in the summary of author's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The City of Bangor, Maine's responses to the noncompliance 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 subject 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 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 City of Bangor, Maine's internal control over compliance.

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. 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.

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 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, 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, 2021, 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 March 21, 2022, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Runyon Kersteen Ouellette

March 21, 2022, except for the testing of
Community Development Block Grant Entitlement Cluster (CFDA #14.218),
and Coronavirus Relief Funds (CFDA #21.019),
which were dated April 26, 2022
South Portland, Maine

**CITY OF BANGOR, MAINE**
**Schedule of Expenditures of Federal Awards**
**For year ended June 30, 2021**

| Federal Awards | Federal Assistance Number | Pass-through/ Grantor Number | Expenditures | Listing/ Cluster Totals | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| Department of Agriculture: | | | | | |
| Passed through the Maine Department of Education: | | | | | |
| Child Nutrition Cluster: | | | | | |
| Food Distribution - Food Donation Program | 10.555 | N/A | 96,755 | | - |
| After School Program | 10.555 | 3020 | 4,949 | | - |
| School Lunch Summer Program | 10.559 | 3016/3018 | 1,073,437 | | - |
| Total Child Nutrition Cluster | | | | 1,175,141 | |
| Fresh Fruits and Veggies | 10.582 | 3028 | 47,333 | | - |
| Passed through the Maine Department of Health and Human Services: | | | | | |
| WIC 20-4652 Administration | 10.557 | CD6 20-4652 | 168,795 | | - |
| WIC 20-4652 Food | 10.557 | CD6 20-4652 | 388,078 | | - |
| WIC 20-4652 Breastfeeding | 10.557 | CD6 20-4652 | 9,728 | | - |
| WIC 21-4652 Administration | 10.557 | CD6 21-4652 | 438,554 | | - |
| WIC 21-4652 Food | 10.557 | CD6 21-4652 | 1,122,083 | | - |
| WIC 21-4652 Breastfeeding | 10.557 | CD6 21-4652 | 22,556 | 2,149,794 | - |
| WIC 20-4652 Farmer's Market | 10.572 | CD6 20-4652 | 1,092 | | - |
| WIC 21-4652 Farmer's Market Food | 10.572 | CD6 21-4652 | 691 | | - |
| WIC 21-4652 Farmer's Market | 10.572 | CD6 20-4652 | 3,660 | 5,443 | - |
| Passed through the Maine Bureau of Health: | | | | | |
| SNAP Cluster: | | | | | |
| Supplemental Nutrition Assistance Program | 10.561 | OFI 20-351 | 301,346 | | - |
| Total SNAP Cluster | | | | 301,346 | |
| Total Department of Agriculture | | | 3,679,057 | | - |
| Department of Commerce: | | | | | |
| Economic Development Cluster: | | | | | |
| Investment in Public Works and Economic Development Facilities | 11.300 | N/A | 977,059 | | - |
| Total Economic Development Cluster | | | | 977,059 | |
| Total Department of Commerce | | | 977,059 | | - |
| Department of Housing and Urban Development: | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | |
| Community Development Block Grants | 14.218 | MC-23-0004 | 1,105,238 | | - |
| COVID - Community Development Block Grants - CV | 14.218 | MC-23-0004 | 252,697 | | - |
| Total CDBG - Entitlement Grants Cluster | | | | 1,357,935 | |
| Shelter Plus Care: | | | | | |
| ME 0026L1T001710 TRA (8716) | 14.238 | N/A | 68,487 | | - |
| ME 0026L1T001811 TRA (8716) | 14.238 | N/A | 45,113 | | - |
| ME 0028L1T001912 TRA (8715) | 14.238 | N/A | 332,171 | | - |
| ME 0028L1T001811 TRA (8715) | 14.238 | N/A | 64,345 | | - |
| ME 0082L1T001903 TRA (8714) | 14.238 | N/A | 239,493 | | - |
| ME 0082L1T002004 TRA (8714) | 14.238 | N/A | 87,357 | | - |
| ME 0117L1T001700 TRA (8719) | 14.238 | N/A | 34,655 | 871,621 | - |
| Total Department of Housing and Urban Development | | | 2,229,556 | | - |

*See accompanying notes to schedule of expenditures of federal awards.*

**CITY OF BANGOR, MAINE**
**Schedule of Expenditures of Federal Awards, Continued**
**For year ended June 30, 2021**

| Federal Awards | Federal Assistance Number | Pass-through/ Grantor Number | Expenditures | Listing/ Cluster Totals | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| Department of Justice: | | | | | |
| STOP School Violence Prevention | 16.839 | 2018-YS-BX-0107 | $ 17,780 | | - |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2020-DJ-BX-0716 | 19,204 | | - |
| COVID - Coronavirus Emergency Supplemental Funding Program | 16.034 | 2020-VD-BX-1005 | 41,011 | | - |
| Passed through Penobscot County Emergency Management Agency: | | | | | |
| COVID - Coronavirus Emergency Supplemental Funding Program | 16.034 | CESF | 5,777 | 46,788 | - |
| Total Department of Justice | | | 83,772 | | - |
| Department of Transportation: | | | | | |
| COVID - Airport Improvement Plan | 20.106 | N/A | 7,034,500 | 7,034,500 | - |
| Federal Transit Cluster: | | | | | |
| COVID - Federal Transit - Operating | 20.507 | N/A | 1,961,636 | | - |
| COVID - Federal Transit - Capital ADA | 20.507 | N/A | 142,138 | | - |
| Bus and Bus Facilities Formula and Discretionary Programs (Transit Center) | 20.526 | N/A | 120,085 | | - |
| Total Federal Transit Cluster | | | | 2,223,859 | |
| Passed through the Department of Agriculture, Conservation, and Forestry | | | | | |
| Recreational Trails Program | 20.219 | CTB 20180228-0038 | 18,000 | | - |
| Passed through the Maine Department of Transportation: | | | | | |
| Federal Transit - Transit System Structural Study | 20.505 | CSN 42260 | 13,647 | | - |
| Highway Planning and Construction Cluster: | | | | | |
| Ohio/14th Intersection (7610) | 20.205 | WIN 20895, CSN 35956 | 166,602 | | - |
| Union/14th Intersection (7604) | 20.205 | WIN 20896, CSN 35948 | 169,542 | | - |
| Trail 5 (7611) | 20.205 | WIN 22208, CSN TBD | 157,869 | | - |
| Union St Sidewalk (7612) | 20.205 | WIN 22210, CSN 37563 | 4,950 | | - |
| Main/Union Signal (7615) | 20.205 | WIN 22827, CSN 37604 | 93,415 | | - |
| Hogan Resurface (7622) | 20.205 | WIN 23517, CSN 39283 | 27,046 | | - |
| Main St Pave (7623) | 20.205 | WIN 23519, CSN TBD | 470,253 | | - |
| Hogan Sidewalk Des (7635) | 20.205 | WIN 24313, CSN 40722 | 212,217 | | - |
| Union ADA (7606) | 20.205 | WIN 24591 CSN TBD | 7,700 | | - |
| Total Highway Planning and Construction Cluster | | | | 1,309,594 | |
| Total Department of Transportation | | | 10,599,600 | | - |
| Department of Treasury: | | | | | |
| Passed through Maine Department of Education: | | | | | |
| COVID - Coronavirus Relief Funds I | 21.019 | 7010 | 3,065,978 | | - |
| COVID - Coronavirus Relief Funds II | 21.019 | 7015 | 3,234,879 | | - |
| COVID - Coronavirus Relief Funds - Adult Ed | 21.019 | 7011 | 43,390 | | - |
| Passed through Maine Department of Health and Human Services: | | | | | |
| COVID - Coronavirus Relief Fund | 21.019 | COM-20-3003B | 270,887 | 6,615,134 | - |
| Total Department of Treasury | | | 6,615,134 | | - |



*See accompanying notes to schedule of expenditures of federal awards.*

**CITY OF BANGOR, MAINE**
**Schedule of Expenditures of Federal Awards, Continued**
**For year ended June 30, 2021**

| Federal Awards | Federal Assistance Listing | Pass-through/ Grantor Number | Expenditures | Listing/ Cluster Totals | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| Small Business Association: | | | | | |
| COVID - Shuttered Venue Operators Grant | 59.075 | N/A | 2,240,659 | | - |
| Total Small Business Association | | | 2,240,659 | | - |
| Environmental Protection Agency: | | | | | |
| Brownfields Assessment and Cleanup | 66.818 | 96188601 | $ 32,319 | | - |
| Passed through the State Revolving Loan Fund Program: | | | | | |
| Clean Water State Revolving Fund Cluster: | | | | | |
| Combined Sewer Overflow | 66.458 | C230071-13 | 13,738,072 | | - |
| Combined Sewer Overflow | 66.458 | C230071-12 | 350,739 | | - |
| Total Clean Water State Revolving Loan Fund Cluster | | | | 14,088,811 | |
| Total Environmental Protection Agency | | | 14,121,130 | | - |
| Department of Education: | | | | | |
| Passed through the Maine Department of Education: | | | | | |
| Adult Basic Education | 84.002A | 6296 | 127,136 | | 58,558 |
| Title 1A | 84.010 | 3107 | 1,882,477 | | - |
| Impact Aid | 84.041B | Unknown | 127,157 | | - |
| McKinney Vento | 84.196 | 3104 | 64,540 | | - |
| 21st Century | 84.287C | 3356 | 176,998 | | - |
| Title IIA - Supporting Effective Instruction | 84.367 | 3042 | 317,580 | | - |
| COVID - Elementary and Secondary School Emergency Relief Fund | 84.425D | 7006 | 226,308 | | - |
| COVID - Elementary and Secondary School Emergency Relief Fund | 84.425D | Unknown | 128,600 | 354,908 | - |
| Special Education Cluster: | | | | | |
| Special Education - Grants to Local States | 84.027 | 3046 | 650,569 | | - |
| Preschool | 84.173 | 6247 | 16,395 | | - |
| Total Special Education Cluster | | | | 666,964 | |
| Total Department of Education | | | 3,717,760 | | 58,558 |
| Department of Health & Human Services: | | | | | |
| Passed through Substance Abuse and Mental Health Services Administration: | | | | | |
| Drug-Free Communities Support Program | 93.276 | 5H79SP018689-05 | 67,278 | | - |
| Drug-Free Communities Support Program | 93.276 | 2H79SP018689-06 | 32,363 | 99,641 | - |
| CARA Local Drug Crisis | 93.799 | 1H79SP080430-01 | 28,054 | | - |
| Passed through the Maine Department of Health and Human Services: | | | | | |
| Substance Use Prevention - STIM SOR | 93.788 | CD0 20-4425 | 26,712 | | - |
| Naloxone/Narcan | 93.788 | OSA 21-373C | 118,524 | 145,236 | - |
| Substance Use Prevention | 93.243 | CD0 20-4425 | 33,687 | | - |
| Overdose Response | 93.243 | OSA 21-6005 | 32,894 | 66,581 | - |
| Overdose Prevention | 93.959 | OSA 21-373A | 51,197 | | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | CD0 20-4425 | 95,702 | 146,899 | - |
| Total Department of Health & Human Services | | | 486,411 | | - |
| Department of Homeland Security: | | | | | |
| Law Enforcement Reimbursement Program | 97.090 | HSTS0216HSLR711 | 91,060 | | - |
| NEDCTP (8713) | 97.072 | HSTS0215HNCP408 | 149,028 | | - |
| Assistance to Firefighters | 97.044 | EMW-2019-FG-02601 | 108,913 | | - |
| Staffing for Adequate Fire and Emergency Response | 97.083 | EMW-2017-FH-00166 | 190,607 | | - |
| Passed through the Maine Emergency Management Agency: | | | | | |
| COVID - Disaster Grants - Public Assistance | 97.036 | N/A | 99,577 | | - |
| Homeland Security Grant Program | 97.067 | EMW-2018-SS-00049 | 60,408 | | - |
| Homeland Security Grant Program | 97.067 | EMW-2019-SS-00015 | 7,418 | | - |
| Homeland Security Grant Program | 97.067 | EMW-2017-SS-0052 | 30,008 | 97,834 | - |
| Total Department of Homeland Security | | | 737,019 | | - |
| **Total Federal Awards** | | | **$ 45,487,157** | | **58,558** |

*See accompanying notes to schedule of expenditures of federal awards.*

**CITY OF BANGOR, MAINE**
**Notes to Schedule of Expenditures of Federal Awards**
**June 30, 2021**

## PURPOSE OF THE SCHEDULE

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Assistance Listings in the System for Awards Management.

## SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Bangor, Maine for the fiscal year ended June 30, 2021. The reporting entity is defined in notes to basic financial statements of the City of Bangor, Maine.

B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance.

   1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

   2. Major Programs - The Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Bangor, Maine are identified in the summary of auditor’s results in the schedule of findings and questioned costs.

C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards 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.

E. Indirect Cost Rate - The City of Bangor, Maine has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for some of its Department of Health and Human Services grants.

**CITY OF BANGOR, MAINE**
**Schedule of Findings and Questioned Costs**
**For the year ended June 30, 2021**

## Section I - Summary of Auditor's Results

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516? | Yes |

Identification of major federal programs:

| Assistance Listing | Covid Funds | Name of Federal Program or Cluster |
|---|---|---|
| | | |
| 10.557 | | WIC - Nutrition Program |
| 11.300 | | Economic Development Cluster |
| 14.218 | Covid | CDBG Entitlement Grants Cluster |
| 20.106 | Covid | Airport Improvement Plan |
| 20.507-20.526 | Covid | Federal Transit Cluster |
| 21.019 | Covid | Coronavirus Relief Funds |
| 59.075 | Covid | Shuttered Venue Operators Grant |
| 84.027-84.173 | | Special Education Cluster |
| 84.425D | Covid | Elementary and Secondary School Emergency Relief Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**Section II - Findings Required to be Reported Under *Government Auditing Standards***

**None**

**Section III - Findings and Questioned Costs for Federal Awards**

**2021-001 – Department of Education, for the Period July 1, 2020 through June 30, 2021, Assistance Listing #84.027-84.173; Special Education Cluster**

Criteria: Under the Uniform Guidance §200.430 Compensation - personal services, charges for salaries and wages must be based on records that accurately reflect the work performed. Budget estimates alone do not qualify as support for charges to Federal awards, unless the non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges and to make necessary adjustment such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition: The School Department charged personnel time to the Local Entitlement grant that was not based on actual work performed but on budgeted amounts.

Cause: Although the personnel time spent on the grant exceeded the amount charged to the Local Entitlement grant, the time was based on budgeted percentages and not actual time worked.

Effect: Actual personnel time charged to the grant was not documented, was based on budgeted amounts, and therefore, unallowable.

Known Questioned Costs: None

Likely Questioned Costs: None

Recommendations: To avoid future non-compliance in this area, the School Department should not charge any personnel to grants if they work on more than one Federal grant or split their time between Federal and non-Federal work.

*Management response/corrective action: Following past practices which your team has demonstrated were in error, the School Department used budgeted estimates when applying time to the local entitlement grant. We believe that keeping a time log for the numerous grants would not be practicable and would use upwards of 5% of the work time. Each day, the time spent by the grant accountant is typically very fluid, frequently transitioning from one grant to another then back again. Therefore, the School Department has taken your advice to not apply any time to Federal grants. The change was made when we were made aware of the audit finding - February 15, 2022.*

**Section III - Findings and Questioned Costs for Federal Awards, continued**

**2021-002 – Uniform Guidance Written Policies**

Criteria: Under the Uniform Guidance §200.302 Financial Management, the non-Federal entity must provide written procedures to implement the requirements of §200.305 (Federal payment), and written procedures for determining the allowability of costs in accordance with subpart E of the Uniform Guidance and the terms and conditions of the Federal award.

Condition: The City currently does not have written procedures as required by the Uniform Guidance as specified in the criteria.

Cause: Although the City has adequate procedures in place to prevent non-compliance for most of its Federal grants, those procedures have not been documented.

Effect: Without written procedures, the City runs the risk of non-compliance for Federal grants.

Known Questioned Costs: None

Likely Questioned Costs: None

Recommendations: The City should review its Federal grants and determine which grants need specific written procedures to meet the Uniform Guidance requirements.

*Management response/corrective action: The City has begun to develop the required written procedures by particular funding awards. These work will need to be expanded to ensure the appropriate procedures are in place for all federal expenditures.*

**Section V - Status of Prior Year Findings to be Reported under *Government Auditing Standards***

**None**

**Section VI - Status of Prior Year Findings and Questioned Costs for Federal Awards**

**None**