

**CITY OF NEW BRITAIN, CONNECTICUT**

**FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2011**

**CITY OF NEW BRITAIN, CONNECTICUT**

**FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2011**

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Accounting | Tax | Business Consulting

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

To the Honorable Mayor and Members of the  
Common Council of the City of New Britain  
City of New Britain, Connecticut

**Compliance**

We have audited the City of New Britain, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of New Britain, Connecticut's major federal programs for the year ended June 30, 2011. The City of New Britain, Connecticut'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 each of its major federal programs is the responsibility of the City of New Britain, Connecticut's management. Our responsibility is to express an opinion on the City of New Britain, Connecticut'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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Britain, Connecticut'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 of the City of New Britain, Connecticut's compliance with those requirements.

In our opinion, the City of New Britain, Connecticut, 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 June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-02 and 2011-03.

## **Internal Control over Compliance**

Management of the City of New Britain, Connecticut, 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 the City of New Britain, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 New Britain, Connecticut'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-02 and 2011-03. 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.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2011 and have issued our report thereon dated December 27, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Britain, Connecticut's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of New Britain, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Britain, Connecticut's responses, and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Mayor, members of the Common Council, the Board of Education, others within the entity, 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.

*Blum, Shapiro & Company, P.C.*

December 27, 2011

**CITY OF NEW BRITAIN, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's Number/<br/>Project Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| <b>United States Department of Agriculture</b><br><i>Passed Through the State Department of Education:</i>              |                                    |  |                     |
| Child Nutrition Cluster:  |                                    |  |                     |
| School Breakfast Program  | 10.553                             | 12060-SDE64370-20508   | \$ 1,323,292        |
| National School Lunch Program   | 10.555                             | 12060-SDE64370-20560   | <u>3,105,267</u>    |
|   |                                    |  | \$ 4,428,559        |
| Fresh Fruit and Vegetable Program   | 10.582                             | 12060-SDE64370-22051   | <u>53,330</u>       |
| Total United States Department of Agriculture   |                                    |  | <u>4,481,889</u>    |
| <b>United States Department of Education</b><br><i>Passed Through the State of Connecticut Department of Education:</i> |                                    |  |                     |
| Title I, Part A Cluster:  |                                    |  |                     |
| Title I Grants to Local Educational Agencies  | 84.010                             | 12060-SDE64370-20679   | 6,176,068           |
| Title I Grants to Local Educational Agencies, Recovery Act  | 84.389                             | 12060-SDE64370-29010   | <u>1,452,256</u>    |
|   |                                    |  | 7,628,324           |
| Special Education Cluster:  |                                    |  |                     |
| Special Education - Grants to States  | 84.027                             | 12060-SDE64370-20977   | 2,704,457           |
| Special Education - Preschool Grants  | 84.173                             | 12060-SDE64370-20983   | 98,861              |
| Special Education - Grants to States (IDEA, Part B), Recovery Act   | 84.391                             | 12060-SDE64370-29011   | 1,559,008           |
| Special Education - Preschool Grants (IDEA Preschool), Recovery Act   | 84.392                             | 12060-SDE64370-29012   | <u>61,015</u>       |
|   |                                    |  | 4,423,341           |
| Career and Technical Education - Basic Grants to States   | 84.048                             | 12060-SDE64370-20742   | 290,905             |
| Safe and Drug-Free Schools and Communities - State Grants   | 84.186                             | 12060-SDE64370-20873   | 25,247              |
| Twenty-First Century Community Learning Centers   | 84.287                             | 12060-SDE64370-20863   | 280,224             |
| Education Technology State Grants Cluster:  |                                    |  |                     |
| Education Technology State Grants, Recovery Act (Enhancing Education through Technology Program)                        | 84.386                             | 12060-SDE64370-29063   | 49,272              |

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**CITY OF NEW BRITAIN, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's Number/<br/>Project Number</u> | <u>Expenditures</u> |
|--|------------------------------------|--|---------------------|
| English Language Acquisition Grants  | 84.365                             | 12060-SDE64370-20868   | \$ 180,082          |
| Improving Teacher Quality State Grants   | 84.367                             | 12060-SDE64370-20858   | 982,681             |
| School Improvement Grants Cluster:   |                                    |  |                     |
| School Improvement Grants  | 84.377                             | 12060-SDE64370-22223   | \$ 259,015          |
| School Improvement Grants, Recovery Act  | 84.388                             | 12060-SDE64370-29064   | <u>408,119</u>      |
|  |                                    |  | 667,134             |
| Education for Homeless Children and Youth,<br>Recovery Act   | 84.387                             | 12060-SDE64370-29033   | 11,651              |
| State Fiscal Stabilization Cluster:  |                                    |  |                     |
| State Fiscal Stabilization Fund (SFSF) -<br>Education State Grants, Recovery Act<br>(Education Stabilization Fund) | 84.394                             | 12060-SDE64370-29054   | 10,547,122          |
| Education Jobs Fund  | 84.410                             | 12060-SDE64370-22405   | <u>4,322,697</u>    |
| Total United States Department of<br>Education   |                                    |  | <u>29,408,680</u>   |
| <br><b>Environmental Protection Agency</b>   |                                    |  |                     |
| <i>Passed Through the State of Connecticut<br/>Department of Environmental Protection:</i>                         |                                    |  |                     |
| Performance Partnership Grants   | 66.605                             | 12060-DEP43540-21010   | <u>10</u>           |
| <br><b>United States Department of Health and<br/>Human Services</b>   |                                    |  |                     |
| <i>Passed Through the State of Connecticut<br/>Department of Public Health:</i>                                    |                                    |  |                     |
| Immunization Cluster:  |                                    |  |                     |
| Immunization Grants  | 93.268                             | 12060-DPH48664-20911   | 61,520              |
| Preventive Health and Health Services Block<br>Grant   | 93.991                             | 12060-DPH48558-21530   | 13,337              |
| Pregnancy Assistance Fund Program  | 93.500                             | 12060-SDE64370-22439   | 178,566             |
| Public Health Emergency Preparedness   | 93.069                             | 12060-DPH48557-22350   | 28,888              |

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**CITY OF NEW BRITAIN, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's Number/<br/>Project Number</b> | <b>Expenditures</b>       |
|--|------------------------------------|--|---------------------------|
| Public Health Emergency Preparedness   | 93.069                             | 12060-DPH48557-22333   | \$ <u>38,426</u>          |
| Total United States Department of Health<br>and Human Services   |                                    |  | <u>320,737</u>            |
| <b>United States Department of Homeland<br/>Security</b>   |                                    |  |                           |
| <i>Direct Program:</i>   |                                    |  |                           |
| Assistance to Firefighters Grant   | 97.044                             |  | 92,844                    |
| <i>Passed Through the State of Connecticut<br/>Department of Emergency Management and<br/>Homeland Security:</i> |                                    |  |                           |
| Homeland Security Cluster:   |                                    |  |                           |
| Homeland Security Grant Program  | 97.067                             | 12060-EHS99530-21877   | 133,782                   |
| Emergency Management Performance Grants  | 97.042                             | 12060-EHS99660-21881<br>12060-EHS99620-22233                 | \$ 32,424<br><u>1,298</u> |
|  |                                    |  | <u>33,722</u>             |
| Total United States Department of<br>Homeland Security   |                                    |  | <u>260,348</u>            |
| <b>United States Department of Housing and<br/>Urban Development</b>   |                                    |  |                           |
| CDBG-Entitlement Grants Cluster:   |                                    |  |                           |
| <i>Direct Programs:</i>  |                                    |  |                           |
| Community Development Block<br>Grant/Entitlement   | 14.218                             |  | 2,126,074                 |
| Community Development Block Grant<br>ARRA Entitlement Grants (CDBG-R) -<br>(Recovery Act Funded)                 | 14.253                             |  | 250,269                   |
| <i>Passed Through the State of Connecticut<br/>Department of Economic and Community<br/>Development:</i>         |                                    |  |                           |
| Neighborhood Stabilization Program   | 14.228                             | 12060-ECD46400-22324   | <u>469,189</u>            |
|  |                                    |  | 2,845,532                 |

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**CITY OF NEW BRITAIN, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's Number/<br/>Project Number</u> | <u>Expenditures</u> |
|--|------------------------------------|--|---------------------|
| <i>Direct Programs:</i>  |                                    |  |                     |
| Emergency Shelter Grants Program   | 14.231                             |  | \$ 95,385           |
| Home Investment Partnership Program  | 14.239                             |  | 863,574             |
| Homelessness Prevention and Rapid<br>Re-Housing Program (Recovery Act Funded)  | 14.257                             |  | <u>593,555</u>      |
| Total United States Department of<br>Housing and Urban Development   |                                    |  | <u>4,398,046</u>    |
| <b>United States Department of Justice</b>   |                                    |  |                     |
| <i>Direct Programs:</i>  |                                    |  |                     |
| Bulletproof Vest Partnership Program   | 16.607                             |  | 14,256              |
| <i>JAG Program Cluster:</i>  |                                    |  |                     |
| Recovery Act - Edward Byrne Memorial<br>Justice Assistance Grant (JAG) Program/<br>Grants to States and Territories    | 16.803                             |  | \$ 93,196           |
| Recovery Act - Edward Byrne Memorial<br>Justice Assistance Grant (JAG) Program/<br>Grants to Units of Local Government | 16.804                             |  | <u>89,894</u>       |
|  |                                    |  | 183,090             |
| <i>Passed Through the State of Connecticut<br/>Department of Public Safety:</i>  |                                    |  |                     |
| National Institute for Juvenile Justice  | 16.542                             | 12060-DPS32353-21917   | 925                 |
| <i>Passed Through the State of Connecticut Office of<br/>Policy and Management:</i>                                    |                                    |  |                     |
| Violence Against Women Formula Grants  | 16.588                             | 12060-OPM20350-21625   | 68,565              |
| Juvenile Justice and Delinquency Prevention<br>Allocation to States  | 16.540                             | 12060-OPM20350-21676   | <u>9,590</u>        |
| Total United States Department of Justice  |                                    |  | <u>276,426</u>      |

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**CITY OF NEW BRITAIN, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</u>        | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's Number/<br/>Project Number</u> | <u>Expenditures</u>  |
|--|------------------------------------|--|----------------------|
| <b>United States Department of Transportation</b>                                |                                    |  |                      |
| <i>Passed Through the State of Connecticut</i>                                   |                                    |  |                      |
| <i>Department of Transportation:</i>   |                                    |  |                      |
| Highway Planning and Construction Cluster:                                       |                                    |  |                      |
| Highway Planning and Construction  | 20.205                             | 12062-DOT57191-22108   | \$ 44,501            |
|  |                                    | 12062-DOT57141-29015   | 1,445,104            |
|  |                                    | 12062-DOT57141-22108   | 724,779              |
|  |                                    | 12062-DOT57125-22108   | 600                  |
|  |                                    | 12062-DOT57124-22108   | <u>118</u>           |
|  |                                    |  | \$ 2,215,102         |
| Highway Safety Cluster:  |                                    |  |                      |
| State and Community Highway Safety   | 20.600                             | 12062-DOT57343-20559   | 14,212               |
| Alcohol Traffic Safety and Drunk Driving   | 20.601                             | 12062-DOT57343-22086   | <u>68,846</u>        |
|  |                                    |  | 83,058               |
| Alcohol Open Container Requirements  | 20.607                             | 12062-DOT57343-22091   | 64,912               |
| Federal Transit - Formula Grants   |                                    |  |                      |
|  | 20.507                             | 12062-DOT57191-22102   | 6,338                |
|  |                                    | 12062-DOT57126-22102   | 3,956                |
|  |                                    | 12062-DOT57125-22102   | 10,000               |
|  |                                    | 12062-DOT57124-22102   | <u>11,356</u>        |
|  |                                    |  | <u>31,650</u>        |
| Total United States Department of<br>Transportation                              |                                    |  | <u>2,394,722</u>     |
| <b>United States Department of Energy</b>  |                                    |  |                      |
| <i>Direct Program:</i>   |                                    |  |                      |
| Energy Efficiency and Conservation Block<br>Grant Program (EECBG) - Recovery Act | 81.128                             |  | <u>653,500</u>       |
| <b>Total Federal Awards Expended</b>   |                                    |  | <u>\$ 42,194,358</u> |

**CITY OF NEW BRITAIN, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Various agencies of the Federal Government have made financial assistance available to the City of New Britain, Connecticut. These grants fund several programs including housing, education, human services, transportation and general government activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of New Britain, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of Accounting** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New Britain, Connecticut, and is presented on the modified accrual basis of accounting. 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*.

**NOTE 2 - NONCASH AWARDS**

Donated commodities in the amount of \$217,269 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

**NOTE 3 - IMMUNIZATION GRANTS - NONCASH BENEFITS**

The City also reports noncash awards under the Immunization Grants, CFDA #93.268. The amount of \$61,520 included in the schedule of federal awards includes \$58,585 of noncash benefit payments made directly to suppliers by the State of Connecticut and are included in the schedule of federal awards, as reported by the State Department of Public Health for eligible participants of the program.



Accounting | Tax | Business Consulting

**Independent Auditors' 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 Honorable Mayor and Members of the  
Common Council of the City of New Britain  
City of New Britain, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the City of New Britain, Connecticut's basic financial statements, and have issued our report thereon dated December 27, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of New Britain, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures 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 New Britain, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Britain, Connecticut's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-01, that we consider to be significant deficiencies in internal control over financial reporting. 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 City of New Britain, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of New Britain, Connecticut, in a separate letter dated December 27, 2011.

The City of New Britain, Connecticut's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Britain, Connecticut's response, and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Mayor, members of the Common Council, the Board of Education, others within the entity, 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.

*Blum, Shapiro & Company, P.C.*

December 27, 2011

**CITY OF NEW BRITAIN, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?   X   yes        none reported
- Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?   X   yes        none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

  X   yes        no

Identification of major programs:

| CFDA #                      | Name of Federal Program or Cluster   |
|-----------------------------|--|
| 84.410                      | Education Jobs Fund  |
| 84.027/84.173/84.391/84.392 | Special Education Cluster  |
| 84.377/84.388               | School Improvement Grants  |
| 84.394                      | State Fiscal Stabilization Fund Cluster  |
| 14.239                      | Home Investment Partnership Program  |
| 16.803/16.804               | Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Local Governments |
| 20.205                      | Highway Planning and Construction  |

Dollar threshold used to distinguish between type A and type B programs: \$1,265,831

Auditee qualified as low-risk auditee?   X   yes        no

## II. FINANCIAL STATEMENT FINDINGS

### Finding No. 2011-01      **General Ledger Maintenance**

|                       |   |
|-----------------------|---|
| <b>Criteria</b>       | Management is responsible for establishing and maintaining internal controls to ensure the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).  |
| <b>Condition</b>      | <p>We noted year-end closing procedures that were not timely completed to record transactions in a manner consistent with GAAP. All accounting transactions of a significant nature were adjusted in the audited financial statements. The following listing includes the results of our analysis of various City accounts and funds:</p> <ul style="list-style-type: none"><li>• Bank reconciliations were not completed in a timely manner, and adjustments were posted six months subsequent to year end on the City's financial statements.</li><li>• Certain balance sheet accounts were consolidated inappropriately when converted to the City's new financial management system. Significant audit adjustments were required to reallocate and adjust these accounts.</li><li>• The reconciliation between the City and Board of Education for the Education Grants fund was not completed timely and significant audit adjustments were required to balance this activity.</li><li>• Significant audit adjustments in the Water Fund were required to correctly state assets and liabilities and record current year activity.</li><li>• Activity for the long-term loan receivables and deferrals were not posted, and adjustments were required to correctly state the accounts at year end.</li></ul> |
| <b>Context</b>        | The City's Water Fund, General Fund, State and Federal Grants Fund, Pension Funds and Internal Service Funds were misstated.  |
| <b>Effect</b>         | Significant adjustments were posted to present the financial statements in accordance with GAAP.  |
| <b>Cause</b>          | The implementation of the City's new financial management system coupled with the decrease of finance staff impeded the ability of the department to adequately and timely review the balance sheet accounts at year end.   |
| <b>Recommendation</b> | We recommend that the Town develop written procedures to document duties performed and ensure financial statements are presented in accordance with GAAP.   |

**Management Response and Planned Corrective Action**                      Written procedures regarding reconciliations are being developed and implemented by City Management. This will ensure that future reconciliations are completed in a timely manner. In FY 2011, the implementation of the City’s new general ledger and payroll financial management systems paired with decreased staff caused delays in completing reports in accordance with GAAP. Going forward this will not be an issue.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding No. 2011-02**                      **Reporting**  
Grantor: U.S. Department of Justice  
CFDA Number: 16.804/16.803  
Program Name: Edward Byrne Memorial Justice Assistance Grant (JAG) Program

**Criteria**                                      Federal financial reports as well as Section 1512 Reports (for recovery act grants) are required to be filed 30 days and 10 days after the end of each quarter, respectively.

**Condition**                                      Federal financial reports were not filed timely for one out of three reports sampled. Section 1512 reporting was not filed timely for two out of two reports sampled during the fiscal year.

**Questioned Costs**                      None noted.

**Context**                                        The City has four individual grants under this program.

**Effect**                                         No effect can be determined.

**Cause**                                         The City did not have sufficient controls in place to ensure proper filing of required reports.

**Recommendation**                      We recommend that the City strengthen procedures to ensure the timely filing of reports in accordance with grant requirements.

**Management Response and Planned Corrective Action**                      Procedures for filing these reports have been reviewed by City Management and procedures have been developed to ensure compliance with all grant reporting requirements.



**Finding No. 2011-03      Cash Management**

|  |   |
|--|---|
| <b>Programs</b>  | 84.394 State Fiscal Stabilization Fund<br>84.377/84.388 School Improvement Grants<br>84.027/84.173/84.391/84.392 Special Education Cluster  |
| <b>Pass-Through Agency</b>                               | State of Connecticut Department of Education  |
| <b>Criteria</b>  | Procedures for minimizing the time elapsing between the transfer of funds from the State Department of Education and disbursement by the grantee must be followed whenever advance payments are used.   |
| <b>Condition</b>   | The Board of Education had a significant cash balance derived from cash drawdowns of federal funds in excess of grant expenditures reported at year end.  |
| <b>Questioned costs</b>                                  | None reported.  |
| <b>Context</b>   | The Board of Education requested drawdown amounts in excess of current needs, causing the release of Federal funds prematurely.   |
| <b>Effect</b>  | No direct effect can be determined.   |
| <b>Cause</b>   | The Board of Education overestimated the amount of funds needed during the month.   |
| <b>Recommendation</b>                                    | We recommend that the Board of Education develop and implement controls and procedures to comply with Federal cash management requirements by requesting drawdowns only for amounts already disbursed or to be disbursed in the immediate future. |
| <b>Management Response and Planned Corrective Action</b> | The Board of Education has implemented a new policy for analyzing drawdown requests. This policy will more accurately predict costs to be incurred within the month federal funds are requested.  |

**IV. STATUS OF PRIOR YEAR FINDINGS**

**Prior Audit Findings Unresolved:**

| <b>Finding Number</b> | <b>Description</b>   |
|-----------------------|--|
| <b>2010-01</b>        | Federal financial and Section 1512 reports were not filed timely. Finding was repeated and updated as Finding No. 2011-02. |