

CITY OF NEW BRITAIN, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2014

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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

To the Members of the Common Council
City of New Britain, Connecticut

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of New Britain, Connecticut'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of New Britain, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of New Britain, Connecticut, 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 major federal programs for the year ended June 30, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of New Britain, Connecticut'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 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. 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the City of New Britain, Connecticut's basic financial statements. We issued our report thereon dated December 23, 2014, 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 OMB Circular A-133 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2014

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Agriculture			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 1,732,896
National School Lunch Program	10.555	12060-SDE64370-20560	<u>4,111,632</u>
			\$ 5,844,528
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	50,508
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	<u>267,027</u>
Total United States Department of Agriculture			<u>6,162,063</u>
United States Department of Education			
<i>Direct Programs:</i>			
Fund for the Improvement of Education	84.215		154,399
<i>Passed Through the State of Connecticut</i>			
<i>Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2013	1,236,182
Title I Grants to Local Educational Agencies, Recovery Act	84.389	12060-SDE64370-20679-2014	<u>4,609,212</u>
			5,845,394
Special Education Cluster:			
Special Education - Grants to States	84.027	12060-SDE64370-20977-2013	182,228
Special Education - Grants to States	84.027	12060-SDE64370-20977-2014	2,462,048
Special Education - Preschool Grants	84.173	12060-SDE64370-20983-2013	18,785
Special Education - Preschool Grants	84.173	12060-SDE64370-20983-2014	<u>93,766</u>
			2,756,827
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742-2014	223,586
Twenty-First Century Community Learning Centers	84.287	12060-SDE64370-20863-2013	18,526
Twenty-First Century Community Learning Centers	84.287	12060-SDE64370-20863-2014	<u>103,124</u>
			121,650

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
English Language Acquisition Grants	84.365	12060-SDE64370-20868-2013	\$ 64,785
English Language Acquisition Grants	84.365	12060-SDE64370-20868-2014	<u>163,979</u>
			\$ 228,764
Mathematics and Science Partnerships	84.366	12060-SDE64220-21592-2014	525
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2013	232,048
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2014	<u>517,850</u>
			<u>749,898</u>
Total United States Department of Education			<u>10,081,043</u>
United States Department of Health and Human Services			
<i>Direct Programs:</i>			
Safe & Healthy Schools	93.243		6,115
<i>Passed Through the State of Connecticut Department of Public Health:</i>			
Immunization Grants	93.268	12060-DPH48664-20911	63,375
Preventive Health and Health Services Block Grant	93.991	12060-DPH48558-21530	18,546
Public Health Emergency Preparedness	93.069	12060-DPH48558-22333	56,954
<i>Passed Through the State of Connecticut Department of Education:</i>			
Pregnancy Assistance Fund Program	93.500	12060-SDE64370-22439	<u>177,575</u>
Total United States Department of Health and Human Services			<u>322,565</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Emergency Management Performance Grants	97.042	12060-DPS32160-21881	<u>36,627</u>

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development			
<i>Direct Programs:</i>			
CDBG-Entitlement Grants Cluster: Community Development Block Grant/Entitlement	14.218		\$ 1,732,381
Emergency Shelter Grants Program	14.231		222,329
<i>Passed Through the State of Connecticut Department of Housing:</i>			
CDBG-State-Administered Small Cities Program Cluster: State Administered Small Cities Program	14.228	12060-DOH46930-22466	<u>10,438</u>
Total United States Department of Housing and Urban Development			<u>1,965,148</u>
United States Department of the Interior			
<i>Direct Programs:</i>			
Save America's Treasures	15.929		<u>22,389</u>
United States Department of Justice			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607		9,304
Public Safety Partnership and Community Policing Grants COPS	16.710		48,425
<i>Passed Through the State of Connecticut Office of Policy and Management:</i>			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	12060-OPM20350-21676	39,997
JAG Program Cluster: Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	17,525

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
Title V - Delinquency Prevention Program	16.548	12060-OPM20350-20859	\$ 21,354
Edward Byrne Memorial Formula Grant Program	16.580	12060-OPM20350-22613	<u>20,945</u>
Total United States Department of Justice			<u>157,550</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	12062-DOT57344-22108	\$ 1,149,673
Highway Planning and Construction	20.205	12062-DOT57141-29015	223,763
Highway Planning and Construction	20.205	12060-DOT57141-22108	<u>4,088,718</u>
			5,462,154
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	12062-DOT57191-22100	22,637
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	12062-DOT57191-22102	<u>163</u>
			22,800
Highway Safety Cluster:			
Alcohol Traffic Safety and Drunk Driving	20.601	12062-DOT57513-22086	2,995
Alcohol Open Container Requirements	20.607	12062-DOT57513-22091	<u>139,795</u>
Total United States Department of Transportation			<u>5,627,744</u>
Total Federal Awards Expended			<u>\$ 24,375,129</u>

The accompanying notes are an integral part of this schedule

**CITY OF NEW BRITAIN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of New Britain, Connecticut, under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of the City of New Britain, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the City of New Britain, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - NONCASH AWARDS

Donated commodities in the amount of \$322,282 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.



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**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 Members of the Common Council
City of New Britain, Connecticut

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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of New Britain, Connecticut's basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of New Britain, Connecticut'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 New Britain, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Britain, Connecticut'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 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. A significant deficiency is a deficiency, or 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 weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Britain, Connecticut'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*.

The City of New Britain, Connecticut's Response to Findings

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

Purpose of this Report

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2014

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I, Part A Cluster
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$731,254

Auditee qualified as low-risk auditee? X yes no

II. FINANCIAL STATEMENT FINDINGS

Finding No.	Financial Reporting Requirements
2014-001	
Criteria	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).
Condition	Significant adjustments were necessary to record accounts receivable and deferred revenue within several funds. In addition, several expenditures were not posted in the proper period.
Context	Adjustments were noted in the General Fund, Water Enterprise Fund and Capital Projects Fund.
Effect	Client-prepared statements were not properly presented in accordance with GAAP.
Cause	Weakness in internal control procedures in place to ensure that transactions occurring subsequent to year end are reported in the proper period.
Recommendation	We recommend that all balance sheet items be reviewed at year end and adjustments properly recorded in the financial management system prior to the audit.
Management Response and Planned Corrective Action	Written procedures regarding reconciliations and closing procedures are being developed and implemented by City and Board of Education management. The City and Board of Education will perform reconciliations and closing procedures in a timely manner.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

IV. STATUS OF PRIOR YEAR FINDINGS

Prior Audit Findings Unresolved:

<u>Finding Number</u>	<u>Description</u>
SDIC13-01	Finding has not been resolved and has been updated. See finding 2014-001.

Prior Audit Findings Resolved:

<u>Finding Number</u>	<u>Description</u>
SDIC13-02	All funds for the BOE are maintained on a general ledger software system.
SDIC13-03	Capital assets for the Water Enterprise Fund were appropriately depreciated.
SDIC13-04	Journal Entries are being properly reviewed by the Finance Department.