

TOWN OF SCARBOROUGH, MAINE

**INDEPENDENT AUDITORS' REPORTS REQUIRED BY TITLE 2 U.S. *CODE OF
FEDERAL REGULATIONS* PART 200, *UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL
AWARDS* (UNIFORM GUIDANCE) AND *GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF SCARBOROUGH, MAINE

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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*

The Honorable President and Members of the Town Council
Town of Scarborough, Maine

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Scarborough's basic financial statements and have issued our report thereon dated May 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Scarborough'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 Town of Scarborough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Scarborough'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Scarborough, 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*.

Town of Scarborough, Maine's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Scarborough, Maine's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Scarborough, Maine's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Marcum LLP

May 31, 2023
Providence, RI

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 THE UNIFORM GUIDANCE

The Honorable President and Members of the Town Council
Town of Scarborough, Maine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Scarborough, Maine's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Scarborough, 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 major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Scarborough, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Scarborough, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Scarborough, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Scarborough, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, each major fund, and the aggregate remaining fund information of the Town of Scarborough, Maine, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Scarborough, Maine's basic financial statements. We issued our report thereon dated May 31, 2023, 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.

Marcum LLP

Providence, RI
June 30, 2023 except for the report on the
schedule of expenditures of federal awards
which is dated May 31, 2023

TOWN OF SCARBOROUGH, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures Incurred
<i>U.S. Department of Education</i>				
Passed through the State of Maine Department of Education:				
Title I Grants to Local Education Agencies	84.010	013-3107	\$ --	\$ 137,772
Special Education Cluster:				
Special Education - Grants to States	84.027	013-3046/025-7170	--	818,602
Special Education - Preschool Grants	84.173	013-6247	--	30,911
<i>Total Special Education Cluster</i>			--	849,513
Elementary and Secondary School Emergency Relief Fund:				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	013-7006/7041	--	406,554
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	025-7071	--	379,677
<i>Total Elementary and Secondary School Emergency Relief Fund</i>			--	786,231
Improving Teacher Quality State Grants	84.367	013-3042	1,271	66,942
Student Support and Academic Enrichment Program	84.424	013-3345	137	137
<i>Total U.S. Department of Education</i>			<u>1,408</u>	<u>1,840,595</u>
<i>U.S. Department of Agriculture</i>				
Passed through the State of Maine Department of Education:				
Child Nutrition Cluster:				
COVID-19 Summer Food Service Program for Children	10.559	013-3018	--	340,890
Breakfast Program	10.553	013-3014	--	384,409
Lunch Program	10.555	013-3022	--	1,257,435
<i>Total Child Nutrition Cluster</i>			--	1,982,734
Child Nutrition Non-Food Assistance	10.649	013-6184	--	3,684
Child Nutrition Supply Chain Assistance	10.560	013-0067	--	53,316
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565	013-6134	--	64,243
<i>Total Food Distribution Cluster</i>			--	64,243
<i>Total U.S. Department of Agriculture</i>			--	<u>2,103,977</u>
<i>U.S. Department of Treasury</i>				
Direct Program				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		--	247,030
<i>Total U.S. Department of Treasury</i>			--	<u>247,030</u>

See notes to schedule of expenditures of federal awards.

TOWN OF SCARBOROUGH, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures Incurred</u>
<i>U.S. Department of Justice</i>				
Direct Program				
Harold Rogers Prescription Drug Monitoring Program	16.754		\$ --	\$ 25,534
<i>Total U.S. Department of Justice</i>			<u>--</u>	<u>25,534</u>
<i>U.S. Department of Transportation</i>				
Passed through the State of Maine Department of Public Safety				
Highway Safety Cluster:				
State and Community Highway Safety	20.600		--	44,390
<i>Total Highway Safety Cluster</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		--	6,979
<i>Total U.S. Department of Transportation</i>			<u>--</u>	<u>51,369</u>
<i>U.S. Department of Homeland Security</i>				
Passed through Federal Emergency Management Agency				
Homeland Security Grant Program	97.067		--	6,414
<i>Total U.S. Department of Homeland Security</i>			<u>--</u>	<u>6,414</u>
<i>Executive Office of the President</i>				
Passed through Office of National Drug Control Policy				
High Intensity Drug Trafficking Area Grant Program	95.001		5,381,124	5,381,124
<i>Total Executive Office of the President</i>			<u>5,381,124</u>	<u>5,381,124</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$5,382,532</u>	<u>\$ 9,656,043</u>

See notes to schedule of expenditures of federal awards.

TOWN OF SCARBOROUGH, MAINE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Town of Scarborough, Maine under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Town of Scarborough, Maine, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the Town of Scarborough.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – SCHOOL LUNCH COMMODITIES

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the cost of commodities provided to the School Lunch Program. The total federal share of these commodities and donations was \$64,243 for the year ended June 30, 2022. The amounts have been included in the schedule of expenditures of federal awards under Assistance Listing Number 10.565.

NOTE 4 – INDIRECT COST RATE

Town of Scarborough, Maine has elected not to use the 10-percent de Minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

TOWN OF SCARBOROUGH, MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified not considered to be material weaknesses?

 Yes X None Reported

Non-compliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal award programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)?

 Yes X None reported

Type of auditors’ report issued on compliance for major federal award programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of Major Federal Programs:

Assistance Listing Number

Name of Federal Program or Cluster

10.553 / 10.555 / 10.559

Child Nutrition Cluster

84.027 / 84.173

Special Education Cluster

84.425

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?

 X Yes No

TOWN OF SCARBOROUGH, MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

CURRENT YEAR FINDINGS:

MATERIAL WEAKNESS:

2022-001: COMPLETENESS AND ACCURACY OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CONDITION: The Town improperly recorded a federal program and its related expenditures in the Schedule of Expenditures of Federal Awards (SEFA) in error, resulting in a Type A program and cluster not being identified and assessed in the SEFA for the year-ended June 30, 2021.

CRITERIA: Management is responsible for the completeness and accuracy of the SEFA and ensuring that all federal program reimbursement requests are properly computed and reported, which impacts both the Town’s financial statement and federal compliance audits. Policies and procedures adopted must provide for the accurate summarization and recording of all federal program revenues and expenditures.

CAUSE OF CONDITION: When reviewing grant program activity for inclusion in the SEFA management under reported the expenditures of a federal program cluster. Management failed to critically review such determinations, which permitted the federal program and cluster to be improperly reported in the SEFA.

POTENTIAL EFFECT OF CONDITION: Inaccurate amounts and program listings could be prepared, leading to an inaccurate SEFA and other errors to be reported in the Town’s financial statements.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that management study their existing policies and procedures for summarizing and reporting program information in its SEFA and implement enhancements to strengthen controls over the completeness and accuracy of the information to be reported to the federal government and federal awarding agencies.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: Please see management’s Corrective Action Plan included in this reporting package.

TOWN OF SCARBOROUGH, MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

CURRENT YEAR FINDINGS (CONTINUED):

MATERIAL WEAKNESS (CONTINUED):

2022-002: FINANCIAL STATEMENT REPORTING

CONDITION: Management is responsible for the selection and application of accounting principles, for the preparation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

CRITERIA: During fiscal 2022, the Town provided corrections to restate opening fund balance as a result of: (1) improper application of accounting principles related to compensated absences under GASB 34; and (2) lack of inclusion of a previously unrecorded fund in the fund financial statements.

CAUSE OF CONDITION: The Town did not have adequate policies and procedures in place to ensure proper application of accounting principles and ensuring all funds were properly included in the financial statements.

POTENTIAL EFFECT OF CONDITION: Improper application of accounting principles could lead to inaccurate financial reporting and decision-making.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that management study their existing policies and procedures to ensure proper application of accounting principles and to ensure all funds are properly reconciled and accounted for in the financial statements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: Please see management's Corrective Action Plan included in this reporting package.

TOWN OF SCARBOROUGH, MAINE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

None reported

Finding Number: 2022-001 - COMPLETENESS AND ACCURACY OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Agency/Program: U.S. Dept. of Agriculture/Child Nutrition Cluster

Responsible Person: Kate Bolton

Planned Completion Date: May 31, 2023

Concurrence: Management agrees with this finding.

Narrative of Planned Corrective Action: We have implemented additional review procedures to ensure all funds are properly included in the financial statements. We have formed a grant committee to review all grant awards for proper inclusion in the Town's financial statements.

Finding Number: 2022-002 - FINANCIAL STATEMENT REPORTING

Agency/Program: Executive Office of the President/High Intensity Drug Trafficking Area Grant

Responsible Person: Norman Kildow

Planned Completion Date: May 31, 2023

Concurrence: Management agrees with this finding.

Narrative of Planned Corrective Action: The restatement entries to opening fund balance have been posted to our general ledger. We have implemented additional review procedures to ensure all funds are properly included in the financial statements. We have formed a grant committee to review all grant awards for proper inclusion in the Town's financial statements.



Norman E. Kildow
Finance Director
Town of Scarborough, Maine