

CITY OF AUBURN, MAINE

**Reports Required by *Government Auditing
Standards* and OMB Circular A-133**

**For the Year Ended
June 30, 2014**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2014

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council and School Committee
City of Auburn, 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, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Auburn, Maine's basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Auburn, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Auburn, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, 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 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. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

**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 Auburn, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


We noted certain matters that we reported to management of the City of Auburn, Maine in a separate letter dated November 24, 2014.

City of Auburn, Maine's Response to Findings

The City of Auburn, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Auburn, Maine'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 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.



November 24, 2014
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council and School Committee
City of Auburn, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Auburn, Maine'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 Auburn, Maine's major federal programs for the year ended June 30, 2014. The City of Auburn, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Auburn, 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 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 Auburn, Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Auburn, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Auburn, 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Internal Control over Compliance

Management of the City of Auburn, 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 Auburn, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 the City of Auburn, Maine's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, 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 a 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 the 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

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 Auburn, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Auburn, Maine's basic financial statements. We issued our report thereon dated November 24, 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 the 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 scheduled of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



November 24, 2014
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2013	Revenue Recognized		Expenditures Recognized		Balance at June 30, 2014
						Federal	Other	Federal	Other	
U.S. Department of Education:										
Direct Program:										
Safe Schools Healthy Students	84.184		N/A	\$ 22,000	(4,977)	4,977	-	-	-	-
Passed through Maine Department of Education:										
Adult Basic Education	84.002		6296	23,220	-	22,885	-	22,885	-	-
Title IA	84.010		3107	1,139,701	-	1,213,999	-	1,213,999	-	-
Title 1A Continuous Improvement Program	84.010		3056	32,892	56	-	-	-	-	56
Local Entitlement	84.027		3046	922,503	-	961,960	-	961,960	-	-
PreSchool Part B Section 619	84.173		6247	12,458	-	12,458	-	12,458	-	-
Twenty-First Century Community Learning Centers	84.287		3356	268,205	-	309,893	-	309,893	-	-
Title III - Language acquisition	84.365		3115	23,278	-	23,775	-	23,775	-	-
Title IIA - Improving Teacher	84.367		3042	193,062	-	178,175	-	178,175	-	-
Passed through the University of Maine:										
Reading Recovery	84.396		N/A	1,850	461	-	-	152	-	309
Passed through Maine Department of Substance Abuse:										
Drug Free Communities	84.186		N/A	4,815	3,150	4,589	-	4,557	-	3,182
Total U.S. Department of Education					(1,310)	2,732,711	-	2,727,854	-	3,547
U.S. Department of Health and Human Services, passed through Maine										
Department of Education:										
Refugee Resettlement	93.576		3120	9,585	-	11,776	-	7,956	-	3,820
SIRP	93.959		6401	12,467	3,416	9,051	-	12,467	-	-
Total U.S. Department of Health and Human Services					3,416	20,827	-	20,423	-	3,820
U.S. Department of Homeland Security										
Passed through Maine Emergency Management Agency:										
Homeland Security - 2010 Metro	97.067		N/A	188,775	92,511	12,849	-	105,360	-	-
Homeland Security - 2011 Metro	97.067		N/A	130,890	38,097	52,309	-	90,406	-	-
Homeland Security - 2012 Metro	97.067		N/A	61,914	-	61,914	-	53,895	-	8,019
Homeland Security - 2013 Metro	97.067		N/A	94,311	-	16,540	-	-	-	16,540
Passed through Federal Emergency Management Agency:										
Assistance to Firefighters Grant	97.044		N/A	86,074	-	76,570	-	87,079	-	(10,509)
Total U.S. Department of Homeland Security					130,608	220,182	-	336,740	-	14,050
U.S. Department of Defense:										
Community Economic Adjustment Planning Assistance	12.610		N/A	149,998	(59,068)	98,524	-	56,105	-	(16,649)
U.S. Department of Commerce:										
National Telecommunications and Information Administration	11.558	Y	N/A	5,000	-	5,000	-	5,000	-	-

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2013	Revenue Recognized		Expenditures Recognized		Balance at June 30, 2014
						Federal	Other	Federal	Other	
U.S. Department of Housing and Urban Development:										
Direct programs:										
Community Development Block Grant - Entitlement	14.218		N/A	\$ 522,224	-	561,238	-	561,238	-	-
Home Investment Partnership Program	14.239		N/A	366,886	-	275,404	-	275,404	-	-
Passed-through the Maine Department of Economic and Community Development:										
Neighborhood Stabilization Program	14.228		N/A	1,021,889	-	125,829	-	125,829	-	-
Neighborhood Stabilization Program	14.228		N/A	969,766	-	75,901	-	75,901	-	-
Passed through the City of Lewiston, Maine:										
Lead-Based Paint Hazard Control	14.907	Y	N/A	919,745	7,046	-	-	-	-	7,046
Total U.S. Department of Housing and Urban Development					7,046	1,038,372	-	1,038,372	-	7,046
U.S. Department of Justice:										
Direct programs:										
COPS Hiring Recovery Program	16.710		N/A	250,000	2,117	53,269	-	57,796	-	(2,410)
COPSAP	16.803	Y	N/A	269,205	51,205	-	-	-	-	51,205
Equitable Sharing Program	16.922		N/A	33,583	19,683	36,676	-	24	-	56,335
2010 Edward Byrne Justice Assistance Grant	16.804		N/A	18,295	(2,216)	11,788	-	5,863	-	3,709
2011 Edward Byrne Justice Assistance Grant	16.804		N/A	16,309	-	11,744	-	11,740	-	4
2012 Edward Byrne Justice Assistance Grant	16.804		N/A	15,307	-	265	-	165	-	100
2013 Edward Byrne Justice Assistance Grant	16.804		N/A	14,582	-	9,192	-	8,746	-	446
Passed through the Maine Department of Health and Human Services:										
Enforcing Underage Drinking Laws	16.727		N/A	4,250	-	-	4,165	4,165	-	-
Total U.S. Department of Justice					70,789	122,934	4,165	88,499	-	109,389
U.S. Department of Transportation,										
Passed through the Maine Department of Transportation:										
Highway Planning and Construction - South Maine Street	20.205		N/A	1,147,320	(337,477)	1,175,946	-	1,027,944	-	(189,475)
Highway Planning and Construction - Park Avenue Trail	20.205		N/A	711,360	(179,844)	86,454	-	-	-	(93,390)
Highway Planning and Construction - Park Avenue Reconstruction	20.205		N/A	640,000	(238,278)	30,749	-	125,492	-	(333,021)
Highway Planning and Construction - Riverside Drive	20.205		N/A	220,000	(58,822)	50,000	-	-	-	(8,822)
Highway Planning and Construction - Court St Slip Lane	20.205		N/A	180,000	(84,583)	209,636	-	137,239	-	(12,186)
Highway Planning and Construction - Helm Bridge	20.205		N/A	337,500	(7,090)	326,576	-	260,357	-	59,129
Highway Planning and Construction - Route 2	20.205		N/A	400,000	-	33,248	-	33,248	-	-
Highway Planning and Construction - Minot Ave Bin Wall	20.205		N/A	556,000	-	-	-	11,542	-	(11,542)
Passed through the Maine Bureau of Highway Safety:										
2013 DriveSober, Maine! Impaired Driving	20.600		N/A	9,862	-	9,986	-	8,487	-	1,499
2014 Click It or Ticket Campaign	20.600		N/A	3,000	-	2,800	-	2,352	-	448
2014 Speed Enforcement Program	20.600		N/A	10,000	-	10,320	-	8,512	-	1,808
Total U.S. Department of Transportation					(906,094)	1,935,715	-	1,615,173	-	(585,552)
U.S. Department of Agriculture, passed through the Maine Department of Education:										
National School Lunch Program	10.555		3024	N/A	339,719	715,601	154,192	715,601	157,933	335,978
Food Donation Program	10.555		6134	N/A	-	82,407	-	82,407	-	-
School Breakfast Program	10.553		3014	N/A	-	215,299	-	215,299	-	-
Summer Food Service Program	10.559		3016	N/A	-	71,174	-	71,174	-	-
Fresh Fruit and Vegetable Program	10.582		3028	N/A	-	63,759	-	63,759	-	-
Total U.S. Department of Agriculture					339,719	1,148,240	154,192	1,148,240	157,933	335,978
Totals				\$	(414,894)	7,322,505	158,357	7,036,406	157,933	(128,371)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133 requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Auburn, Maine for the fiscal year ended June 30, 2014. The reporting entity is defined in Notes to Basic Financial Statements of the City of Auburn, Maine.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, 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 - OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the City of Auburn, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.

- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs
June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no

Significant deficiencies identified? none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title IA
84.287	Twenty-First Century Community Learning Centers
14.218	CDBG Entitlement
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

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

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

SIGNIFICANT DEFICIENCIES

2014-001 – Segregation of Duties – Arena and Recreation

During our testing of Arena and Recreation cash receipts, we found there is a lack of segregation of duties in the receiving, depositing and recording of cash receipts. To provide effective control, it would be necessary to separate each of these duties. At the present time, the cashier's duties include all of these functions to some degree. During subsequent conversations, it is apparent that at this time, it is not possible to separate each of these duties. It would appear advisable to at least set up some form of control over cash receipts, such as a list of remittances received to be prepared at the time the mail is opened, use of prenumbered receipts, and reconciling cash registers to the register tape. All of these tasks would be completed by an employee other than the one preparing the deposit.

Management's response/corrective action plan: As soon as this was brought to the attention of staff, procedures were implemented to correct this issue. Currently, one staff member closes out the cash register daily and reconciles the cash receipts to the tape. This same employee opens all mail and lists each check in a check log as it is received. This employee initials all work and then gives the work to the administrative assistant, who makes out the deposit. We will continue to monitor the cash receipts process and refine as necessary with the limited staff.

Person responsible for corrective action:

Jill Eastman, Finance Director, (207) 333-6600

Anticipated completion date:

Corrective action will be complete within 12 months.

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

Section III - Findings and Questioned Costs for Federal Awards

None

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards

None