

CITY OF AUBURN, MAINE

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

**For the Year Ended
June 30, 2019**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2019

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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, 2019, 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 January 31, 2020.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 January 31, 2020.

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.



January 31, 2020
South Portland, Maine

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

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City of Auburn, Maine's compliance.

Basis for Qualified Opinion on Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, the City of Auburn, Maine, did not comply with requirements regarding CFDA 14.218 Community Development Block Grant as described in finding number 2019-001 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Auburn, Maine, to comply with the requirements applicable to that program.

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

Qualified Opinion on Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Community Development Block Grant for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other 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, 2019.

Other Matters

The City of Auburn, Maine's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine, as of and for the year ended June 30, 2019, 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 January 31, 2020, 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.



January 31, 2020
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Federal expenditures	CFDA/cluster totals	Passed through to subrecipients
U.S. Department of Education, passed through the Maine Department of Education:					
2000-44581	Adult Basic Education	84.002	6296	\$ 28,463	-
2000-44517	Title IA	84.010	3107	1,030,452	-
2000-44504	Title IA - Program Improvement	84.010	3106	29,319	1,059,771
Special Education Cluster:					
2000-44562	Special Education - Grants to States (IDEA, Part B)	84.027	3046	1,160,101	-
2000-44531	Special Education - Preschool Grants (IDEA Preschool)	84.173	6247	18,615	-
Total Special Education Cluster				1,178,716	
2000-44110	21st Century - Community Learning Center	84.287	3356	327,304	-
2000-44599	Special Education - State Personnel Development (Math4ME)	84.323	3049	99,182	-
2000-44512	Title III - Language Acquisition	84.011	3115	18,362	-
2000-44520	Title IIA - Supporting Effective Instruction	84.367	3042	123,586	-
2000-44518	School Improvement Grant	84.377	3105	444,978	-
2000-44523	Title IV - Student Support and Academic Enrichment	84.424	3345	41,450	-
Total U.S. Department of Education				3,321,812	-
U.S. Department of Agriculture, passed through the Maine Department of Education:					
Child Nutrition Cluster:					
6000-45304	National School Lunch Program	10.555	3020/3022/3024/3125	792,035	-
	Donated Commodities	10.555	3024	107,568	-
6000-45304	School Breakfast Program	10.553	3014	249,710	-
6000-45304	Summer Food Service Program	10.559	3016/3018	79,410	-
Total Child Nutrition Cluster				1,228,723	
6000-45304	Fresh Fruit and Vegetable Program	10.582	3028	65,967	-
passed through the Maine Department of Agriculture, Conservation, and Forestry's Maine Forest Service:					
2051	Project Canopy: Urban and Community Forestry Program	10.675	N/A	7,938	-
Direct Programs:					
6000-44352	Farm to School	10.575	N/A	34,707	-
Total U.S. Department of Agriculture				1,337,335	-
U.S. Department of Justice:					
passed through Dirigo Safety, LLC:					
2034	Enforcing Underage Drinking Laws	16.727	2019-002	5,040	-
Direct Programs:					
2003	Edward Byrne Justice Assistance Grant	16.738	N/A	15,432	-
2037	Bullet Proof Vest	16.607	N/A	6,315	-
2044	Equitable Sharing Program	16.922	N/A	16,116	-
Total U.S. Department of Justice				42,903	-

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through number	Federal expenditures	CFDA/cluster totals	Passed through to subrecipients
U.S. Department of Transportation,					
passed through the Maine Department of Transportation:					
Highway Planning and Construction Cluster:					
2005					
2005					
2005					
1000					
				432,700	
passed through the Maine Bureau of Highway Safety:					
Highway Safety Cluster:					
2007					
2013					
2014					
2059					
				51,888	
Total U.S. Department of Transportation			484,588		-
U.S. Department of Housing and Urban Development:					
Direct Programs:					
CDBG - Entitlements Grants Cluster:					
2020					
				889,170	
2020					
Total U.S. Department of Housing and Urban Development			1,115,441		-
U.S. Department of Homeland Security,					
passed through the Maine Emergency Management Agency:					
2008					
Total U.S. Department of Homeland Security			124,143		-
Totals			\$ 6,426,222		-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB)'s Uniform Guidance 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, 2019. 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 the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

 - 2. Major Programs - the Uniform Guidance establishes the 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 summary of auditor's results section in the schedule of findings and questioned costs.

- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City of Auburn, Maine's fund financial statements.

- D. The City of Auburn, Maine has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs
June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control over major federal programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant – Entitlement</u>
<u>84.010</u>	<u>Title IA</u>
<u>84.027, 84.173</u>	<u>Local Entitlement Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

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

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

None

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

Section III - Findings and Questioned Costs for Federal Awards

2019-001 U.S. Department of Housing and Urban Development, for the period July 1, 2018 through June 30, 2019, CFDA #14.218 Community Development Block Grant

Criteria: The program requires the SF-425 Federal Financial Report to be submitted quarterly and the C04PR26 CDBG Financial Summary to be submitted annually. Both reports include revenue and expenditure information that should be reported on a basis consistent with grant terms.

Condition: Certain information reported in the SF-425 Federal Financial Reports and the C04PR26 CDBG Financial Summary could not be reconciled to the City's accounting system.

Cause: The City utilizes several different systems to administer and track results of the CDBG program. The City's Munis accounting system is utilized for most financial information, the GMS system is utilized to track outstanding loans, and the U.S. Department of Housing and Urban Development IDIS system is used to track project achievements. As such, information must be entered and logged on three different systems. Maintaining continuity of information on all three systems is burdensome and can lead to inaccuracies.

Effect: Failure to complete reports accurately and maintain proper supporting documentation for amounts reported could skew the financial position of the program and related projects. As such, measurement of results and management decisions for future projects could be based on inaccurate information.

Recommendation: All information entered into Munis, GMS, and IDIS should be reconciled monthly to ensure that financial information and data is consistent across all platforms. Quarterly and year-end financial reporting should be prepared and reconciled to the Munis accounting system and supporting documentation should be maintained on file according to the City's document retention policies.

Questioned Costs: None

Management's Response: The City plans on implementing the recommendation in the audit. This will be carried out with monthly reconciliation meetings between the Community Development and Financial Departments. The Departments are also working on a better way to align accounts between Munis, GMS, and IDIS.

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

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

None