

CITY OF AUBURN, MAINE

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

**For the Year Ended
June 30, 2016**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2016

<u>Report</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	9
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	10
Section III - Findings and Questioned Costs for Federal Awards	11
Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards	12

**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, 2016, 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 December 22, 2016.

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.

**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 December 22, 2016.

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.



December 22, 2016
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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, 2016. 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 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, *Uniforms 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 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.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the City of Auburn, Maine did not comply with requirements regarding paid lunch equity for its Child Nutrition Cluster (CFDA #10.553, 10.555, 10.559) as described in finding number 2016-001. 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 FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Qualified Opinion on the Child Nutrition Cluster

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 Child Nutrition Cluster for the year ended June 30, 2016.

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 accompany schedule of findings and questioned costs for the year ended June 30, 2016.

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 FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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 and therefore, material weaknesses or significant deficiencies may exist that were not 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, 2016, 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 December 22, 2016, 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.



December 22, 2016
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

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:					
0295 Adult Basic Education	84.002	6296	\$ 27,593		-
0230 Title IA	84.010	3107	1,075,543		-
0231 Title IA - Program Improvement	84.010	3106	3,558	1,079,101	-
Special Education Cluster:					
0247 Special Education - Grants to States (IDEA, Part B)	84.027	3046	1,148,523		-
0251 Special Education - Preschool Grants (IDEA Preschool)	84.173	6247	14,072		-
Total Special Education Cluster				1,162,595	
0263 21st Century - Community Learning Center	84.287	3356	390,000		-
0268 Title III - Language Acquisition	84.365	3115	23,616		-
0270 Title IIA - Improving Teacher Quality	84.367	3042	193,014		-
0242 School Improvement Grant	84.377	3105	257,297		-
Passed through the Maine Department of Substance Abuse:					
2017 Drug Free Communities	84.186	N/A	3,182		-
Total U.S. Department of Education			3,136,398		-
U.S. Department of Agriculture, passed through the Maine Department of Education: Child Nutrition Cluster:					
0600 National School Lunch Program	10.555	3020/3022/3024/3125	829,040		-
Food Donation Program	10.555	3024	76,965		-
School Breakfast Program	10.553	3014	251,618		-
Summer Food Service Program	10.559	3016/3018	79,286		-
Total Child Nutrition Cluster				1,236,909	
0600 Fresh Fruit and Vegetable Program	10.582	3028	63,997		-
Direct Program:					
0600 Farm to School	10.575	N/A	6,071		-
Total U.S. Department of Agriculture			1,306,977		-
U.S. Department of Justice: Direct Programs:					
2037 Bullet Proof Vest	16.607	N/A	9,575		-
2033 COPS Hiring Recovery Program	16.710	N/A	121,129		-
2003 Edward Byrne Justice Assistance Grant	16.804	N/A	16,684		-
2044 Equitable Sharing Program	16.922	N/A	39,389		-
Total U.S. Department of Justice			186,777		-

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2016

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:					
2005 Highway Planning and Construction	20.205	N/A	\$ 2,485,864		-
Passed through the Maine Bureau of Highway Safety:					
2007 CIOT Buckle-up No Excuses	20.600	N/A	8,736		-
2013 Evidence Based Impaired Driving (OUI Grant)	20.600	N/A	19,765		-
2014 Speed Enforcement Program	20.600	N/A	12,906	41,407	-
Total U.S. Department of Transportation			2,527,271		-
U.S. Department of Housing and Urban Development:					
Direct Programs:					
2020 Community Development Block Grant - Entitlement	14.218	N/A	663,240		-
2020 Home Investment Partnership Program	14.239	N/A	466,575		-
Total U.S. Department of Housing and Urban Development			1,129,815		-
U.S. Department of Health and Human Services, passed through the Maine Department of Education:					
0220 Student Integration and Reintervention Program	93.959	6401	1,431		-
Total U.S. Department of Health and Human Services			1,431		-
U.S. Department of Homeland Security, passed through the Maine Emergency Management Agency:					
2008 Homeland Security	97.067	N/A	91,383		-
Total U.S. Department of Homeland Security			91,383		-
Totals			\$ 8,380,052		-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

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, 2016. 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, 2016

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?	None reported
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:	Qualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
<u>84.027, 84.173</u>	<u>Special Education 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

2016-001 – U.S. Department of Agriculture, for the Period July 1, 2015 through June 30, 2016, CFDA #10.553, 10.555, 10.559 Child Nutrition Cluster – Paid Lunch Equity

Statement of Condition: The School Department did not raise the price of paid lunches or contribute non-Federal funding, which is required if the School Department's calculated weighted average price for paid lunches is below the difference between the Federal reimbursement rate of a paid lunch and that of a free lunch.

Criteria: The OMB Compliance Supplement states that, "A School Food Authority (SFA) participating in the National School Lunch Program is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as equity. There are two ways to meet this requirement: (a) by raising prices charged for paid lunches; or (b) through contributions from other non-Federal sources".

Effect: If the School Department's weighted average price for paid lunches is below the required equity, and the School Department neither raised the price of paid lunches or contributed non-Federal support to supplement the program, the School Department is not fulfilling the requirements set forth in Title 2 of the *Code of Federal Regulations* (2 CFR), *Grants and Agreements*, for the Child Nutrition Cluster with respect to paid lunch equity.

Cause: The School Department incorrectly calculated the weighted average price for paid lunches, which led them to believe they were in compliance with the provisions of paid lunch equity. As such, the School Department did not increase prices in the following school year or supplement the program with non-Federal sources.

Recommendation: We recommend the School Department have the calculation of its weighted average price for paid lunches reviewed annually by the Maine Department of Education. Further, if the School Department's weighted average price for paid lunches is below the required equity, we recommend they either increase the price of paid lunches by the required amount or contribute non-Federal funding to maintain compliance with paid lunch equity.

Questioned Costs: None

Management's response/corrective action plan: *In early fiscal year 2016, our paid lunch was increased by \$.05 per meal, which was in conjunction with the State Department of Education, Child Nutrition Services. The DOE, Child Nutrition Services did perform a School Lunch Program audit review in January 2016. During the post-exit conference meeting, there was no sited violation relating to our paid lunch charged fees. In calculating the weighted average price for paid lunches in May 2016, and with review by the State DOE oversight, it was determined that for fiscal year 2017, an increase of \$.10 per paid lunch would be required. The \$.10 per paid lunch was approved by the Auburn School Committee and is effective at the start of the new school year for fiscal year 2017. We will continue annually to monitor our paid lunch equity and will coordinate our efforts with cooperation of the State DOE Child Nutrition Services, as our filter for compliance.*

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

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

None