

CITY OF AUBURN, MAINE

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

**For the Year Ended
June 30, 2012**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2012

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**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**

City Council and School Committee
City of Auburn, Maine

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, 2012, which collectively comprise the City of Auburn, Maine's basic financial statements and have issued our report thereon dated December 3, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the City of Auburn, Maine, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Auburn, Maine's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, Maine's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 of 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 3, 2012.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 3, 2012
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City Council and School Committee
City of Auburn, Maine

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Auburn, Maine's management. Our responsibility is to express an opinion on the City of Auburn, Maine's compliance based on our audit.

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. Our audit does not provide a legal determination on the City of Auburn, Maine's compliance with those requirements.

As described in item #2012-1 in the accompanying schedule of findings and questioned costs, the City of Auburn, Maine, did not comply with requirements regarding verification of free and reduced price applications that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the City of Auburn, Maine, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Auburn, Maine complied, in all material respects, with the 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, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

Internal Control Over Compliance

Management of the City of Auburn, Maine, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Auburn, Maine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated December 3, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

The City of Auburn, Maine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Auburn, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 3, 2012
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at		Revenue Recognized		Expenditures Recognized		Balance at June 30, 2012
					June 30, 2011	June 30, 2012	Federal	Other	Federal	Other	
U.S. Department of Education:											
Direct Program:											
Safe Schools Healthy Students											
Passed through Maine Department of Education:											
Adult Basic Education	84.002		N/A	\$ 13,000	(1,221)		12,573		13,345		(1,993)
Title IA	84.010		6296	27,255	-	-	27,255	-	27,255	-	-
Title 1A Continuous Improvement Program	84.010		3107	1,221,618	-	-	1,019,180	-	1,019,180	-	-
Local Entitlement	84.027		3056	47,888	-	-	32,593	-	32,538	-	55
Preschool Part B Section 619	84.173		3046	955,866	-	-	1,078,047	-	1,078,047	-	-
21st Century	84.173		6241	8,507	-	-	15,949	-	15,949	-	-
Title III - Language acquisition	84.287		3054	371,674	-	-	371,674	-	371,674	-	-
Title IIA - Improving Teacher	84.365		3090	23,625	-	-	22,487	-	22,487	-	-
Title IA - ARRA	84.367		3042	206,137	-	-	242,884	-	242,884	-	-
Local Entitlement - ARRA	84.389	Y	3107	780,373	-	-	99,828	-	99,828	-	-
Preschool - ARRA	84.391	Y	3046	489,517	-	-	142,387	-	142,387	-	-
Homeless Assistance - ARRA	84.392	Y	6241	14,395	-	-	3,987	-	3,987	-	-
Education Jobs Fund Program	84.387	Y	3104	15,047	-	-	4,368	-	4,368	-	-
Passed through Maine Department of Substance Abuse:	84.410	Y	3099	651,617	-	-	641,873	-	641,873	-	-
Drug Free Schools and Communities	84.186		N/A	15,618	103	-	-	-	103	-	-
Total U.S. Department of Education					(1,118)		3,715,085		3,715,905		(1,938)
U.S. Department of Health and Human Services, passed through Maine											
Department of Education:											
Refugee Resettlement	93.576		3120	7,820	-	-	9,448	-	9,448	-	-
SIRP	93.959		6401	9,992	955	-	8,864	-	9,106	-	713
Total U.S. Department of Health and Human Services					955		18,312		18,554		713
U.S. Department of Homeland Security, passed through Maine Emergency Management Agency:											
Homeland Security - 2009 Metro	97.067		N/A	178,859	(7,477)	-	7,477	-	-	-	-
Homeland Security - 2010 Metro	97.067		N/A	188,775	(34,133)	-	-	-	56,014	-	(90,147)
Total U.S. Department of Homeland Security					(41,610)		7,477		56,014		(90,147)
Environmental Protection Agency:											
Brownfields Grant	66.818		N/A	200,000	(15,913)	-	11,492	-	4,684	-	(9,105)
Total Environmental Protection Agency					(15,913)		11,492		4,684		(9,105)

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2011	Revenue Recognized		Expenditures Recognized		Balance at June 30, 2012
						Federal	Other	Federal	Other	
U.S. Department of Housing and Urban Development:										
Direct programs:										
Community Development Block Grant - Entitlement	14.218		N/A	\$ 580,199	-	790,590	-	790,590	-	-
Home Investment Partnership Program	14.239		N/A	544,923	-	1,396,789	-	1,396,789	-	20
Passed-through the Maine Department of Economic and Community Development:										
Neighborhood Stabilization Program	14.228		N/A	1,021,889	-	64,436	-	64,436	-	-
Neighborhood Stabilization Program	14.228		N/A	850,000	-	302,891	-	302,891	-	-
Passed through the City of Lewiston, Maine:										
Lead-Based Paint Hazard Control	14.907	Y	N/A	919,745	(71,670)	923,792	-	245,076	-	7,046
Total U.S. Department of Housing and Urban Development					(71,670)	2,878,498	-	2,799,762	-	7,066
U.S. Department of Justice:										
Direct programs:										
COPS Hiring Recovery Program	16.710	Y	N/A	374,120	55,471	120,200	-	85,507	-	90,364
COPSAP	16.803	Y	N/A	269,205	(18,751)	118,714	-	87,776	-	12,187
Equitable Sharing Program	16.922		N/A	677	-	677	-	677	-	-
2009 Edward Byrne Justice Assistance Grant	16.738		N/A	14,979	(19)	381	-	362	-	-
2009 Edward Byrne Justice Assistance Grant - ARRA	16.804	Y	N/A	61,930	(2,562)	19,462	-	17,530	-	(530)
2010 Edward Byrne Justice Assistance Grant	16.804		N/A	18,295	-	-	-	887	-	(887)
Passed through the Maine Department of Health and Human Services:										
Enforcing Underage Drinking Laws	16.727		N/A	2,243	-	2,243	-	2,243	-	-
Total U.S. Department of Justice					34,139	261,677	-	194,782	-	101,034
U.S. Department of Transportation:										
passed through the Maine Department of Transportation:										
Highway Planning and Construction - South Maine Street	20.205		N/A	343,590	(28,838)	147,225	-	262,347	-	(143,960)
Highway Planning and Construction - Park Avenue Trail	20.205		N/A	711,360	-	154,098	-	235,500	-	(81,402)
Highway Planning and Construction - Park Avenue Reconstruction	20.205		N/A	1,024,000	-	124,749	-	249,686	-	(124,937)
passed through the Maine Bureau of Highway Safety:										
2011 High Visibility Driving Enforcement	20.600		N/A	4,988	-	4,988	-	4,988	-	-
2012 Buckle-up No Excuses	20.600		N/A	1,892	-	1,892	-	1,400	-	492
2011 Speed Enforcement	20.600		N/A	4,988	-	4,579	-	4,088	-	491
Total U.S. Department of Transportation					(28,838)	437,531	-	758,009	-	(349,316)
U.S. Department of Agriculture, passed through the Maine Department of Education:										
National School Lunch Program	10.555		3024	N/A	267,271	682,463	270,696	682,463	220,469	317,498
Food Donation Program	10.555		6134	N/A	-	79,531	-	79,531	-	-
School Breakfast Program	10.553		3014	N/A	-	170,858	-	170,858	-	-
Summer Food Service Program	10.559		3016	N/A	-	46,764	-	46,764	-	-
Fresh Fruit and Vegetable Program	10.582		3028	N/A	-	54,595	-	54,595	-	-
Total U.S. Department of Agriculture					267,271	1,034,211	270,696	1,034,211	220,469	317,498
National Endowment for the Arts, passed through Maine Arts Commission:										
GirlsSpace	45.025		N/A	9,915	3,595	-	-	3,595	-	-
Totals					146,811	8,364,283	270,696	8,585,516	220,469	(24,195)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

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 for the fiscal year ended June 30, 2012. 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 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, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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
 Circular A-133, Section .510(a)? 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
84.410	Education Jobs
84.027, 84.173, 84.391, 84.392	Special Education Cluster
14.907	Lead-Based Paint Hazard Control
14.239	Home Investment Partnership Program
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*

None

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

Section III - Findings and Questioned Costs for Federal Awards

NONCOMPLIANCE – FEDERAL AWARDS

#2012-1 U.S. Department of Agriculture, for the Period July 1, 2011 through June 30, 2012, CFDA #10.533-10.559 Child Nutrition Cluster

Statement of Condition: In reviewing the Department of Education's verification of free and reduced price applications, it was noted that documentation was not available for several of the selected students.

Criteria: By November 15th of each school year, the Department of Education is required to verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The verification sample is based on the total number of approved applications on file on October 1st.

Effect: We were unable to determine if the Department of Education correctly verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status.

Cause: The documentation needed to ascertain that the sampling and verification of eligibility, as well as any changes to be made, was not available to determine if the verifications were completed properly.

Recommendation: The Department of Education should maintain the records obtained to verify the eligibility of the sample provided and document any changes to eligibility status that were reported.

Questioned Costs: None

Management Response/corrective action plan:

Every year, the Auburn School Department complies with the USDA requirement to verify the income of a percentage of approved "free and reduced" lunch student families. This is done by sending letters to the families informing them that they must provide proof of income in order to verify eligibility. In the event of a non-response, a second letter is sent. If no response is received after the second letter, formal written notice is sent to the family informing them that the student will be removed from "free and reduced" status after a 10-day waiting period. This notice also tells them who they can contact to appeal this decision. Students are then removed from "free and reduced" status. All of these steps were followed for the 2011-12 school year, in compliance with USDA guidelines. The lunch program director has a list of the students who were selected for verification, as well as the outcome of each of those verifications, and a copy of the letter "template" that was mailed out. However, the director did not keep copies of the actual letters sent to the families. In the future, the director will keep copies of the actual letters mailed in order to verify that all steps were followed. The director also will keep a formal list of students selected for verification, with dates that letters were sent, result of verification, and date that change in status was made, if any.

Person responsible for corrective action:

*Adam Hanson Business Office Supervisor, Auburn School Department
Phone: (207) 784-6431, ext. 1425*

Anticipated completion date:

Corrective action will begin immediately.

CITY OF AUBURN, MAINE
Schedule of Prior Year Findings and Questioned Costs

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

None