

CITY OF AUBURN, MAINE

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

**For the Year Ended
June 30, 2024**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2024

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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, 2024, 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 October 6, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be significant deficiencies.

**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**

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-005.

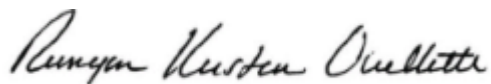
We noted other opportunities for strengthening controls and improving operating efficiency that we reported in the attached schedule of findings and questioned costs under "Other Comments".

The City of Auburn, Maine's Response to Findings and Other Comments

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

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.



October 6, 2025
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

Qualified and Unmodified Opinions

We have audited the City of Auburn, Maine's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Auburn, Maine's major federal programs for the year ended June 30, 2024. 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.

Qualified Opinion on the Community Development Block Grant (CDBG) Cluster and Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, 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 the Community Development Block Grant (CDBG) Cluster and Coronavirus State and Local Fiscal Recovery Funds for the year ended June 30, 2024.

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, 2024.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Auburn, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinion on compliance for each major federal program.

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

Our audit does not provide a legal determination of the City of Auburn, Maine’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Community Development Block Grant (CDBG) Cluster and the Coronavirus State and Local Fiscal Recovery Funds

As described in findings 2024-006 to 2024-008 in the accompanying schedule of findings and questioned costs, the City of Auburn, Maine did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
2025-006	21.027	<i>Coronavirus State and Local Fiscal Recovery Funds</i>	Reporting
2025-007	21.027	<i>Coronavirus State and Local Fiscal Recovery Funds</i>	Procurement
2025-008	14.218	<i>Community Development Block Grant (CDBG) Cluster</i>	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.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Auburn, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Auburn, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Auburn, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the City of Auburn, Maine's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Auburn, Maine's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-006 through 2024-008 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-009 through 2024-011 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Auburn, Maine's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Auburn, Maine's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

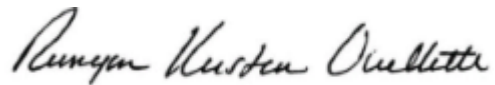
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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, 2024, 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 October 6, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Maine's 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.

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

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.

A handwritten signature in cursive script, reading "Remya Hurst Ouellette".

October 6, 2025
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing	Pass- through number	Federal expenditures	Assistance Listing/ Cluster totals	Passed through to subrecipients
U.S. Department of Education, passed through the Maine Department of Education:					
Adult Basic Education	84.002	6296	\$ 15,502		-
Title IA	84.010	3107	1,071,412		-
Title IA - Program Improvement	84.010	3106	10,961	1,082,373	-
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B)	84.027	3046	708,495		-
Special Education - Preschool Grants (IDEA Preschool)	84.173	6247	23,614		-
Total Special Education Cluster				732,109	
21st Century - Community Learning Center	84.287	3356	204,260		-
Title III - Language Acquisition	84.365A	3115	26,064		-
Title IIA - Supporting Effective Instruction	84.367	3042	225,545		-
Title IV - Student Support and Academic Enrichment	84.424	3345	78,041		-
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425D	7041	53,649		-
COVID-19 - Multilingual Learners Experiencing Homelessness	84.425D	7042	58,877		-
COVID-19 - Literacy Grant	84.425U	7072	143,570		-
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425U	7071	2,284,058		-
COVID-19 - Homeless Children and Youth II	84.425W	3161	7,784	2,547,938	-
Total U.S. Department of Education			4,911,832		-
U.S. Department of Agriculture, passed through the Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3020/3022/3023/ 3024/3125	949,284		-
Donated Commodities	10.555	N/A	117,497		-
State Administrative Expenses for Child Nutrition: Supply Chain Assistance	10.555	6670	74,210		-
After School Snack Program	10.555	3020	953		-
School Breakfast Program	10.553	3014	313,345		-
Summer Food Service Program	10.559	3016/3018	77,002		-
Fresh Fruit and Vegetable Program	10.582	3028	68,647		-
Total Child Nutrition Cluster				1,600,938	
Child and Adult Care Food Program	10.558	6661	20,736		-
COVID-19 - Pandemic EBT Administrative Costs: SNAP	10.649	6184	5,224		-
passed through the Maine Department of Agriculture, Conservation, and Forestry's Maine Forest Service:					
Project Canopy: Urban and Community Forestry Program	10.675	N/A	7,876		-
Total U.S. Department of Agriculture			1,634,774		-
U.S. Department of Justice, Direct Programs:					
Bullet Proof Vest	16.607	N/A	10,865		-
Edward Byrne Justice Assistance Grant	16.738	N/A	6,458		-
Equitable Sharing Program	16.922	N/A	59,073		-
Total U.S. Department of Justice			76,396		-

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing	Pass- through number	Federal expenditures	Assistance Listing/ Cluster totals	Passed through to subrecipients
U.S. Department of Transportation, passed through the Maine Department of Transportation:					
Highway Planning and Construction - Mill Street and Main Street	20.205	CSN 37131	\$ 1,964,172		-
Highway Planning and Construction - Hotel Rd.	20.205	CSN 37605	539,369		-
Highway Planning and Construction - Turner Dennison	20.205	CSN 45200	17,988		-
Highway Planning and Construction - Traffic Signals	20.205	CSN 39949	410,131		-
Highway Planning and Construction - Traffic Signals	20.205	CSN 37605	21,916		-
Highway Planning and Construction - Turner Street Safety	20.205	CSN 44491	27,758	2,981,334	-
passed through the Maine Bureau of Highway Safety:					
Highway Safety Cluster:					
Speed Enforcement Program	20.600	PT24-032	11,512		-
Total Highway Safety Cluster				11,512	
Total U.S. Department of Transportation			2,992,846		-
U.S. Department of Housing and Urban Development:					
Direct Programs:					
CDBG - Entitlements Grants Cluster:					
Community Development Block Grant - Entitlement	14.218	N/A	1,549,197		45,000
Community Development Block Grant - Entitlement - School Department	14.218	N/A	911		-
COVID-19 - Community Development Block Grant - Entitlement	14.218	N/A	55,722		-
Total CDBG - Entitlements Grants Cluster				1,605,830	
Home Investment Partnership Program	14.239	N/A	120,454		73,252
COVID-19 - Home Investment Partnership Program	14.239	N/A	165,200	285,654	75,926
Lead Hazard Reduction Demonstration Grant	14.905	N/A	230,209		-
Total U.S. Department of Housing and Urban Development			2,121,693		194,178
U. S. Department of the Treasury,					
Direct Programs:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	3,165,870		-
Total U. S. Department of the Treasury			3,165,870		-
U.S. Department of Homeland Security,					
passed through the Maine Emergency Management Agency:					
Homeland Security	97.067	N/A	29,560		-
Total U.S. Department of Homeland Security			29,560		-
Totals			\$ 14,932,971		194,178

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

PURPOSE OF THE SCHEDULE

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Assistance Listings in the System for Awards Management.

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, 2024. 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, 2024

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? Yes

Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal Control over major federal programs:

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

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:

Assistance Listing

Name of Federal Program or Cluster

21.027 Coronavirus State and Local Fiscal Recovery Funds

14.218 Community Development Block Grant – Entitlement Grants Cluster

14.239 Home Investment Partnership Program

10.553, 10.555, 10.559, 10.582 Child Nutrition Cluster

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

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*

MATERIAL WEAKNESSES

2024-001 Grant Account Reconciliations

Criteria: Per 2 CFR §200.302(b)(2), federal regulations require non-federal entities to maintain records that adequately identify the source and application of funds for federally-funded activities. Additionally, sound internal control practices and Generally Accepted Accounting Principles (GAAP) require timely and accurate reconciliation of grant activity to ensure financial reporting integrity.

Condition: During our audit of the City of Auburn's financial statements, we noted that grant funds received and expended under various City and School programs were not reconciled on a regular basis. As a result, material journal entries were required at year-end to correct misstatements in the general ledger.

Cause: The City and School Department utilize several different systems to administer and track grant funds. The City's Munis accounting system is utilized for most financial information, Profund is used to track school financial information, the Mortgage Office software is utilized to track outstanding loans, Maine Department of Transportation (MDOT) projects are tracked in Microsoft Excel, and the U.S. Department of Housing and Urban Development IDIS system is used to track certain CDBG and HOME grant project achievements. As such, information must be entered and logged in different systems and must be coordinated with several different personnel. Staff turnover, time constraints, and limited training for some grant reconciliations contributed to the breakdown in controls.

Effect: The lack of timely reconciliation resulted in significant misstatements in the financial records, requiring material journal entries to correct the balances. This increases the risk of noncompliance with grant requirements, potential disallowance of costs, and inaccurate financial reporting.

Recommendation: All information entered into Munis, Profund, the Mortgage Office software, Microsoft Excel, 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. Additionally, daily routines and procedures should be established to ensure coordination between key City and School Department personnel so that all grant requirements and data are communicated and understood.

Management Response/Corrective Action Plan: *We continue to implement processes to ensure the recommendations are happening on a regular basis. Quarterly and/or year-end financial reporting matching grant requirements will be prepared and reconciled to the Munis accounting system and supporting documentation will be maintained on file according to the document retention policies. City and School will conduct reconciliations at regular intervals.*

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

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

MATERIAL WEAKNESSES, CONTINUED

2024-002 Maintenance of Capital Asset Records

Criteria: Records of capital asset additions, disposals, construction in progress, retainage, and depreciation must be maintained by City Finance staff and management and reviewed on a periodic basis for completeness and accuracy.

Condition: During our testing of capital assets, we found material errors in recorded additions, material additions that were missed, and unrecorded retainage in the current year. The City-provided spreadsheet was not rolled forward completely. The errors required audit adjustments totaling several million dollars.

Cause: A complete review of capital asset additions was not completed by management. Turnover in key finance positions and time constraints contributed to the inaccuracies.

Effect: Without auditor assistance, the capital asset schedules would have been incomplete. As such, capital assets may have been materially misstated in the reports.

Recommendation: We recommend the City retain and update its capital asset records on a regular basis during the year and at year-end. This maintenance must include periodic review of current year additions, disposals, construction in progress, retainage, and depreciation calculations.

Management Response/Corrective Action Plan: Records will be updated monthly and reviewed at year-end. Bi-Monthly, Public Services Director (or Grant Manager) will meet with Finance Director to provide an update on construction projects.

SIGNIFICANT DEFICIENCIES

2024-003 City Accounting Software to School Accounting Software Reconciliation

Criteria: The City and School Department utilize separate accounting software. Since the City and the School Department have separate accounting software, it is essential that reconciliations of all balance sheet, revenue, and expenditure accounts be performed between the School Department's general ledger and the City's general ledger on a monthly basis. This reconciliation should be performed as soon as feasible after month end. It is also crucial that the School Department's activity is appropriately classified on the City's books.

Condition: For the year ended June 30, 2024, balance sheet, revenue, and expenditure accounts on the School Department's accounting system did not fully reconcile with the balance sheet, revenue, and expenditure accounts on the City's accounting system.

Cause: Turnover in key finance positions contributed to the complexity and late timeframe of the year-end reconciliation.

Effect: Material variances between the City and School Department were not detected and corrected in a timely manner at year end.

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

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

SIGNIFICANT DEFICIENCIES, CONTINUED

Recommendation: We recommend the reconciliation between the City and School Department accounting systems continue to be performed monthly. Any variances should be investigated promptly and entries should be posted to the proper system (City or School Department) accordingly so that the two accounting systems present the same financial information.

Management Response/Corrective Action Plan: School accounting staff are to reconcile monthly, report variances and fix those variances within their following import to the city accounting software.

2024-004 Preparation of Financial Statements

Criteria: In order to ensure proper financial reporting, preparers must understand and apply generally accepted accounting principles (GAAP) as well as the pronouncements and interpretations of the Governmental Accounting Standards Board (GASB) without the assistance of the external auditor.

Condition: As part of the audit process there were several significant audit adjustments posted to correct the balances of accounts receivable, prepaids, capital assets, accounts payable, accrued payroll, pension, other postemployment benefits, and deferred revenue to ensure they were properly reported in accordance with GAAP. Additionally, the auditor prepared the financial statements and the related notes in accordance with the requirements of GASB.

Cause: Due to recent staff turnover, the auditee lacks personnel with sufficient knowledge of GAAP and financial reporting requirements. There are no formal procedures in place to ensure accurate and complete financial statement preparation.

Effect: Without auditor assistance, the City's financials would not have been presented in accordance with the requirements of GAAP and GASB. As such, without auditor involvement, certain information may have been misstated or omitted from the reports.

Recommendation: Due to time and budget constraints, we understand that certain functions must be prioritized and proper training regarding GAAP and GASB requirements may not always be possible. However, we recommend that the City provide training to finance staff and management responsible for financial reporting to the extent that the aforementioned criteria can be met. We recommend that Management and the City Council review and scrutinize transactions and reports on a regular basis to aid in the identification of errors. The City should review policy and procedures annually to ensure that controls are properly designed and implemented to mitigate the risk of inaccurate reporting throughout the year.

Management Response/Corrective Action Plan: Training has become a priority to ensure reliance on auditors is mitigated.

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

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

NONCOMPLIANCE WITH LAWS AND REGULATIONS

2024-005 Noncompliance with LD 1198

Criteria: Maine LD 1198 (Public Law 2021, Chapter 213) permits school administrative units to retain an unassigned fund balance of up to 9% of the previous year's school budget for fiscal years 2020–21 through 2024–25. Exceeding this threshold constitutes noncompliance with state law.

Condition: The School Department's unassigned general fund balance has exceeded the statutory limit of 9% of the total budget for each of the past three fiscal years.

Cause: The School Department did not implement adequate monitoring controls to ensure compliance with the statutory fund balance limit.

Effect: Noncompliance with LD 1198 may result in reputational risk, potential state oversight, and reduced public trust in financial stewardship. It may also impact future funding decisions or legislative actions.

Recommendation: We recommend the School Department implement procedures to monitor fund balance levels throughout the fiscal year and ensure compliance with LD 1198. Any excess funds should be allocated in accordance with state guidelines or returned to reduce future tax levies.

Management Response/Corrective Action Plan: *The School Department has, for three years now, moved funds into Capital Reserve accounts used for Technology, ELHS Capital Improvements and Curriculum. The School Committee will continue to assign fund balance funds to these Capital Reserve accounts, and possibly create one other, before the end of FY26.*

OTHER COMMENTS

Lack of Assurance over Service Provider Controls – Ambulance Billing Services

The City contracts with Medical Reimbursement Services (MRS) to process ambulance billings and manage receivable collections. MRS performs key financial functions on behalf of the City that impact financial reporting. However, MRS does not provide a System and Organization Controls (SOC) 1 Type 2 audit report, which would offer assurance that internal controls over financial reporting are suitably designed and operating effectively. The City has not required MRS to undergo a SOC 1 Type 2 audit or provide alternative assurance over its internal controls. Without a SOC 1 Type 2 report or other assurance mechanisms, the City lacks evidence that MRS's internal controls are operating effectively. This creates a risk that errors or irregularities in billing and collections could go undetected, potentially impacting the accuracy of the City's financial statements. We recommend the City work with MRS to obtain a SOC 1 Type 2 audit report to gain assurance on controls at MRS's operations.

Management Response/Corrective Action Plan: *The City has requested an SOC 1 Type 2 audit from MRS.*

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

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

OTHER COMMENTS, Continued

City and School Bank Reconciliations

Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner. Reconciliations for scholarship and student activity fund accounts at the School were completed several months after year end. The reconciliations were delayed because cash deposits were accounted for in one account in the accounting system, but were actually deposited to different bank account, adding to the complexity of the reconciliations. In addition, year end balances by activity and scholarship fund in the accounting system no longer tie in total to the bank balances.

Finally, two accounts on the City side for cash overages/shortages and non-sufficient fund checks were reported as increases/reductions in cash. Cash overages/shortages and non-sufficient fund checks should be written off to revenue or expense when incurred, rather than accounted for as a balance sheet item. As a result, cash balances were initially misstated at the City. We have proposed audit entries to write off these balances.

We recommend the School perform a thorough reconciliation of activity fund and scholarship balances to the underlying cash transactions and investigate variances between the activity fund listings and bank balances. We also recommend the City review their policies for tracking cash overages/shortages and non-sufficient funds to ensure the accounting for these items is in accordance with generally accepted accounting principles.

Management Response/Corrective Action Plan: The School Department has performed a reconciliation across the activity funds identified. In addition, duties have been separated to reduce the risk of errors, ensuring the monthly reconciliation process runs more efficiently.

Approvals and Supporting Documentation for City Journal Entries

During our review of city journal entries, we noted that 6 of the 21 entries tested were not reviewed by anyone other than the employee who prepared them. Journal entries can be a way in which management can override their own internal control systems, so it is imperative that journal entries be reviewed and approved by someone other than the preparer. We recommend that someone other than the journal entry preparer review journal entries and supporting documentation. The reviewer should also review journal entries for large and unusual items and sign off on the entries to show approval.

Management Response/Corrective Action Plan: With new staff in place, we have implemented the policy of requiring documentation be attached to journal entries. Documentation includes reason for entry and requires second person review to post.

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

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

OTHER COMMENTS, Continued

School Information Technology Procedures

The Auburn School Department does not have formal, written procedures governing backup and data retention, information security, password controls, or change management. Also, annual cybersecurity training has not been implemented. Without formal IT policies and procedures and annual cybersecurity training, the School is exposed to increased risk of data loss, system downtime, and security breaches. We recommend the School develop and implement formal backup and data retention, information security, password controls, and change management policies. We also recommend implementing annual cyber security training for all staff.

Management Response/Corrective Action Plan: Cybersecurity training began during FY25 and will remain ongoing. The Information Technology Department will create a formal document to be updated annually for the audit, documenting formal procedures that are currently in place, as well as those being implemented based on the FY24 audit guidance.

Revenue Recognition at the Norway Savings Bank Arena (NSBA)

The NSBA signs annual contracts for business sponsorships. These contracts often do not run within the July 1st through June 30th fiscal year. Contracts that span multiple reporting periods are recognized in the year in which the contract starts rather than prorated to only include the months earned within the reporting period. This practice causes revenues and receivables to be overstated. Audit entries were necessary to correct revenue recognition for these contracts in fiscal year 2024.

In addition, several old material receivable balances over 180 days old were not written off or allowed for as uncollectible. These receivables were still not collected after 12 months of year end. The NSBA does not have a policy for establishing allowances for doubtful accounts.

We suggest the NSBA review their policies for contract recognition at year end to ensure only the portion of the contract earned is recognized in revenues and receivables. We also suggest the NSBA create a policy for establishing and maintaining an allowance for doubtful accounts based on the historical collection patterns.

Management Response/Corrective Action Plan: Per suggestion, reviewing procedure for contract recognition and exploring the option of an allowance policy.

Procurement for the Fresh Fruits and Vegetables Program (FFVP)

Vendors utilized for the FFVP program were not competitively procured in accordance with the City's procurement policy which requires all contracts to be competitively bid if they exceed \$30,000. We tested two contracts with local fresh fruit and vegetable vendors and, although a pricing analysis was performed on the vendors, we were unable to obtain evidence they were competitively procured. In addition, there was no documentation of suspension and debarment procedures performed for vendors in accordance with 2 CFR §180.300.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2024

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

OTHER COMMENTS, CONTINUED

Management Response/Corrective Action Plan: The School Department Business Office will ensure that the School Nutrition Department has the support to complete a bidding process for any purchase not identified by the State of Maine DOE, based on the City of Auburn Procurement Policy, going into the next purchasing season.

Lack of Written Agreement with Actuary for Workers' Compensation Reserve Analysis

The City does not have a formal, written agreement in place with the actuary responsible for conducting the annual worker's compensation reserve analysis. Effective internal control and financial management practices require that services provided by external consultants, especially those involving significant financial estimates and disclosures, be governed by written agreements. These agreements should clearly define the scope of work, responsibilities, deliverables, timelines, and compensation to ensure accountability and consistency. The absence of a written agreement increases the risk of misunderstandings regarding the scope and expectations of the actuarial analysis. The City should establish a formal written agreement with the actuary performing the workers' compensation reserve analysis. The agreement should include a detailed scope of services, reporting requirements and timelines, fee structure and payment terms, and responsibilities and liabilities of both parties.

Management Response/Corrective Action Plan: Though not a GAAP requirement, we understand that this is a best practice suggestion and have entered into a contractual agreement for the new fiscal year forward.

Lack of Secondary Review for Deposits processed at the High School

Out of 40 deposits of activity funds tested at the High School, 12 deposits did not include evidence of a secondary review by a person independent of the individual responsible for processing the deposit. Sound internal control practices require that financial transactions, including cash and check deposits, be subject to independent review and verification. Without independent review and verification, errors or irregularities in deposit amounts may go undetected and there is an increased risk of fraud or misuse of funds. We recommend the School Business Office implement a formal procedure requiring all deposits to be reviewed and verified by a second individual who is not involved in the initial processing of the deposit. The verification should be documented by a signature or initials and retained with the deposit records.

Management Response/Corrective Action Plan: Winter of 2025 the High School Administration assigned the second signer, as well as a back-up signer for Student Activity deposits at ELHS. This will become part of the written procedure moving forward.

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

Section III - Findings and Questioned Costs for Federal Awards

MATERIAL WEAKNESSES

2024-006 U.S. Department of the Treasury, For the period July 1, 2023, through June 30, 2024, Assistance Listing #21.027 – Internal Controls over State and Local Fiscal Recovery Fund

Criteria: As a recipient of State and Local Fiscal Recovery Funds (SLRF), the City is required to submit quarterly Project and Expenditure Reports to the U.S. Department of the Treasury. These submissions report cumulative and quarterly obligations and expenditures by project, project income, and subaward and vendor information.

Condition: During the audit of the SLFRF program, it was noted that the City submitted expenditure reports containing inaccurate financial data. Several reported amounts did not reconcile with the underlying accounting records, resulting in material misstatements in the quarterly project and expenditure reports submitted to the U.S. Department of the Treasury.

Cause: The inaccuracies were primarily due to the volume and complexity of City projects funded under the CSLFRF program. The decentralized nature of project management and reporting across departments contributed to challenges in compiling accurate and complete expenditure data.

Effect: Inaccurate reporting may impair transparency and accountability and could affect future oversight actions by the federal awarding agency.

Recommendation: We recommend that the City enhance its internal controls over SLFRF reporting by implementing centralized review procedures, improving coordination among departments, and providing additional training to staff responsible for compiling and submitting expenditure reports. We also recommend a secondary review of the reported encumbrances and expenditures by an individual in the accounting department before the report is transmitted to the Treasury.

Questioned Costs: None.

Management Response/Corrective Action Plan: Additional reports will be run to verify totals before filings of quarterly reports, paying particular attention to end of year and the needed reversal of the prior year payroll accrual. Errors found in reports will be corrected in subsequent records as allowable under Department of Treasury grant reporting guidelines.

2024-007 U.S. Department of the Treasury, For the period July 1, 2023, through June 30, 2024, Assistance Listing #21.027 – Internal Controls over State and Local Fiscal Recovery Fund

Criteria: As required under 2 CFR §200.320, the City must follow Federal procurement standards to ensure contracts are procured at the lowest price and with adequate competition. In addition, as required by 2 CFR §180.300, the City is not allowed to use grant funds to contract with vendors who are suspended or disbarred from receiving Federal funds.

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

Section III - Findings and Questioned Costs for Federal Awards

MATERIAL WEAKNESSES, Continued

Condition: Of the six contracts tested under the SLFRF program:

- Three contracts lacked documentation demonstrating that appropriate bidding procedures were followed or that a cost or price analysis was performed prior to award.
- Two contracts had no evidence that suspension and debarment procedures were followed, such as checking the System for Award Management (SAM.gov) or obtaining certifications from contractors.

Cause: The City's procurement documentation practices were inconsistent across departments. The high volume of SLFRF-funded projects and decentralized contract management contributed to lapses in maintaining required procurement records and verifying contractor eligibility.

Effect: The City did not comply with federal procurement standards, increasing the risk of awarding contracts to ineligible vendors, procuring contracts with unfavorable terms, and potentially incurring unallowable costs.

Recommendation: We recommend the City strengthen its procurement procedures by:

- Ensuring all departments consistently document bidding processes and cost/price analyses.
- Implementing centralized oversight or checklists to verify compliance with suspension and debarment requirements.
- Providing targeted training to procurement staff on federal requirements under the Uniform Guidance.

Questioned Costs: None.

Management Response/Corrective Action Plan: *Prior to any purchase orders being issued, we will ensure that bidding procedures have taken place and that SAM.gov has been reviewed and documentation is attached.*

2024-008 U.S. Department of Housing and Urban Development, For the period July 1, 2023, through June 30, 2024, ALN # 14.218 – Internal Controls over Community Development Block Grant Entitlements Cluster

Criteria: Federal regulations require grantees to maintain accurate financial records and submit timely reports. Specifically, HUD guidance for the PR-29 Cash on Hand Quarterly Report requires submission within 30 days of the end of each quarter and accurate reporting of program income balances. In addition, Uniform Guidance requires the City to have adequate internal controls over grant management.

Condition: The City submitted the required PR-29 Cash on Hand Quarterly Reports late for all quarters reviewed. Specifically, all quarterly reports were submitted after the 30-day deadline following the end of the reporting period. Additionally, the beginning balance of program income was reported incorrectly for all quarters reviewed, resulting in inaccurate financial reporting to the U.S. Department of Housing and Urban Development (HUD). In addition, we found there was no secondary review of either the PR-29 Cash on Hand Quarterly Report or the PR-26 Financial Summary Report.

Cause: The delays and inaccuracies were due to insufficient oversight, a lack of formalized timelines for report preparation and submission, staff turnover, and inadequate reconciliation of balances prior to report completion.

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

Section III - Findings and Questioned Costs for Federal Awards

MATERIAL WEAKNESSES, Continued

Effect: The City did not comply with HUD's reporting requirements for the PR-29 Cash on Hand Quarterly Report, which may impair program oversight and transparency. Late and inaccurate reporting can hinder HUD's ability to monitor program performance and financial management. In addition, lack of review procedures increases the risk of untimely or inaccurate reporting.

Recommendation: We recommend the City:

- Establish and enforce internal deadlines to ensure timely submission of required reports.
- Implement a reconciliation and review process to verify the accuracy of reported balances prior to submission.
- Provide training to staff responsible for preparing and reviewing HUD reports to ensure compliance with federal requirements.

Questioned Costs: none

Management Response/Corrective Action Plan: Internal deadlines have been revised to ensure timely submission of all required reports. For the PR-29 specifically, there are instances where the review date replaced the actual submission time-stamp date in the system making it appear it was submitted after the deadline when it was merely reviewed again after submission. This is a result of the HUD system the city has no capability of changing. Staff have been trained on the correct process, and this training will also be provided to any new staff involved in preparing or submitting these reports.

SIGNIFICANT DEFICIENCIES

2024-009 U.S. Department of Agriculture, For the period July 1, 2023, through June 30, 2024, Assistance Listing #10.553, 10.555, 10.556, 10.559, and 10.582 - Internal Controls over Child Nutrition Cluster

Criteria: The School Department receives federal reimbursement for free and reduced price meals provided to children at established reimbursement rates. Monthly claims for reimbursement must be based on lunch counts taken daily at the point of service, which correctly identify the number of free, reduced price, and paid lunches served to eligible students.

Condition: There was no internal control process in place to ensure the monthly claim details are reviewed prior to submission to the CNPWeb system. A new control process has been created for fiscal year 2025, but this was not in place during fiscal year 2024.

Cause: The Business Manager approves all monthly claims in the CNPWeb system prior to submission to the State. However, the School Department does not have a procedure to provide supporting claim documentation to the Business Manager to verify the accuracy of the monthly claim.

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

Section III - Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCIES, Continued

Effect: Errors in monthly claims may be incorrect and may not be detected and corrected in a timely basis resulting in potential questioned costs.

Recommendation: We recommend the School Department follow their newly established policies and procedures for fiscal year 2025 to ensure the Business Manager has adequate supporting documentation to verify monthly nutrition claims before they are submitted to the State.

Questioned Costs: None.

Management Response/Corrective Action Plan: Effective November 2024, a new procedure is in place to verify school lunch counts are reported accurately. The School Nutrition Director documents data in spreadsheets and uses this for completing reimbursement requests. The Business Manager also reviews the provided spreadsheets before approving claims for reimbursement.

2024-010 U.S. Department of Housing and Urban Development, For the period July 1, 2023, through June 30, 2024, ALN # 14.218 – Internal Controls over Community Development Block Grant Entitlements Cluster

Criteria: In accordance with 24 CFR § 570.506, when CDBG and CDBG-CV funds are used for rehabilitation, the grantee must ensure the work is properly completed in accordance with applicable laws, codes and other requirements relating to housing safety, quality, or habitability. Pre-rehabilitation inspections are conducted to identify the deficiencies to be corrected. Deficiencies noted in the pre-rehabilitation inspections are required to be incorporated into the rehabilitation contract.

Condition: During the audit period, it was noted that the City failed to retain documentation of pre-rehabilitation inspection reports for multiple CDBG-funded rehabilitation projects. These reports are essential to verify the initial condition of the properties and to support the justification for the scope of work and use of federal funds.

Cause: The missing documentation was attributed to staff turnover within the City. Key personnel responsible for maintaining and organizing project files departed during the project period, and adequate transition procedures were not in place to ensure continuity of recordkeeping.

Effect: Although formal pre-rehabilitation inspection reports were not retained, there was evidence that inspections were conducted. Specifically, deficiencies identified during inspections were incorporated into the scope of work outlined in the City's contract with the grant recipient. However, the absence of formal documentation limits the ability to fully verify compliance with federal recordkeeping requirements and may result in questioned costs if eligibility cannot be clearly substantiated.

Recommendation: We recommend the City implement procedures to ensure consistent documentation of preliminary inspections, including standardized templates and centralized digital storage. Staff should be cross-trained, and transition protocols should be established to maintain continuity during personnel changes. The City should ensure future inspections are properly recorded and retained.

Questioned Costs: none

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

Section III - Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCIES, Continued

Management Response/Corrective Action Plan: During the audit period, the City was in the process of transitioning to a virtual inspection and project management platform designed to retain inspection reports, photographs, and supporting documentation in a centralized and permanent digital file. This system is now in place and used for all HUD activity record keeping assuring records are consistently documented and readily accessible for compliance and monitoring purposes.

Following the audit period, the City ultimately discontinued direct administration of housing rehabilitation programs under the CDBG entitlement. As a result, the risk of missing pre-rehabilitation inspection documentation for City-managed activities has been eliminated.

2024-011 U.S. Department of Housing and Urban Development, For the period July 1, 2023, through June 30, 2024, ALN # 14.239– HOME Investment Partnerships Program

Criteria: Per 2 CFR §200.331(b), pass-through entities must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Furthermore, 2 CFR §200.332(d) requires pass-through entities to follow up on any audit findings identified in subrecipients' Single Audit reports that pertain to the federal award.

Condition: The City did not perform a documented risk assessment of subrecipients under the HOME program to determine the appropriate level and type of monitoring. Additionally, the City did not obtain or review subrecipients' Single Audit reports to identify and follow up on any findings related to the HOME program. Two of the four contracts with expenditures in fiscal year 2024 were tested.

Cause: The City has not established formal procedures to assess subrecipient risk or to review and follow up on audit findings related to the HOME program.

Effect: Without a documented risk assessment and review of subrecipient audit reports:

- The City may not tailor its monitoring procedures appropriately, increasing the risk of undetected noncompliance.
- Potential issues identified in subrecipient audits may go unaddressed, jeopardizing the integrity of the program and federal funding.

Recommendation: The City should implement formal procedures to conduct and document risk assessments for all subrecipients of the HOME program, obtain and review subrecipient Single Audit reports annually, follow up on any findings related to the HOME program to ensure corrective actions are taken.

Questioned Costs: none

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

Section III - Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCIES, Continued

Management Response/Corrective Action Plan: During the audit period, the City monitored subrecipient performance through the review of required supporting documentation submitted with each individual fund requisition and draw request. This process provided assurance that costs charged to the program were eligible and supported.

The City also self identified one instance within this process where a consortium member subrecipient did not complete a Single Audit as required. City staff consulted with HUD on this matter and were advised by HUD staff to continue processing payments while HUD worked directly with the subrecipient to bring them back into compliance.

Person responsible for corrective action of School comments:

*Amanda Couture, Business Manager, Auburn School Department
Phone: (207) 784-6431, ext. 1425*

Anticipated completion date:

Corrective action will be complete within 12 months.

Person responsible for corrective action of City comments:

Kelsey Earle, Finance Director, (207) 333-6601, ext. 1174

Anticipated completion date:

Corrective action will be complete within 12 months.

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards*

2023-001 Grant Account Reconciliations

Criteria: The City and School Department utilize many different sources of funding to provide services to citizens. Funding from Federal or State sources generally include restrictions and regulations that determine the specific manner in which funds must be expended. Proper segregation, tracking, and management of these funds is essential to demonstrate compliance with all rules and regulations and to ensure funds are properly utilized and accurately reported.

Condition: Material audit adjustments were necessary to reconcile grant funds to subsidiary ledgers.

Cause: The City and School Department utilize several different systems to administer and track grant funds. The City's Munis accounting system is utilized for most financial information, Profund is used to track school financial information, the Mortgage Office software is utilized to track outstanding loans, Maine Department of Transportation (MDOT) projects are tracked in Microsoft Excel, and the U.S. Department of Housing and Urban Development IDIS system is used to track certain CDBG and HOME grant project achievements. As such, information must be entered and logged on different systems and must be coordinated with several different personnel. The coordination of reporting and data tracking was impeded during the year due to staff turnover.

Effect: Maintaining continuity of information on different systems is burdensome and can lead to inaccuracies and improper use of funds.

Recommendation: All information entered into Munis, Profund, the Mortgage Office software, Microsoft Excel, 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. Additionally, daily routines and procedures should be established to ensure coordination between key City and School Department personnel so that all grant requirements and data are communicated and understood.

Status: See finding 2024-001.

2023-002 Bank Reconciliations

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Condition: Several of the City's June 30, 2023, bank accounts including the general fund bank account and investment accounts were not fully reconciled until one year after year end. Until the reconciliation was completed, transactions totaling several million dollars were not recorded on the City's general ledger and significant unreconciled differences were carried forward from month to month.

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards, continued*

Cause: A change in banking institutions, miscommunications related to manual adjustments, and staff turnover in key finance positions contributed to the complexity and late timeframe of the year-end bank reconciliation.

Effect: Material misstatements were not detected and correctly in a timely manner at year end. General fund reconciliations for fiscal year 2024 have been on hold until variances in the June 30, 2023, reconciliation are resolved.

Recommendation: We recommend bank reconciliations be performed on a monthly basis for all cash accounts as part of the month end close to ensure that all transactions are posted appropriately and that unreconciled differences aren't carried forward from month to month.

Status: *Cleared*

2023-003 City Accounting Software to School Accounting Software Reconciliation

Criteria: The City and School Department utilize separate accounting software. Since the City and the School Department have separate accounting software, it is essential that reconciliations of all balance sheet, revenue, and expenditure accounts be performed between the School Department's general ledger and the City's general ledger on a monthly basis. This reconciliation should be performed as soon as feasible after month end. It is also crucial that the School Department's activity is appropriately classified on the City's books.

Condition: For the year ended June 30, 2023, balance sheet, revenue, and expenditure accounts on the School Department's accounting system did not fully reconcile with the balance sheet, revenue, and expenditure accounts on the City's accounting system.

Cause: Turnover in key finance positions contributed to the complexity and late timeframe of the year-end reconciliation.

Effect: Material variances between the City and School Department were not detected and correctly in a timely manner at year end.

Recommendation: We recommend that the reconciliation between the City and School Department accounting systems continue to be performed monthly. Any variances should be investigated promptly and entries should be posted to the proper system (City or School Department) accordingly so that the two accounting systems present the same financial information.

Status: *See finding 2024-003*

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards, continued*

2023-004 Maintenance of Capital Asset Records

Criteria: Records of capital asset additions, disposals, construction in progress, retainage, and depreciation must be maintained by city finance staff and management and reviewed on a periodic basis for completeness and accuracy.

Condition: During our testing of capital assets, we found material items that should have been included in the prior year, along with material additions that were missed and unrecorded retainage in the current year. The City-provided spreadsheet was not rolled forward completely.

Cause: A complete review of capital asset additions was not done by management or finance staff until prompted to do so by external auditors. Turnover in key finance positions contributed to the complexity and late timeframe of the year-end review.

Effect: Without auditor assistance, the capital asset schedules would have been incomplete. As such, capital assets may have been materially misstated in the reports.

Recommendation: We recommend the City retain and update its capital asset records on a regular basis during the year and at year-end. This maintenance must include periodic review of current year additions, disposals, construction in progress, retainage, and depreciation calculations.

Status: See finding 2024-002

2023-005 Preparation of Financial Statements

Criteria: In order to ensure proper financial reporting, preparers must understand and apply generally accepted accounting principles (GAAP) as well as the pronouncements and interpretations of the Governmental Accounting Standards Board (GASB) without the assistance of the external auditor.

Condition: As part of the audit process there were several significant audit adjustments posted to correct the balances of accounts receivable, prepaids, capital assets, accounts payable, accrued payroll, pension, other postemployment benefits, and deferred revenue to ensure they were properly reported in accordance with GAAP. Additionally, the auditor prepared the financial statements and the related notes in accordance with the requirements of GASB.

Effect: Without auditor assistance, the City's financials would not have been presented in accordance with the requirements of GAAP and GASB. As such, without auditor involvement, certain information may have been misstated or omitted from the reports.

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards, continued*

Recommendation: Due to time and budget constraints, we understand that certain functions must be prioritized and proper training regarding GAAP and GASB requirements may not always be possible. However, we recommend that the City provide training to finance staff and management responsible for financial reporting to the extent that the aforementioned criteria can be met. We recommend that Management and the City Council review and scrutinize transactions and reports on a regular basis to aid in the identification of errors. The City should review policy and procedures annually to ensure that controls are properly designed and implemented to mitigate the risk of inaccurate reporting throughout the year.

Status: See finding 2024-004

2023-006 U.S. Department of the Treasury, For the period July 1, 2022, through June 30, 2023, Assistance Listing #21.027 – Internal Controls over State and Local Fiscal Recovery Fund

Criteria: As a recipient of State and Local Fiscal Recovery Funds (SLRF), the City is required to submit quarterly Project and Expenditure Reports to the U.S. Department of the Treasury. These submissions report cumulative and quarterly obligations and expenditures by project, subaward and vendor information, and revenue replacement information.

Condition: We tested 10 of the 39 SLRF projects reported on the quarterly ARPA reports to determine whether cumulative and quarterly expenditures reconcile with the accounting system. We found errors in 4 of the 10 reports:

- one project failed to include the reversal of the prior year payroll accrual totaling \$1,385, causing that expense to be double-counted;
- three projects reported a total of \$374,811 of expenditures when the purchase order was approved; however the service had not been performed and the expenditure had not yet been realized. These items were properly reported as obligations but should not have been reported as expenditures.

Cause: The project spreadsheets developed to track cumulative and quarterly expenditures do not separately track obligations. In addition, there is no secondary review by a member of the Finance Department to double check the data in the reports. As a result, errors in reporting remain undetected.

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: We recommend revising the City's project tracking spreadsheets to include columns to separately track purchase orders. This will ensure expenses aren't confused with obligations. We also recommend a member of the Finance Department review and approve the report before it is submitted to the U.S. Department of the Treasury.

Likely Questioned Costs: None.

Status: See finding 2024-006

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards, continued*

2023-007 U.S. Department of Agriculture, For the period July 1, 2022, through June 30, 2023, Assistance Listing #10.553, 10.555, 10.556, 10.559, and 10.582 - Internal Controls over Child Nutrition Cluster

Criteria: The School Department receives federal reimbursement for free and reduced price meals provided to children at established reimbursement rates. Monthly claims for reimbursement must be based on lunch counts taken daily at the point of service, which correctly identify the number of free, reduced price, and paid lunches served to eligible students.

In addition, the School Department participates in the Fresh Fruit and Vegetable Program which provides reimbursement of fresh fruit and vegetable purchases and related operational program costs. Charges for salaries and wages to the program must be based on records that accurately reflect the work performed.

Condition: The April claim reimbursement form overstated breakfast meal counts by 1,000 meals, which comprised 7% of total meals claimed. In addition, operational and administrative payroll costs charged to the Fresh Fruit and Vegetable Program were based on estimated hours worked, rather than actual time and effort records.

Cause: The Business Manager approves all monthly claims in the CNP Web system prior to submission to the State. However, the School Department does not have a policy to provide supporting claim documentation to the Business Manager to verify the accuracy of the monthly claim. In addition, the School Department does not have policies and procedures that provide reasonable assurance that payroll charges to the Fresh Fruit and Vegetable Program are accurate, allowable, and properly allocated.

Effect: Errors in monthly claims may not be detected and corrected in a timely basis resulting in potential questioned costs. Unsupported payroll charges may not meet cost principal requirements resulting in potential questioned costs.

Recommendation: We recommend the School Department establish policies and procedures that ensure the Business Manager has adequate supporting documentation to verify monthly nutrition claims before they are submitted to the State. We also recommend that policies and procedures be established to ensure employees allocating their time to the Fresh Fruit and Vegetable Program complete documentation as required by 2 CFR 200.430(i).

Likely Questioned Costs: None.

Status: Partially cleared. See finding 2024-009.

2023-008 U.S. Department of Housing and Urban Development, For the period July 1, 2022, through June 30, 2023, ALN # 14.218 – Internal Controls over Community Development Block Grant Entitlements Cluster

Criteria: In accordance with 2 CFR 200.307(e), program income must be deducted from total allowable costs to determine net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise.

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

Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards and *Government Auditing Standards, continued*

Condition: In the first quarter of fiscal year 2023, the City requested \$21,212 of CDBG grant funds even though sufficient program income was available to cover those costs.

Cause: Internal controls over the CDBG grant program are insufficient to ensure grant funds are only drawn when program income is insufficient to cover program costs.

Effect: Since program income exceeded allowable costs in the first quarter of fiscal year 2023, there were no eligible costs for grant reimbursement. As a result, Federal funds were drawn to reimburse unallowable costs.

Recommendation: We recommend grant management staff review their grant drawdown procedures to ensure program income is reviewed prior to drawing new grant funds.

Known Questioned Costs: \$21,212.

Status: Cleared