

City of Stamford, Connecticut

Federal and State Financial
and Compliance Reports

June 30, 2013

City of Stamford, Connecticut

Federal and State Financial and Compliance Reports
June 30, 2013

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City of Stamford, Connecticut

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>Department of Agriculture</u>			
Pass -Through Programs From:			
Connecticut State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program (SPB)	10.553	12060SDE6437020508	\$ 539,785
National School Lunch Program (NSLP)	10.555	12060SDE6437020560	2,939,643
National School Lunch Program (NSLP) - Commodities	10.555	12060SDE6437020560	265,010
Total Child Nutrition Cluster			3,744,438
Pass -Through Programs From:			
Connecticut Department of Public Health			
Special Supplemental Nutrition Program For Women,			
Infants and Children (WIC) - Non Cash	10.557	Non - Contract	3,674,115
Infants and Children (WIC) 2012	10.557	12060DPH4887220892	582,722
Infants and Children (WIC) 2011	10.557	12060DPH4887220892	207,451
Pass - Through Program From:			
Connecticut Department of Agriculture			
WIC Farmer's Market Nutrition Program	10.572	12060DAG4271020736	2,317
Total Department of Agriculture			8,211,043
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
CBDG Entitlement Grant Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		1,320,545
Pass - Through Programs From:			
Connecticut Department of Economic and Community Development			
Community Development Block Grants/Entitlement Grants (NSP)	14.218	12060ECD4640022324	771,867
Total CBDG Entitlement Grant Cluster			2,092,412
Direct Programs:			
HOME Investment Partnerships Program	14.239		678,310
Community Challenge Planning Grants and the Department of Transportation Tiger II Planning Grants	14.704		241,981
Total Department of Housing and Urban Development			3,012,703
<u>Department of the Interior National Parks Service</u>			
Pass - Through Programs From:			
Connecticut Department of Economic and Community Development			
Historic Preservation Fund Grants-In-Aid	15.904	12060ECD4684090455	8,000
<u>Department of Justice</u>			
Direct Programs:			
Violence Against Women Office:			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		149,629
JAG Program Cluster - Direct			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		79,725
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)/Grants to Units of Local Governments - ARRA	16.804		85,693
Total JAG Cluster			165,418
Public Safety Partnership and Community Policing Grants Office of Community Oriented Policing Services	16.710		9,413
Pass - Through Program From: The Connection, Inc.			
Project Safe Neighborhoods	16.609		24,995
Total Department of Justice			\$ 349,455

See independent auditors' report and notes to schedule of expenditures of federal awards

City of Stamford, Connecticut

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>Department of Transportation</u>			
Direct Programs:			
<i>Federal Transit Cluster</i>			
Federal Transit - Capital Investment Grants	20.500		\$ 1,886,625
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		375,808
<i>Total Federal Transit Cluster</i>			2,262,433
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		20,283
Pass - Through Programs From:			
Connecticut Department of Transportation			
Long Ridge High Ridge Corridor Study	20.205	12062DOT5755122108	284,370
Hope St. Reconstruction Design	20.205	12062DOT5719122108	53,652
Stillwater Rd. Reconstruction Design	20.205	12062DOT5719122108	4,236
Farms Road Bridge Construction	20.205	12062DOT5716122108	8,420
<i>Total Highway Planning and Construction Cluster</i>			370,961
State and Community Highway Safety - DUI Enforcement	20.600	12062DOT5751322086	68,040
<i>Total Department of Transportation</i>			2,701,434
<u>National Endowment for the Arts</u>			
Pass - Through Economic and Community Development			
Promotion of the Arts - Partnership Agreements - City Canvases-Stamford Lights	45.025		17,304
<u>Environmental Protection Agency</u>			
Direct Programs:			
Healthy Communities Grant Program	66.110		4,536
Pass - Through Programs From:			
Connecticut Department of Environmental Protection			
Congressionally Mandated Projects - Mill River Storm Water Management	66.202		92,183
<i>Total Environmental Protection Agency</i>			96,719
<u>Department of Energy</u>			
Direct Programs:			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128		129,085
<u>Department of Education</u>			
Pass - Through Programs From:			
Connecticut State Department of Education			
Adult Education—State Grant Program - English Literature & Civics	84.002	12060SDE6437020784	155,000
Title I Grants to Local Educational Agencies Title I Part A of ESEA	84.010	12060SDE6437020679	2,421,876
School Improvement Grants	84.377	12060SDE6437020679	101,432
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	12060SDE6437020977	3,250,407
Special Education - Preschool Grants (IDEA, Preschool)	84.173	12060SDE6437020983	107,069
<i>Total Special Education Cluster (IDEA)</i>			3,357,476
Career and Technical Education - Basic Grants to States, (Perkins IV)	84.048	12060SDE6437020742	192,413
Twenty First Century Community Learning Centers			
21st Century Rippowam	84.287	12060SDE6437020863	100,000
21st Century Dolan	84.287	12060SDE6437020863	150,000
English Language Acquisition State Grants	84.365	12060SDE6437020868	315,000
Immigrant & Youth Education	84.162	12060SDE6437020868	215,616
Improving Teachers' Quality State Grant	84.367	12060SDE6437020858	596,016
Trio - Upward Bound	84.047		144,164
School Attendance Grant	84.UNKNOWN		30,000
<i>Total Department of Education</i>			\$ 7,778,993

See independent auditors' report and notes to schedule of expenditures of federal awards

City of Stamford, Connecticut

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>Department of Health and Human Services</u>			
Pass - Through Program From:			
National Association of County and City Health Officials (NACCHO) Medical Reserve Corps Small Grant Program	93.008		\$ 3,338
Pass - Through Program From:			
State of Connecticut Department of Public Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	12060DPH4883422289	714
Immunization Cooperative Agreements	93.268	12060DPH4866420911	96,323
Immunization Cooperative Agreements Non-Cash	93.268	Non - Contract	137,167
Public Health Emergency Preparedness	93.069	12060DPH4855722333	59,801
HIV Prevention Activities - Health Department Based	93.940	12060DPH4885222511	85,471
Preventive Health and Health Services Block Grant	93.991	12060DPH4855821530	18,978
Pass -Through Program From:			
Connecticut Department of Education Social Services Block Grant	93.667	12060SDE6422026155	833,880
Connecticut Department of Social Services Social Services Block Grant	93.667	12060DSS6078320721	57,367
<i>Total Department of Health and Human Services</i>			1,293,039
<u>Department of Homeland Security</u>			
Direct Program			
Port Security Grant Program	97.056		610,000
Pass - Through Programs From:			
Connecticut Department of Emergency Services and Public Protection Port Security Grant Program	97.056	12060DPS3216022327	23,116
Homeland Security Grant Program - Bomb Squad Funding	97.067	12060DPS3216021877	40,000
Homeland Security Grant Program -Urban Areas Security Initiative (UASI)	97.067	12060DPS3216022330	191,751
			254,867
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
FEMA Tropical Storm Irene - DR-4023-CT	97.036	12060DPS3299021891	168,751
FEMA Tropical Storm Sandy - DR-4087-CT	97.036	12060DPS3299022520	605,612
Assistance to Firefighters Grant	97.044		56,000
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		283,047
Emergency Management Performance Grants	97.042	12060DPS9704221881	61,754
Pass - Through Program From:			
Westport Weston Health District -Medical Reserve CORPS Homeland Security Grant Program	97.067		2,107
<i>Total Department of Homeland Security</i>			2,042,138
Total Federal Expenditures			\$ 25,639,913

City of Stamford, Connecticut

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1. ***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of the City of Stamford, Connecticut ("City") under programs of the Federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. ***Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, which establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments (governmental units). The basis used to determine noncash awards expended: such as food stamps, food commodities and donated property, is the fair market value at the time of the receipt, or the assessed value provided by the Federal or pass-through agencies.

3. ***USDA Contributions***

The U.S. Department of Agriculture makes available commodities for donations to schools. The amount of \$265,010 represents the market value of such commodities.

4. ***WIC Food Payments***

The U.S. Department of Agriculture makes non-cash distributions of food vouchers for WIC. The amount of \$3,674,115 represents the market value of such vouchers used during this period.

5. ***Vaccines***

The U.S. Department of Health and Human Services makes non-cash distributions of vaccines. The amount of \$137,167 represents the market value of such vaccines.

**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**

Independent Auditors' Report

**The Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut**

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stamford, Connecticut (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs - Federal that we consider to be significant deficiencies as finding items 2013-001, 2013-002 and 2013-003.

O'CONNOR DAVIES, LLP

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Compliance and Other Matters

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

City of Stamford's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying attachment "Management Responses to Auditors' Communication on Internal Control". The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

O'Connor Davies, LLP

O'Connor Davies, LLP
Stamford, Connecticut
January 24, 2014

**Report on Compliance for Each Major Federal Program; Report on
Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

Independent Auditors' Report

**The Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the City of Stamford, New York (the "City") 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's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs - Federal.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013 and have issued our report thereon dated January 24, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies, LLP

O'Connor Davies, LLP
Stamford, Connecticut
January 24, 2014

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs - Federal
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs Unmodified

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

Identification of major programs: **Federal**

<u>Program Name</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program For Women (WIC)	10.557
Community Development Block Grants/Entitlement Grants	14.218
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704
Career and Technical Education -Basic Grants to States (Perkins IV)	84.048
Social Services Block Grant	93.667
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
Port Security Grant Program (PSGP)	97.056
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083

Dollar threshold used to distinguish between Type A and Type B programs \$769,197

Auditee qualified as low-risk auditee? yes no

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs – Federal (Continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding 2013-001: Audit Readiness / Process and Communication

Criteria: As a large, complex organization, the City must secure information required for financial reporting and maintain proper internal control over departments or agencies such as the Tax Department, the Grants Department, Payroll, Office of Legal Affairs, Board of Education (“BOE”), Smith House, SWPCA, etc. - within the City.

Condition: At the commencement of our audit in mid-August, the year-end closing process was not complete. Account reconciliations and analyses had not been prepared for many accounts, and certain schedules, reconciliations and analyses had not been reviewed by supervisory personnel. Accounting tasks such as monthly reconciliations, cross-checks, reviews and supporting schedules play a key role in proving the accuracy of financial data and financial information that comprise interim and year-end financial statements. During our audit, we recorded over 200 adjusting journal entries, some of which were proposed by management after the audit began, but the large majority of which were proposed by us.

Cause: There are no defined processes or procedures in place for communicating this information to the Controller’s Department. The adjusting journal entries resulted from account reconciliations completed after the start of the audit as well as information that was not available to the Controller’s Department through the ordinary course of business. The most significant adjustments related to grants, capital projects, property taxes, medical funds, and the OPEB trust fund.

Effect or Potential Effect: These conditions can have a negative impact on internal efficiencies of systems and may jeopardize effective financial reporting and internal control. Because the closing process was not complete the entity-wide adjustments required for reporting in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34 and for completion of the Comprehensive Annual Financial Report were significantly delayed again this year.

Recommendation: We recommend that appropriate corrective actions be implemented as soon as possible. Specifically, we recommend:

- We continue to suggest that the Controller’s Department develop and implement a well-defined and effective monthly, quarterly and annual closing process that includes interim account analysis and an appropriate level of supervisory review. Strict adherence to this process will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process.
- Assure that there are proper resources available to complete the monthly, quarterly and year-end closings, including the resources needed to cover unforeseen staffing shortages that may arise during the course of the year.
- If the City continues the use of spreadsheets and account analyses outside of the standard accounting system, the information should be summarized and recorded in the City’s general ledger accounting system on a contemporaneous basis. This would save a substantial amount of work and overall would result in more timely and accurate information for interim and year-end reporting.

Reference - Addendum A of the Auditors’ Report on Communication of Internal Control Matters Related Matters Identified in the Audit to Those Charged with Governance – Significant Deficiency #1.

Management’s Response: See attached Corrective Action Plan.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs – Federal (Continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings (Continued)

Finding 2013 - 002: Timekeeping Oversight and Administration

Criteria: Payroll and related taxes and benefits comprise the single largest recurring expenditure for the City (including the Board of Education). Internal control over systems and personnel to process payroll, track, document and approve overtime charges and compensated absences is essential to safeguard payroll disbursements.

Cause: While the City has an automated system (i.e. Kronos) for tracking hours worked and paid time off, the procedures in place across the City vary widely and often circumvent the Kronos system. Among the issues we noted are:

- Instances where overtime pay is approved, but the reason for the overtime was not documented in accordance with City policy.
- Errors in computing the accumulated sick and/or vacation time, particularly in the Fire Department, where the amounts were significantly overstated in comparison to what the labor contracts allow.
- A large number of personnel across the City are allowed to approve overtime, and there is no procedure in place for a higher level review of overtime incurred.

Effect or Potential Effect: If the City's internal controls over payroll disbursements are not stringent or if management is not vigilant, material incorrect or improper payments can occur.

Recommendation: We recommend that the City standardize payroll procedures across all City/BOE departments, including the use of Kronos. Written policies should be established to appropriately limit the number of people that can approve overtime and to provide for regular oversight to ensure that overtime incurred is reasonable and appropriate and that the reasons for overtime are being clearly documented in accordance with existing policy. We also recommend that the City investigate the reasons for the use of non-integrated programs for recording employee's accrued time and address the difficulties in the integration of these systems into one summarized report. This is an area that needs to be kept up to date to avoid the possibility of improperly calculated sick time payouts. We further recommend that the City/BOE implement an automated system for rolling forward prior year's unused sick and vacation time, as well as tracking current year sick and vacation time earned and taken for each employee.

Reference - Addendum A of the Auditors' Report on Communication of Internal Control Matters Related Matters Identified in the Audit to Those Charged with Governance – Significant Deficiency #2.

Management's Response: See attached Corrective Action Plan.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs – Federal (Continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings (Continued)

Finding 2013 - 003: Old Town Hall Redevelopment Agency (OTHRA)

Criteria: OTHRA was created to finance the redevelopment of the Old Town Hall in downtown Stamford. In addition, OTHRA was expected to manage the accounting, operating and strategic functions of the project.

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA's entities and their reporting requirements.

Cause: Accounting entries related to OTHRA activity were not being properly recorded in the City's accounting records. Specifically the following matters were not addressed:

- The annual audits of OTH Manager and QALICB, as required by the underlying legal documents, were not performed.
- Rental income from OTH Master Tenant, LLC, which is owned 100% by US Bank, is not being transferred into QALICB's bank account in accordance with the master lease agreement. Additionally, QALICB is not remitting a management fee to the City, also as required.
- Real estate taxes of approximately \$100,000 which are due to the City were not recorded.

Effect or Potential Effect: Without the required annual audits of OTH Manager and QALICB the project may not benefit from the in-flow of cash from the New Markets Tax Credit and the Historic Tax Credit.

Recommendation: We recommend the following:

- The accounting and administrative responsibilities associated with OTHRA, OTH Manager, QALICB and other related entities should be more clearly identified and assigned. If the City is to be responsible for performing certain of these tasks, those tasks should be documented in a written agreement between the City and OTH Manager.
- The required audits be completed in order to comply with the underlying agreements and to allow for the collection of Federal tax credits – the New Markets and Historic tax credits.

Reference - Addendum A of the Auditors' Report on Communication of Internal Control Matters Related Matters Identified in the Audit to Those Charged with Governance. – Significant Deficiency #3

Management's Response: See attached Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

None noted

City of Stamford, Connecticut

Summary Schedule of Prior Audit Findings – Federal
Year Ended June 30, 2013

Section IV – Summary of Prior Audit Findings - Federal

Finding 2012 - 01: Year End Closing, Process and Communication

Condition: In our review of the City's records, the year-end closing process was not complete. Account reconciliations and analyses had not been prepared for many accounts, and certain schedules, reconciliations and analyses had not been reviewed by supervisory personnel.

- The property tax receivable, overpayments account, disputed assessments and related revenue accounts are not routinely reconciled to the general ledger. The information is summarized by the Tax Department; however, the lack of communication between the Tax Department and the Controller's Department leads to situations where the aforementioned accounts' sub-ledgers are not reconciled to the general ledger.
- Transfers to the Mill River Capital Projects Fund and the Harbor Point District, affecting the property tax accounts, were not recorded by the City.
- Schedules to support disputed tax assessments maintained by the Tax Department were not available for review by the Controller's Department.
- Certain of the school construction debt accounts were not reconciled and did not agree with the underlying amortization schedules.
- Schedules of educational and other grants receivables/deferred revenues were not prepared and the related general ledger accounts had not been analyzed.
- Because the closing process was not complete the entity-wide adjustments required for reporting in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 and for completion of the Comprehensive Annual Financial Report could not be made.
- Loan balances relating to various loan programs administered by the Community Development Program were not reflected in the general ledger.
- Insufficient documentation and communication of accounting and financial reporting processes and procedures related to the year-end audit, including the lack of supervisory review as well as lack of clearly defined roles and responsibilities of each department and individuals within each department for maintaining, monitoring and sharing information.
- The lack of a well-defined and effective monthly, quarterly and annual closing process.
- The City Charter requires that the City's financial statements be prepared and submitted to the Board of Finance by October 30th of each year. Given that some of the information required for a complete and proper year-end closing is not available for as long as 60 days after year-end (i.e. August 31), the time frame to complete the year-end closing is extremely restricted.

City of Stamford, Connecticut

Summary Schedule of Prior Audit Findings – Federal (Continued)
Year Ended June 30, 2013

Section IV – Summary of Prior Audit Findings - Federal (Continued)

Finding 2012 - 01: Year End Closing, Process and Communication (Continued)

- Some departments within the City operate independently of other departments and may not have a sufficient understanding of and/or accountability for the closing process and related accounting and reporting practices.
- Several areas of the general ledger account coding structure do not provide sufficient information to properly review, reconcile, monitor and report activity.
- The City uses a pooled cash arrangement whereby one general operational account is used to record receipts and disbursements and account for the cash balances of several different City funds and individual general ledger accounts to track the share of the pooled cash account “owned” by each separate fund. While pooled cash arrangements are often acceptable and widely used in practice, we believe this pooled cash arrangement contributes to a lack of transparency.

Current Status: These conditions were partial corrected. See similar finding 2013-001.

Finding 2012 - 02: Old Town Hall Redevelopment Agency (OTHRA)

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA’s entities and there reporting requirements.

Current Status: The finding remained uncorrected. See similar finding 2013 - 003.

Finding 2012 - 03: Internal Service Fund – Risk Management

Condition: The City is self-insured for workers’ compensation and heart and hypertension claims and had recorded a liability of approximately \$8 million for workers compensation claims at June 30, 2012. This amount recorded for the City’s reported but unpaid workers’ compensation claims was provided by the City’s third party administrator and may not properly reflect the City’s potential liability.

Current Status: The finding was corrected

**Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of State Financial Assistance Required by the State Single Audit Act**

Independent Auditors' Report

**The Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut**

Report on Compliance for Each Major State Program

We have audited the City of Stamford, Connecticut's (the "City") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2013. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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'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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the City, as of and for the year ended June 30, 2013, and have issued our report thereon dated January 24, 2014 for the purpose of forming our opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies, LLP

O'Connor Davies, LLP
Stamford, Connecticut
January 24, 2014

City of Stamford, Connecticut
 Schedule of Expenditures of State Financial Assistance
 Year Ended June 30, 2013

State Grantor/Pass Through Grantor Program Title	State Grant Program ID#	Expenditure
Department of Education		
Priority School District	11000-SDE64370-17043-82052	\$ 2,791,227
Health Services -Non-Public	11000-SDE64370-17034	525,080
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043-82056	3,704,552
Quality Enhancement	11000-SDE64370-17097	65,335
Adult Education - Provider	11000-SDE64370-17030-84002	285,976
Adult Education - CEE	11000-SDE64370-17030-84004	30,834
Interdistrict Cooperative - AITE Summer Academy	11000-SDE64370-17045	45,951
Youth Services Bureau	11000-SDE64370-17052-82079	58,894
Youth Services Bureau Extra grant	11000-SDE64370-16201	9,777
Child Nutrition State Matching Grant	11000-SDE64370-16072	55,496
Primary Mental Health	11000-SDE64370-12198	22,087
Bilingual Education	11000-SDE64370-17042	165,856
Extended School Hours and Supportive Program	11000-SDE64370-17043-82054	291,077
School Accountability - Summer School	11000-SDE64370-17043-82055	336,277
After School Program - ALTA	11000-SDE64370-17084-82079	111,688
After School Program - TOR Titans	11000-SDE64370-17084-82079	111,688
Magnet School Operating - AITE	11000-SDE64370-17057-82062	3,060,995
Magnet School Operating - Rogers	11000-SDE64370-17057-82062	2,505,620
ECS Alliance	11000-SDE64370-17041-82164	681,296
State School Breakfast	11000-SDE64370-17046	70,018
Vocational Agriculture	11000-SDE64370-17017	154,998
Magnet School Transportation	11000-SDE64000-17057	229,530
Day Care Program 135-CDC-40	12060-SDE64220-12520	902,783
Ed Aid Blind/Vis Impaired	11000-SDR63830-12060	123,531
		<u>16,340,566</u>
Office of Policy and Management		
PILOT on Private Colleges and General Hospitals	11000-OPM20600-17006	1,908,074
PILOT on State Property	11000-OPM20600-17004	1,273,723
Distressed Municipalities	11000-OPM20600-17016	1,615,671
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17011	2,436
Property Tax Relief for Veterans	11000-OPM20600-17024	18,358
Elderly Freeze	11000-OPM20600-17021	6,000
Homeowner's Property Tax Relief	11000-OPM20600-17018	371,000
Local Capital Improvement	11000-OPM20600-40254	20,000
		<u>5,215,262</u>
Department of Economic and Community Development		
Tax Abatement 135-TA-Various	11000-ECD46400-17008-038	375,818
Payment in Lieu of Taxes 135-PILOT-39	11000-ECD46400-17008-039	255,116
City Canvases-Stamford Lights	11000-ECD46820-16196	137,696
		<u>768,630</u>
State Library		
Historic Document Preservation 135-OI-11	10000-CSL66094-35150	9,500
Department of Social Services		
Social Service Block Grant Counseling	11000-DSS60783-17083	6,057
Department of Public Safety		
Telecommunications Fund/911 Enhancement	12060-DPS32740-35190	283,205

City of Stamford, Connecticut
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

<u>State Grantor/Pass Through Grantor Program Title</u>	<u>State Grant Program ID#</u>	<u>Expenditure</u>
Department of Public Health		
Sexually Transmitted Diseases	11000-DPH48665-17013	\$ 26,902
AIDS Prevention 2009-0144	11000-DPH48500-12236	122,631
Tuberculosis Treatment 2007-0062-2	11000-DPH48500-16112	59,673
Per Capita Grant	11000-DPH48500-17009	183,813
Lead Poisoning Prevention and Control	11000-DPH48500-12126	24,515
Through AIDS Project Greater Danbury	11000-DPH48852-12236	13,276
		<u>430,810</u>
Department of Transportation		
Town Aid Highway Fund	12001-DOT57131-43459	595,641
South End Street Improvements	12001-DOT57161-43122	693,651
Transit Oriented Development Program	12052-DOT57343-43313	153
Hope Street Reconstruction Design	12062-DOT57191-22108	6,704
Stillwater Rd. Reconstruction	12062-DOT57191-22108	1,577
Click it or Ticket	12062-DOT57343-20559	3,362
Elderly and Disabled Responsive Transportation	12062-DOT57931-35304	33,706
		<u>1,334,794</u>
Department of Judicial Services		
Motor Vehicle Fines	34001-JUD95162-40001	69,335
Through the Connecticut Firemen's Association		
Fire Training School	11000-FPC36510-16179	62,916
Connecticut Department of Environmental Protection		
Cumming Park Seawall and Pedestrian Path	12060-DEP43000-Various	211
Department of Mental Health and Addiction Services		
Local Prevention Control 11/12	11000-MHA53000-12215	6,050
Local Prevention Control 12/13	11000-MHA53000-12215	780
		<u>6,830</u>
Total State Assistance Before Exempt Programs		<u>24,528,116</u>
Exempt Programs		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	7,894,337
Charter Schools Grant	11000-SDE64370-17041-84179	3,100,800
Transportation of School Children	11000-SDE64370-17027	54,217
Nonpublic School Transportation	11000-SDE64370-17049	30,892
School Construction Projects-Principal	13010-SDE64370-40901	909,598
School Construction Projects-Interest	13009-SDE64370-40896	137,300
School Construction Progress Payments	13010-DCS28246-40901	1,667,847
Special Education-Agency Placements I and Excess Costs	11000-SDE64370-17047	3,935,158
		<u>17,730,149</u>
Office of Policy and Management		
Municipal Revenue Sharing Manufacturing Transition	11000-OPM20600-35458	1,094,884
Municipal Video competition	12060-OPM20600-35362	577,674
		<u>1,672,558</u>
State Comptroller's Office		
Mashantucket Pequot Grant	12009-OSC15910-17005	923,079
Total Exempt Programs		<u>20,325,786</u>
Total Expenditures of State Financial Assistance		<u>\$ 44,853,902</u>

City of Stamford, Connecticut

Notes to Schedule of Findings and Questioned Costs - State Year Ended June 30, 2013

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Stamford, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public works, property tax relief, public health, transportation and public safety.

1. Summary of Significant Accounting Policies

The accounting policies of the City of Stamford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to government agencies.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements for the governmental fund types contained in the City of Stamford, Connecticut basic financial statements are prepared on the modified accrual basis of accounting. The financial statements for the business-type activities are prepared on the full accrual basis of accounting.

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

City of Stamford, Connecticut

Notes to Schedule of Findings and Questioned Costs – State (Continued)
Year Ended June 30, 2013

2. Loan Programs

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

Department of Environmental Protection

Clean Water Funds 21104-OTT14230-4001

	<u>Balance</u> <u>July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2013</u>
117-C	\$ 330,021	\$ -	\$ 136,560	\$ 193,461
375-C	198,064	-	43,214	154,850
414-D	1,587,923	-	184,888	1,403,035
414-D	<u>51,174,729</u>	<u>-</u>	<u>3,431,940</u>	<u>47,742,789</u>
	<u>\$ 53,290,737</u>	<u>\$ -</u>	<u>\$ 3,796,602</u>	<u>\$ 49,494,135</u>

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs - State
Year Ended June 30, 2013

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the regulations to the State Single Audit Act? yes no

- The following schedule reflects the major State programs included in the audit:

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>State Expenditures</u>
Department of Education		
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043-82056	\$ 3,704,552
Magnet School operating - AITE	11000-SDE64370-17057-82062	3,060,995
Magnet School operating - Rogers	11000-SDE64370-17057-82062	2,505,620
ECS Alliance	11000-SDE64370-17041-82164	681,296
Health Services -Non-Public	11000-SDE64370-17034	525,080
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Adult Education - Provider	11000-SDE64370-17030-84002	285,976
Office of Policy and Management		
PILOT on State Property	11000-OPM20600-17004	1,273,723
Homeowner's Property Tax Relief	11000-OPM20600-17018	371,000
Department of Economic and Community Development		
Tax Abatement 135-TA-Variou	11000-ECD46400-17008-038	375,818

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs –State (Continued)
Year Ended June 30, 2013

I. Summary of Auditors' Results (continued)

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>State Expenditures</u>
Department of Transportation South End Street Improvements	12001-DOT57161-42313	\$ 693,651
Department of Public Safety Telecommunications Fund/911 Enhancement	12060-DPS32740-35190	283,205

Dollar threshold used to distinguish between Type A and Type B programs: \$ 490,562

II. Financial Statement Findings

- We issued reports, dated January 24, 2014 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*.
- Our report on compliance and other matters indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated three significant deficiencies. See findings 2013-001, 2013-002 and 2013-003.

III. State Financial Assistance Findings and Questioned Costs

A. Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs – State (Continued)
Year Ended June 30, 2013

IV. Prior Financial Statement Findings and State Financial Assistance Findings and Questioned Costs

2012-01 - Year-End Closing Process and Communications

Condition: In our review of the City's records, the year-end closing process was not complete. Account reconciliations and analyses had not been prepared for many accounts, and certain schedules, reconciliations and analyses had not been reviewed by supervisory personnel.

- The property tax receivable, overpayments account, disputed assessments and related revenue accounts are not routinely reconciled to the general ledger. The information is summarized by the Tax Department; however, the lack of communication between the Tax Department and the Controller's Department leads to situations where the aforementioned accounts' sub-ledgers are not reconciled to the general ledger.
- Transfers to the Mill River Capital Projects Fund and the Harbor Point District, affecting the property tax accounts, were not recorded by the City.
- Schedules to support disputed tax assessments maintained by the Tax Department were not available for review by the Controller's Department.
- Certain of the school construction debt accounts were not reconciled and did not agree with the underlying amortization schedules.
- Schedules of educational and other grants receivables/deferred revenues were not prepared and the related general ledger accounts had not been analyzed.
- Because the closing process was not complete the entity-wide adjustments required for reporting in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 and for completion of the Comprehensive Annual Financial Report could not be made.
- Loan balances relating to various loan programs administered by the Community D Insufficient documentation and communication of accounting and financial reporting processes and procedures related to the year-end audit, including the lack of supervisory review as well as lack of clearly defined roles and responsibilities of each department and individuals within each department for maintaining, monitoring and sharing information.
- The lack of a well-defined and effective monthly, quarterly and annual closing process.
- The City Charter requires that the City's financial statements be prepared and submitted to the Board of Finance by September 30th of each year. Given that some of the information required for a complete and proper year-end closing is not available for as long as 60 days after year-end (i.e. August 31), the time frame to complete the year-end closing is extremely restricted.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs – State (Continued)
Year Ended June 30, 2013

IV. Prior Financial Statement Findings and State Financial Assistance Findings and Questioned Costs (continued)

Finding 2012 - 01: Year End Closing, Process and Communication (Continued)

- Some departments within the City operate independently of other departments and may not have a sufficient understanding of and/or accountability for the closing process and related accounting and reporting practices.
- Several areas of the general ledger account coding structure do not provide sufficient information to properly review, reconcile, monitor and report activity.
- The City uses a pooled cash arrangement whereby one general operational account is used to record receipts and disbursements and account for the cash balances of several different City funds and individual general ledger accounts to track the share of the pooled cash account “owned” by each separate fund. While pooled cash arrangements are often acceptable and widely used in practice, we believe this pooled cash arrangement contributes to a lack of transparency.
- Development Program was not reflected in the general ledger.

Current Status: These conditions were partial corrected. See similar finding 2013-001.

Management’s Response: See attached Corrective Action Plan.

Finding 2012- 02: Old Town Hall Redevelopment Agency (OTHRA)

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA’s entities and there reporting requirements.

Current Status: The finding remained uncorrected. See similar finding 2013 - 003.

Management’s Response: See attached Corrective Action Plan.

Finding 2012- 03: Internal Service Fund – Risk Management

Condition: The City is self-insured for workers’ compensation and heart and hypertension claims and had recorded a liability of approximately \$8 million for workers compensation claims at June 30, 2012. This amount recorded for the City’s reported but unpaid workers’ compensation claims was provided by the City’s third party administrator and may not properly reflect the City’s potential liability.

Current Status: The finding was corrected