

CITY OF AUBURN, MAINE

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

**For the Year Ended
June 30, 2023**

CITY OF AUBURN, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2023

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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, 2023, 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 August 30, 2024.

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 2023-001 to 2023-004 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 deficiency as described in the accompanying schedule of findings and questioned costs as item 2023-005 to be a significant deficiency.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

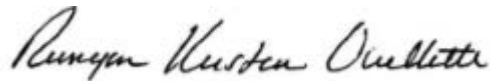
During our audit, we became aware of opportunities for strengthening internal controls and operating efficiency that we have reported as “Other Comments”.

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.



August 30, 2024, except for management corrective
action plans and responses, which are dated
September 30, 2024
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, 2023. 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, Coronavirus State and Local Fiscal Recovery Funds, and the Child Nutrition Cluster

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, Coronavirus State and Local Fiscal Recovery Funds, and the Child Nutrition Cluster for the year ended June 30, 2023.

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, 2023.

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 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, Coronavirus State and Local Fiscal Recovery Funds, and the Child Nutrition Cluster

As described in findings 2023-006 to 2023-008, 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
2023-006	21.027	<i>Coronavirus State and Local Fiscal Recovery Funds</i>	Reporting
2023-007	10.553, 10.555, 10.559, 10.582	<i>Child Nutrition Cluster</i>	Activities Allowed/ Allowable Costs
2023-008	14.218	<i>Community Development Block Grant (CDBG) Cluster</i>	Program Income

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.

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 item 2023-001 and items 2023-006 through 2023-008 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.

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.

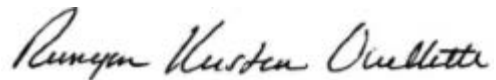
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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, 2023, 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 August 30, 2024, 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.



August 30, 2024, except for management corrective
action plans and responses, which are dated
September 30, 2024
South Portland, Maine

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

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	\$ 22,475		-
Title IA	84.010	3107	1,063,737		-
Title IA - Program Improvement	84.010	3106	1,814	1,065,551	-
Special Education Cluster:					
Special Education - Grants to States (IDEA, Part B)	84.027	3046	1,073,852		-
Special Education - Preschool Grants (IDEA Preschool)	84.173	6247	23,536		-
COVID-19 - Special Education - Preschool Grants (IDEA Preschool)	84.173X	7171	1,471		-
Total Special Education Cluster				1,098,859	
21st Century - Community Learning Center	84.287	3356	216,431		-
Title III - Language Acquisition	84.365A	3115	13,681		-
Title IIA - Supporting Effective Instruction	84.367	3042	234,228		-
Title IV - Student Support and Academic Enrichment	84.424	3345	25,197		-
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425D	7041	1,027,969		-
COVID-19- Multilingual Learners Experiencing Homelessness	84.425D	n/a	92,292		-
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425U	7071	1,340,090		-
COVID-19 - Homeless Children and Youth II	84.425W	3161	24,787	2,485,138	-
Total U.S. Department of Education			5,161,560		-
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	1,007,030		-
Donated Commodities	10.555	N/A	181,252		-
School Breakfast Program	10.553	3014	300,532		-
Summer Food Service Program	10.559	3016/3018	117,031		-
Fresh Fruit and Vegetable Program	10.582	3028	63,736		-
Total Child Nutrition Cluster				1,669,581	
Child and Adult Care Food Program	10.558	6661	10,222		-
State Administrative Expenses for Child Nutrition: Supply Chain Assistance	10.560	6670	87,991		-
COVID-19 - Pandemic EBT Administrative Costs: SNAP	10.649	6184	5,024		-
Total U.S. Department of Agriculture			1,772,818		-
U.S. Department of Justice,					
passed through Dirigo Safety, LLC:					
Enforcing Underage Drinking Laws	16.727	3232	2,560		-
Direct Programs:					
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	18,743		-
Bullet Proof Vest	16.607	N/A	7,195		-
Edward Byrne Justice Assistance Grant	16.738	N/A	5,100		-
Equitable Sharing Program	16.922	N/A	7,716		-
Total U.S. Department of Justice			41,314		-

CITY OF AUBURN, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2023

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 Cluster:					
Highway Planning and Construction - Mill Street and Main Street	20.205	WIN 018651.00	\$ 1,096,301		-
Highway Planning and Construction - Hotel Rd.	20.205	WIN 026748.00	483		-
Highway Planning and Construction - Traffic Signals	20.205	WIN 018658.00	212,854		-
Total Highway Planning and Construction Cluster				1,309,638	
passed through the Maine Bureau of Highway Safety:					
Highway Safety Cluster:					
Pedestrian Safety Grant	20.600	PS23-004	917		-
Evidence Based Impaired Driving (OUI Grant)	20.600	N/A	4,356		-
Speed Enforcement Program	20.600	PT23-020	3,603		-
HV Distracted Driving Enforcement Project	20.616	DD23-015	604		-
Total Highway Safety Cluster				9,480	
Total U.S. Department of Transportation			1,319,118		-
U.S. Department of Housing and Urban Development:					
Direct Programs:					
CDBG - Entitlements Grants Cluster:					
Community Development Block Grant - Entitlement	14.218	N/A	262,804		15,000
Community Development Block Grant - Entitlement - School Department	14.218	N/A	7,386		1,623
COVID-19 - Community Development Block Grant - Entitlement	14.218	N/A	87,889		-
Total CDBG - Entitlements Grants Cluster				358,079	
Home Investment Partnership Program	14.239	N/A	102,063		-
COVID-19 - Home Investment Partnership Program	14.239	N/A	116,681	218,744	-
Lead Hazard Reduction Demonstration Grant	14.905	N/A	284,020		-
Total U.S. Department of Housing and Urban Development			860,843		16,623
U. S. Department of the Treasury,					
Direct Programs:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,742,836		20,000
Total U. S. Department of the Treasury			1,742,836		20,000
U.S. Department of Health and Human Services,					
passed through the Maine Department of Health and Human Services:					
COVID-19 - Childcare and Development Block Grant	93.575	N/A	69,742		-
Total U.S. Department of Health and Human Services			69,742		-
U.S. Department of Homeland Security,					
passed through the Maine Emergency Management Agency:					
Disaster Grants - Public Assistance	97.036	N/A	18,743		-
Assistance to Firefighters Grant	97.044	N/A	49,570		-
Homeland Security	97.067	N/A	48,661		-
Total U.S. Department of Homeland Security			116,974		-
Totals			\$ 11,085,205		36,623

CITY OF AUBURN, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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, 2023. 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, 2023

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? No

Federal Awards

Internal Control over major federal programs:
 Material weaknesses identified? Yes
 Significant deficiencies identified? No

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

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

Identification of major federal programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
<u>21.027</u>	<u>Coronavirus State and Local Fiscal Recovery Funds</u>
<u>14.218</u>	<u>Community Development Block Grant – Entitlement Grants Cluster</u>
<u>10.553, 10.555, 10.559, 10.582</u>	<u>Child Nutrition Cluster</u>
<u>84.425D, 84.425U, 84.425W</u>	<u>Elementary and Secondary School Emergency Relief</u>
<u>84.010</u>	<u>Title IA</u>
<u>20.205</u>	<u>Highway Planning and Construction (FHA) Cluster</u>

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

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.

Management Response/Corrective Action Plan: *We continue to implement processes to ensure the recommendations are happening on a regular basis. Quarterly and year-end financial reporting will be prepared and reconciled to the Munis accounting system and supporting documentation will be maintained on file according to the City's document retention policies. The City will continue to monitor until all processes mirror recommendations.*

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.

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

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.

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 corrected 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.

Management Response/Corrective Action Plan: *City reconciliations will continue to be done on a monthly basis and we anticipate timely imports from school to work toward month end closings and reconciliations of the school accounts.*

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 corrected 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.

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

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.

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.

Management Response/Corrective Action Plan: Current staff was unaware fixed assets were not prepared for the audit and therefore prepared when requested. Next fiscal year has been updated and prepared, staff now continues to review on a regular ongoing basis.

SIGNIFICANT DEFICIENCY

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.

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

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

SIGNIFICANT DEFICIENCY

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*

OTHER COMMENTS

Sole Source Provider Procurement Compliance

During our testing of American Rescue Plan Act disbursements, we noted that sole source procurements did not contain adequate documentation explaining why competitive bidding or informal vendor quotations for products and service purchases was not feasible. We recommend that procedures be designed to ensure that all levels of procurement are adequately documented, including the rationale for the type of procurement and relevant bid documentation and quotes. Sole source procurements should include documentation supporting the reason a sole source procurement is necessary. This may include situations where the product is proprietary in nature or so custom only one vendor sources it, an emergency procurement is required, or when the buyer's outreach yields only one vendor willing to provide a quote.

Management Response/Corrective Action Plan: Requirements and process have been communicated and will be reviewed at time of PO requests.

Approvals and Supporting Documentation for City Journal Entries

Upon our review of city journal entries, we noted that several journal entries were not reviewed by anyone other than the employee who prepared them. Additionally, we found that several of the journal entries we reviewed lacked sufficient, appropriate backup documentation. 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. Lastly, we recommend that each journal entry completed have documentation sufficient to determine the nature, timing, and extent of the journal being posted.

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.

School Payroll – Hourly Employee Pay Averaging and Salary Miscalculation

In the course of testing school payroll, we found that 3 of the 4 hourly employees' pay averaging hours had been miscalculated. These miscalculations resulted in one employee being overpaid and two other employees being underpaid. While these amounts are not quantitatively considered material to the financial statements, they may be considered to be qualitatively significant. It is extremely important to verify the accuracy of the calculations to avoid potential over expenditure of the budget or underpayment of employees. We recommend that management retroactively review all 2022-2023 (and going forward) pay averaged employees' wages to see if any others were miscalculated, and pay out any wages that should have been paid but were missed.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2023

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

OTHER COMMENTS, CONTINUED

Management Response/Corrective Action Plan: The Auburn School Department Business Office staff reconciled final FY23 payouts against original contracted amounts to identify or explain variances. The same process was completed at the close of FY24 for Ed Techs and Secretaries who were pay-averaged. Going forward payroll setup was checked by a second staff member for FY25 pays and staff will continue to reconcile end-of-year amounts against work agreements.

Recreation Fund Balance Postings

During our review of opening fund balances for the past two years, we've determined that the parks and recreation fund balance accounts did not reconcile to prior period financial statements for both periods. We determined that numerous adjustments were posted to the various fund balance accounts within the parks and recreation special revenue fund. Fund balance should only be adjusted once annually when the fiscal year is closed, unless a prior period restatement is required. While the variances observed were not material for either of the two periods reviewed, it is important that revenues and expenditures for the current period not be directly passed through fund balance during the year. We recommend that the City not post any adjustments to fund balance during the fiscal year.

Management Response/Corrective Action Plan: City will not post adjustments to fund balance during the fiscal year.

Untimely Deposits at Edward Little High School

As part of our test work, we reviewed the cash receipts process for Edward Little High School. Out of the 32 deposits chosen for testing, three were not deposited within the ten business-days as required by school policy, and one of those was beyond 20 days. Depositing funds in a timely manner helps to minimize the risk of fraud or error. We recommend that management reinforces its existing policy with those employees responsible for the activity funds to ensure deposits are made in a timely manner.

Management Response/Corrective Action Plan: The expectations for deposits were shared with applicable staff. The conversation of assigning a back-up employee to complete Student Activity fund deposits has taken place and corrective actions have begun to support this duty for the purpose of timeliness.

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

Section III - Findings and Questioned Costs for Federal Awards

MATERIAL WEAKNESSES

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.

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.

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.

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

Section III - Findings and Questioned Costs for Federal Awards, Continued

MATERIAL WEAKNESSES, CONTINUED

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 CNPWeb 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.

Management Response/Corrective Action Plan: Going forward the School Nutrition staff will keep a spreadsheet documenting meals reimbursed previous fiscal years, and in each month to compare to the number of meals calculated for the current billing month.

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.

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.

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

Section III - Findings and Questioned Costs for Federal Awards, continued

MATERIAL WEAKNESSES, CONTINUED

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.

Management Response/Corrective Action Plan: The Community Development and Finance Departments acknowledge that EN funds were drawn when it appeared that PI funds were available. The finding was partly influenced by the nature of first quarter draws and the need to record prior year expenses. We have corrected the discrepancy and to address this in the future, we plan to implement a balance sheet account to better track PI balances and expenditures.

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*

2022-001 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: Significant 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.

Questioned Costs: None

Status: See current year finding 2023-001.

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

2022-002 U.S. Department of Housing and Urban Development, for the period July 1, 2021 through June 30, 2022, CFDA #14.218 Community Development Block Grant

Criteria: Compliance under Reporting for CDBG requires the PR26 CDBG Financial Summary to be submitted annually. Also, there are PR 29 Cash on Hand reports due quarterly. Both reports include financial information that should be reported on a basis consistent with grant terms.

Condition: Certain information related to the PR29 CDBG Cash on Hand report and the PR26 CDBG Financial Summary could not be reconciled to the City's accounting system or to underlying documentation.

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

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

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

Questioned Costs: None

Status: *Cleared. The City improved the reconciliation process to ensure compliance with the Uniform Guidance.*