

CITY OF SOUTH PORTLAND, MAINE

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

**For the Year Ended
June 30, 2019**

CITY OF SOUTH PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2019

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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

City Council and Board of Education
City of South Portland, 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 South Portland, Maine, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of South Portland, Maine's basic financial statements, and have issued our report thereon dated December 27, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Compliance and Other Matters

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

We noted other certain matters that we reported to management of the City of South Portland, Maine in a separate letter dated December 27, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 27, 2019
South Portland, Maine

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

City Council and Board of Education
City of South Portland, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of South Portland, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of South Portland, Maine's major federal programs for the year ended June 30, 2019. The City of South Portland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of South Portland, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of South Portland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of South Portland, 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 major federal programs for the year ended June 30, 2019.

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

Report on Internal Control over Compliance

Management of the City of South Portland, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of South Portland, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of South Portland, Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a significant deficiency.

The City of South Portland, Maine's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of South Portland, Maine's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

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 South Portland, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of South Portland, Maine's basic financial statements. We issued our report thereon dated December 27, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Portland, 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 27, 2019
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Number	Federal Expenditures	CFDA/ Cluster Totals	Passed through to Subrecipients
U.S. Department of Agriculture, Passed through the Maine Dept. of Education: Child Nutrition Cluster:					
National School Lunch Program	10.555	3024	\$ 466,691		-
Breakfast Program	10.553	3014	168,567		-
After School Program	10.555	3020	5,747		-
Summer Food Service Program	10.559	3016	17,578		-
Food Donation Program	10.555	N/A	88,285		-
Total Child Nutrition Cluster				746,868	
Fresh Fruit and Vegetables	10.582	3028	11,753		-
Total U.S. Department of Agriculture			758,621		-
U.S. of Department of Commerce - National Oceanic and Atmospheric Administration (NOAA), Passed through State of Maine Department of Agriculture, Conservation, and Forestry Coastal Zone Management Administration	11.419	N/A	4,860	4,860	-
Total U.S. Department of Commerce			4,860		-
U.S. Environmental Protection Agency, Passed through the Gulf of Maine Council: Performance Partnership Program	66.605	N/A	37,088		-
Total U.S. Environmental Protection Agency			37,088		-
U.S. Department of Transportation, Direct Programs: Federal Transit Cluster:					
Federal Transit Formula Grants - ME20182013	20.507	N/A	729,894		-
Federal Transit Formula Grants - ME900203	20.507	N/A	21,432		-
Passed through Greater Portland Council of Governments: Federal Transit Cluster:					
Federal Transit Formula Grants	20.507	N/A	2,900		-
Total Federal Transit Cluster				754,226	
Passed through Maine Department of Transportation: Highway Planning and Construction Cluster					
Highway planning and construction	20.205	WIN 22136.00	16,851		-
Total Highway Planning and Construction Cluster				16,851	
Passed through the Maine Department of Public Safety: Highway Safety Cluster:					
State and Community Highway Safety - Distracted Driving	20.600	DD18-053	3,474		-
State and Community Highway Safety - Distracted Driving	20.600	DD19-020	3,829		-
State and Community Highway Safety - Seatbelt	20.600	OP19-035	3,088		-
State and Community Highway Safety - OUI	20.600	ID18-069	884		-
State and Community Highway Safety - OUI	20.600	ID19-060	1,141		-
State and Community Highway Safety - Speed Enforcement	20.600	PT18-068	1,600		-
Total Highway Safety Cluster				14,016	
Total U.S. Department of Transportation			785,093		-

CITY OF SOUTH PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures	CFDA/Cluster Totals	Passed through to Subrecipients
U.S. Department of Education,					
Passed through Maine Department of Education:					
Title IA, Disadvantaged Special Education Cluster:	84.010	3107	\$ 745,909		-
Special Education State Grants Individuals with Disabilities Act	84.027	3046	1,035,676		-
Preschool	84.173	6247	14,555		-
Total Special Education Cluster				1,050,231	
Title III, English Language Acquisition Grant	84.365	3115	20,215		-
Title IIA, Supporting Effective Instruction	84.367	3042	143,789		-
Title IV, Student Support and Academic Enrichment Program	84.424	3345	34,813		-
Adult Basic Education	84.002	6296	18,030		-
Total U.S. Department of Education			2,012,987		-
U.S. of Department Housing and Urban Development,					
Passed through Cumberland County, Maine:					
CDBG - Entitlement Community (CDBG - Entitlement Grants Cluster)	14.218	N/A	294,597	294,597	-
Total U.S. Department of Housing and Urban Development			294,597		-
U.S. of Department Justice,					
Direct Program:					
Body Armor	16.592	N/A	1,534		-
Passed through Federal Bureau of Investigation:					
Safe Streets Task Force	16.XXX	N/A	1,463		-
Total U.S. Department of Justice			2,997		-
U.S. Department of Health and Human Services,					
Passed through Substance Abuse and Mental Health Services Administration:					
Drug Free Communities Support Program	93.276	N/A	124,053		-
Total U.S. Department of Health and Human Services			124,053		-
U.S. Department of Homeland Security,					
Passed through Maine Emergency Management Agency:					
Disaster Grants - Public Assistance	97.036	N/A	11,161		-
Homeland Security Grant Program- FY 17	97.067	N/A	20,958		-
Homeland Security Grant Program- FY 16	97.067	N/A	105,359	126,317	-
County Hazmat Grant	97.004	N/A	23,219		-
Total U.S. Department of Homeland Security			160,697		-
Totals			\$ 4,180,993		-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SOUTH PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB)'s Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of South Portland, Maine for the fiscal year ended June 30, 2019. The reporting entity is defined in notes to basic financial statements of the City of South Portland, 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 level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of South Portland, Maine are identified in the summary of auditor's results 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's fund financial statements.

- D. Indirect Cost Rate - The City of South Portland, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF SOUTH PORTLAND, MAINE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

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? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? No

CITY OF SOUTH PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

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

NONE

CITY OF SOUTH PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCY

2019-001 – U.S. Department of Agriculture, For the Period July 1, 2018 through June 30, 2019, CFDA #10.553-10.559 Child Nutrition Cluster

Statement of Condition: The School Department under reported meal count figures on the direct claim form in two of the three months tested.

Criteria: Each month the School Department is required to submit a direct claim form that reports meals served and calculates the amount of reimbursement the School Department will receive. This form reports meals for each location that serves breakfast, lunch, and after school snacks. Additionally, the School Department is required to segregate the meals based on the categories of free, reduced, or paid as each category has a different reimbursement amount.

Effect: The reimbursement that the School Department received was less than what the School Department actually earned for the two months with reporting errors.

Cause: The School Lunch Director did not detect and correct the errors on the direct claim form.

Recommendation: Management needs to assign a second individual to review the monthly direct claim forms with the internally generated meal count sheets prior to the School Lunch Director filing the claim for reimbursement. Additionally, this second individual should sign off on the meal count sheets at the end of the month to signify that the review has been completed.

Management's response/corrective action plan: *Management has assigned a staff person to review the numbers reported on the monthly direct claim form prior to claim submission. This individual will sign off on the meal count sheets to indicate that the review has been completed.*

CITY OF SOUTH PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards

COMPLIANCE FINDING

2018-001 – U.S. Department of Agriculture, For the Period July 1, 2017 through June 30, 2018, CFDA #10.553-10.559 Child Nutrition Cluster

Statement of Condition: The School Department did not properly change one student's status to paid as required when the School Lunch Director does not receive a response to the verification request.

Criteria: By November 15th of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

Effect: One student should have been changed to paid but remained on reduced lunch even though the student's parents did not properly respond to the School Department's request for income verification.

Cause: The School Lunch Director did not make the necessary changes to the free and reduced price student lists based on the results of the verification process.

Recommendation: Management needs to ensure that after the verification process is complete, the School Lunch Director makes the necessary changes to the free and reduced lunch student lists.

Questioned Costs: None

Status: This was corrected in fiscal year 2019.

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

2018-002 – After School Snack Program

As part of our testing of internal control over compliance for the Child Nutrition Cluster, we reconcile the monthly federal reimbursement forms to the internally prepared meal count sheets for three months. During this testing in the current fiscal year, we discovered that management is not preparing daily meal count sheets for the after school snack program at Skillin Elementary. Management is instead preparing the monthly federal reimbursement forms based on total snacks served for the month without any documentation regarding actual meals served by day. This process greatly increases the risk of errors on monthly federal reimbursement forms not being detected and corrected in a timely manner. We suggest that management implement a policy that requires a daily count sheet to be prepared for the after school snack program at Skillin Elementary to ensure accuracy of the monthly federal reimbursement forms.

Status: This was corrected in fiscal year 2019.