

**Federal Single Audit
and
State Single Audit**

of the

City of West Haven, Connecticut

For the Year Ended June 30, 2019

**City of West Haven, Connecticut
For the Year Ended June 30, 2019**

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City Council
City of West Haven, 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, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut ("City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2020.

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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 have not been 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 weakness 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 item 2019-003 to be material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

**City Council
City of West Haven, Connecticut**

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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's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response 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 results of that testing, and not to provide an opinion on the effectiveness of the City's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 24, 2020

**Federal
Single
Audit**



**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 the Uniform Guidance**

**City Council
City of West Haven, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the City of West Haven, Connecticut's ("City") compliance with the types of compliance requirements described in the *OMB 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, 2019. The City's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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'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.

**City Council
City of West Haven, Connecticut**

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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, 2019.

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 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'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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**City Council
City of West Haven, Connecticut**

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Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2020, 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 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 24, 2020

City of West Haven, Connecticut

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	12060-SDE64370-20508	\$ -	\$ 756,784
National School Lunch Program - Cash	10.555	12060-SDE64370-20560	-	2,211,876
National School Lunch Program - Commodities	10.555	N/A	-	103,180
Total Child Nutrition Cluster				3,071,840
Direct Program:				
Emergency Watershed Protection Program - Floodplain Easements Disaster Relief Appropriations Act	10.928	N/A	-	7,394
Total U.S. Department of Agriculture				3,079,234
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grant	14.218	N/A	-	657,875
Passed through the State Department of Housing:				
CDBG - Disaster Recovery Grants Cluster:				
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	12060-DOH46961-29520	-	66,960
Total U.S. Department of Housing and Urban Development				724,835
<u>U.S. Department of Justice</u>				
Direct Program:				
Bullet Proof Vest Partnership Grant	16.607	N/A	-	1,927
Equitable Sharing Program	16.922	N/A	-	73,298
Passed through State Office of Policy and Management:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	-	20,721
Total U.S. Department of Justice				95,946
<u>U.S. Department of Transportation</u>				
Passed through State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	12062-DOT57161-22108	-	82,502
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Adult Education - Basic Grants to States	84.002	12060-SDE64370-20784	-	30,000
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	-	2,494,981
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	-	123,839

(Continued)

N/A - Not applicable or not available.

See Notes to Schedule of Expenditures of Federal Awards.

City of West Haven, Connecticut

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	12060-SDE64370-20977	\$ -	\$ 1,608,800
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-SDE64370-20983	-	<u>55,783</u>
Total Special Education Cluster (IDEA)				<u>1,664,583</u>
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	-	<u>49,960</u>
Title III				
English Language Acquisition State Grants (Title III, Part A)		12060-SDE64370-20868	-	108,243
Immigrant and Youth Education Program		12060-SDE64370-20868	-	<u>23,131</u>
Total Title III	84.365			<u>131,374</u>
Supporting Effective Instruction State Grants (Title II, Part A)	84.367	12060-SDE64370-20858	-	<u>304,777</u>
Student Support and Academic Enrichment Program (Title IV)	84.424	12060-SDE64370-22854	-	<u>173,655</u>
Emergency Impact Aid for Displaced Students	84.938C	12060-SDE64370-22911	-	<u>147,500</u>
Total U.S. Department of Education				<u>5,120,669</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Public Health:				
Childhood Lead Poisoning Prevention	93.197	12060-DPH48766-22928	-	20,500
Immunization Cooperative Agreements	93.268	12060-DPH48664-20911	-	25,424
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	12060-DPH48664-22742	-	32,979
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	12060-DPH48558-22664	-	8,002
Passed through Yale New Haven Health:				
National Bioterrorism Hospital Preparedness Program	93.889	N/A	-	<u>7,395</u>
Total U.S. Department of Health and Human Services				<u>94,300</u>
Total Federal Awards			<u>\$ -</u>	<u>\$ 9,197,486</u>

(Concluded)

N/A - Not applicable or not available.

See Notes to Schedule of Expenditures of Federal Awards.

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the Federal award activity of the City of West Haven, Connecticut ("City") under programs of the federal government. The information in this Schedule is presented in accordance with the 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").

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the City.

2. Summary of significant accounting policies

- A.** Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B.** The City has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Noncash federal awards

The City received and expended \$103,180 of USDA donated commodities under the National School Lunch Program.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019**

Finding 2018-001 Segregation of Duties (Financial Statement - Significant Deficiency)

Condition:

Currently, the two employees who process payroll have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status:

The finding has been repeated as Finding 2019-001.

Reason for recurrence:

Due to staffing issues, the City has been unable to implement the planned corrective action.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:
Material weakness(es) identified? x yes no
Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes x no

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

II - Findings - Financial Statement Audit

Finding 2019-001 Segregation of Duties (Significant Deficiency) - City

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents as a lack of proper segregation of duties.

Condition

Currently, the City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. Subsequent to year end, the City has revised procedures to require the Human Resource Department to make all salary changes. In addition, the City has issued a request for proposal to outsource payroll and benefits to increase efficiency and eliminate the lack of segregation of duties.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-002 Segregation of Duties (Significant Deficiency) - Education Department

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents as a lack of proper segregation of duties.

Condition

Currently, the Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The Education Department should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will review current processing procedures to strengthen internal control over segregation of duties. In addition, the Education Department, in conjunction with the City, has issued a request for proposal to outsource payroll and benefits to increase efficiency and eliminate the lack of segregation of duties.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-003 Year End Cash Disbursements (Material Weakness)

Criteria

Generally accepted accounting principles require that expenditures for goods and services received before the fiscal year end but are paid for after the fiscal year end be recorded as accounts payable.

Conditions

- A. Invoices for services incurred in the current fiscal year were expended and paid in the subsequent fiscal year. The costs recorded to the improper fiscal year include tuition, transportation, janitorial services, electricity, professional and contractual services, building security, water, other repairs, and several other types of expenditures. The total unrecorded accounts payable was \$3,887,195.
- B. The largest portion of the unrecorded amount noted above (\$2,738,030) related to the Education Department disbursements for tuition and transportation. Although the Education Department recorded 12 months of invoices, they were not for the proper 12 months resulting in an understatement of liabilities at year end.
- C. For electricity and disposal services, the Education Department only recorded 11 months of invoices to the fiscal year.
- D. The Education Department charges invoices to the period for which it was paid vs the period that the goods and services were received. Certain invoices are subsequently reclassified as accounts payable, but only to the extent the budget would allow without over expending.

Context

The condition was identified for certain tuition and transportation invoices in the prior year and the amounts identified were corrected through an audit adjustment. The condition was identified again in the current fiscal year and upon inquiry it was determined that the condition had been occurring since at least fiscal year 2013.

Effect

The lack of proper monitoring of proper fiscal year caused inaccurate financial reporting and an understatement of accounts payable of \$3,887,195.

Cause

The cause of this practice appears to be to ensure that the Education Department did not over expend the adopted budget.

Recommendation

We recommend the Education Department process all invoices in a timely manner and follow generally accepted accounting principles which requires expenditures for goods and services incurred and received before fiscal year end be properly recorded as an expenditure in the year incurred.

We also recommend that invoices be properly charged to the correct fiscal year as they are processed to increase efficiency and allow for proper monitoring and reporting of the general fund's budget status.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-003 Year End Cash Disbursements (Material Weakness) - Continued

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will update the policies and procedures for accounts payable processing to identify and record invoices to the proper fiscal year.

III - Findings and Questioned Costs - Major Federal Awards Programs Audit

None

**State
Single
Audit**



**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**

**City Council
City of West Haven, Connecticut**

Report on Compliance for Each Major State Program

We have audited the City of West Haven, Connecticut's ("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, 2019. 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 laws, regulations, contracts and grants applicable to 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, 2019.

**City Council
City of West Haven, Connecticut**

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major state program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 a deficiency, or 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 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 the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

**City Council
City of West Haven, Connecticut**

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 24, 2020, 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's basic financial statements. 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 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 state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 24, 2020

City of West Haven, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2019**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Administrative Services Alliance District General Improvements	12052-DAS27635-43651	\$ -	\$ 1,054,000
Department of Agriculture Shell Fish Taxes and Rents	34003-DAG42660-42337	-	23,194
Office of the State Treasurer Nitrogen Credit Exchange Program	21016-OTT14230-42407	-	70,315
Office of Early Childhood Child Day Care	11000-OEC64841-16274	646,485	646,485
Child Care Quality Enhancement	11000-OEC64845-16158	-	24,973
School Readiness in Priority School Districts	11000-OEC64845-16274	-	1,994,454
Department of Economic and Community Development Urban Act Grant Program	13019-ECD46000-41236	-	577,195
Department of Education Talent Development	11000-SDE64370-12552	-	15,000
Family Resource Centers	11000-SDE64370-16110	-	100,000
Youth Services Bureau Enhancement	11000-SDE64370-16201	-	6,949
Child Nutrition State Matching Grant	11000-SDE64370-16211	-	34,752
Healthy Foods Initiative	11000-SDE64370-16212	-	64,896
Adult Education	11000-SDE64370-17030	-	211,407
Health Services	11000-SDE64370-17034	-	66,528
Alliance District Funding Program	11000-SDE64370-17041	-	4,389,142
Bilingual Education	11000-SDE64370-17042	-	39,258
School Breakfast	11000-SDE64370-17046	-	26,081
Youth Services Bureau	11000-SDE64370-17052	-	36,920
Magnet Schools - Transportation	11000-SDE64370-17057	-	229,575
Department of Emergency Services and Public Protection Drug Assets Forfeiture Funds	12060-DPS32155-35142	-	11,292
Telecommunications Fund	12060-DPS32741-35190	-	120,535
Department of Energy and Environmental Protection CT Bikeway, Pedestrian, Recreational Rail and Greenway Program	12052-DEP43000-43314	-	128,336
Outdoor Recreation Grant	13019-DEP43153-41239	-	500,000
Flood Control and Beach Erosion	13019-DEP43720-41239	-	20,209
Clean Water Fund	21014-DEP43720-40001	-	44,680
Department of Justice Youth Violence Prevention Initiative	11000-JUD96114-12555	-	111,887

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2019**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Passed Through to Subrecipients	Total Expenditures
Office of Policy and Management			
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	-	\$ 181,198
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	-	5,527,988
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	5,111
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	-	4,000
Property Tax Relief for Veterans	11000-OPM20600-17024	-	130,003
Local Capital Improvement Program	12050-OPM20600-40254	-	146,879
Municipal Grants-in-Aid	12052-OPM20600-43587-2018	-	21,514
Municipal Grants-in-Aid	12052-OPM20600-43587-2019	-	169,030
Department of Public Health			
Local and District Departments of Health	11000-DPH48558-17009	-	57,349
X-Ray Screening and Tuberculosis Care	11000-DPH48666-16112	-	14,763
Department of Social Services			
Medicaid	11000-DSS60000-16020	-	392,904
Connecticut State Library			
Historic Documents Preservation Grant	12060-CSL66094-35150	-	6,500
Department of Transportation			
Local Transportation Capital Improvement Program	13033-DOT57197-43584	-	537,918
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	616,005
Total State Financial Assistance Before Exempt Programs			<u>18,359,225</u>
<u>Exempt Programs</u>			
Department of Education			
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	2,397,840
Education Cost Sharing	11000-SDE64370-17041	-	41,534,569
Department of Administrative Services			
School Construction Projects - Principal	13010-DAS27635-40901	-	24,340,783
Office of Policy and Management			
Municipal Transition Grant	11000-OPM20600-17103	-	198,846
Municipal Restructuring Fund	11000-OPM20900-17105	-	5,000,000
Mashantucket Pequot/Mohegan Fund Grant	12009-OPM20600-17005	-	807,097
Total Exempt Programs			<u>74,279,135</u>
Total State Financial Assistance		<u>\$ 646,485</u>	<u>\$ 92,638,360</u>

(Concluded)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2019

1. Basis of presentation

The accompanying schedule of expenditures of state financial assistance ("Schedule") includes State grant activity of the City of West Haven, Connecticut ("City"), under programs of the State of Connecticut. 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 general government, finance, public safety, public works, health and welfare, culture and recreation and education.

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the City.

2. Summary of significant accounting policies

The accounting policies of the City, conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

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 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 West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2019**

3. Loan program

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:

Department of Energy and Environmental Protection:

Clean Water Funds: (21014-OTT14230-40001)

Grant ID	Issue Date	Interest Rate	Original Amount	Balance July 1, 2018	Retired	Balance June 30, 2019
CWF347-C	5/31/2000	2.0%	\$ 1,618,947	\$ 135,887	\$ 95,522	\$ 40,365
CWF444-C	3/31/2001	2.0%	1,603,000	211,945	93,018	118,927
CWF348-C	11/30/2001	2.0%	4,407,222	624,791	254,888	369,903
CWF346-C	12/31/2003	2.0%	801,945	207,395	44,489	162,906
CWF348-C1	12/31/2003	2.0%	1,728,831	447,091	95,908	351,183
CWF348-CD1	9/29/2006	2.0%	617,707	121,263	48,185	73,078
CWF346-CD2	5/31/2007	2.0%	801,055	231,319	51,405	179,914
CWF549-C	7/1/2013	2.0%	28,250,103	20,833,941	1,294,058	19,539,883
CWF549-CD2	6/30/2015	2.0%	1,425,544	1,207,833	75,520	1,132,313
			<u>\$ 41,254,354</u>	<u>\$ 24,021,465</u>	<u>\$ 2,052,993</u>	<u>\$ 21,968,472</u>

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019**

Finding 2018-001 Segregation of Duties (Financial Statement - Significant Deficiency)

Condition:

Currently, the two employees who process payroll have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status:

The finding has been repeated as Finding 2019-001.

Reason for recurrence:

Due to staffing issues, the City has been unable to implement the planned corrective action.

City of West Haven, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

I - Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified opinion

Internal control over financial reporting:
 Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

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

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of Early Childhood Child Day Care	11000-OEC64841-16274	\$ 646,485
Department of Economic and Community Development Urban Act Grant Program	13019-ECD46000-41236	577,195
Department of Education Adult Education	11000-SDE64370-17030	211,407
Alliance District Funding Program	11000-SDE64370-17041	4,389,142
Department of Energy and Environmental Protection Outdoor Recreation Grant	13019-DEP43153-41239	500,000
Office Policy and Management Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	5,527,988
Department of Transportation Local Transportation Capital Improvement Program	13033-DOT57197-43584	537,918
Dollar threshold used to distinguish between type A and type B programs:		<u>\$367,185</u>

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

II - Findings - Financial Statement Audit

Finding 2019-001 Segregation of Duties (Significant Deficiency) - City

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents as a lack of proper segregation of duties.

Condition

Currently, the City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. Subsequent to year end, the City has revised procedures to require the Human Resource Department to make all salary changes. In addition, the City has issued a request for proposal to outsource payroll and benefits to increase efficiency and eliminate the lack of segregation of duties.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-002 Segregation of Duties (Significant Deficiency) - Education Department

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents as a lack of proper segregation of duties.

Condition

Currently, the Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The Education Department should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will review current processing procedures to strengthen internal control over segregation of duties. In addition, the Education Department, in conjunction with the City, has issued a request for proposal to outsource payroll and benefits to increase efficiency and eliminate the lack of segregation of duties.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-003 Year End Cash Disbursements (Material Weakness)

Criteria

Generally accepted accounting principles require that expenditures for goods and services received before the fiscal year end but are paid for after the fiscal year end be recorded as accounts payable.

Conditions

- A. Invoices for services incurred in the current fiscal year were expended and paid in the subsequent fiscal year. The costs recorded to the improper fiscal year include tuition, transportation, janitorial services, electricity, professional and contractual services, building security, water, other repairs, and several other types of expenditures. The total unrecorded accounts payable was \$3,887,195.
- B. The largest portion of the unrecorded amount noted above (\$2,738,030) related to the Education Department disbursements for tuition and transportation. Although the Education Department recorded 12 months of invoices, they were not for the proper 12 months resulting in an understatement of liabilities at year end.
- C. For electricity and disposal services, the Education Department only recorded 11 months of invoices to the fiscal year.
- D. The Education Department charges invoices to the period for which it was paid vs the period that the goods and services were received. Certain invoices are subsequently reclassified as accounts payable, but only to the extent the budget would allow without over expending.

Context

The condition was identified for certain tuition and transportation invoices in the prior year and the amounts identified were corrected through an audit adjustment. The condition was identified again in the current fiscal year and upon inquiry it was determined that the condition had been occurring since at least fiscal year 2013.

Effect

The lack of proper monitoring of proper fiscal year caused inaccurate financial reporting and an understatement of accounts payable of \$3,887,195.

Cause

The cause of this practice appears to be to ensure that the Education Department did not over expend the adopted budget.

Recommendation

We recommend the Education Department process all invoices in a timely manner and follow generally accepted accounting principles which requires expenditures for goods and services incurred and received before fiscal year end be properly recorded as an expenditure in the year incurred.

We also recommend that invoices be properly charged to the correct fiscal year as they are processed to increase efficiency and allow for proper monitoring and reporting of the general fund's budget status.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019**

Finding 2019-003 Year End Cash Disbursements (Material Weakness) - Continued

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will update the policies and procedures for accounts payable processing to identify and record invoices to the proper fiscal year.

III - State Financial Assistance Findings and Questioned Costs

Finding 2019-004 Child Day Care Monitoring (Compliance)

Criteria

Grantees are required to monitor subrecipient's activities to provide reasonable assurance that the subrecipient administers state awards in compliance with State requirements.

Condition

The City passes through the day care grant monies received to a subrecipient who operates the day care program. The City did not monitor the subrecipient to ensure that the agency is administering grant funds in compliance with grant requirements.

Context

Currently, there are no formal monitoring procedures in place to ensure that the monies are being spent in accordance with the grant requirements.

Effect

Grant monies spent could be determined to be unallowable and other noncompliance with requirements could occur without the City being aware. This could result in questioned costs and monies having to be returned to the funding agency.

Cause

The cause is unknown.

Recommendation

We recommend the City review all grant compliance requirements and monitor the subrecipient's compliance with these requirements.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement procedures to perform monitoring of subrecipients.