

**Federal Single Audit
and
State Single Audit
of the
City of West Haven, Connecticut
For the Year Ended June 30, 2022**

City of West Haven, Connecticut

For the Year Ended June 30, 2022

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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***

Independent Auditors' Report

**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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on 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") 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'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 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a 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 2022-002 and 2022-003 to be significant deficiencies.

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 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*.

City's Responses to Findings

The City's response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on the response.

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 or 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
November 27, 2023

**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**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of West Haven, Connecticut's ("City") 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's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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's federal programs.

Auditors' 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 the City'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 GAAS, *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's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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'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'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'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

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a material weakness.

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's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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.

Report on 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated November 27, 2023, 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 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.

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

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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
November 27, 2023

City of West Haven, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Federal Awarding Agency/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Name of Funder Pass Through Entity</u>	<u>Identifying Number Assigned by Funder Pass Through Entity</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	State Department of Education	12060-SDE64370-20508	\$ -	\$1,424,258
National School Lunch Program	10.555	State Department of Education	12060-SDE64370-20560	-	3,286,142
National School Lunch Program - Commodities	10.555	State Department of Education	N/A	-	228,817
COVID-19 National School Lunch Program Emergency Operating Cost Reimbursement	10.555	State Department of Education	12060-SDE64370-23085	-	408,109
Fresh Fruit and Vegetable Program	10.582	State Department of Education	N/A	-	24,917
Total Child Nutrition Cluster					\$ 5,372,243
COVID-19 State Administrative Expense for Child Nutrition - Supply Chain Assistance Grants	10.560	State Department of Education	12060-SDE64370-23126	-	109,226
COVID-19 Pandemic EBT Administrative Costs	10.649	State Department of Education	12060-SDE64370-29802	-	8,589
Emergency Watershed Protection Program - Floodplain Easements Disaster Relief Appropriations Act	10.928	Direct Program	N/A	-	44,868
Urban Agriculture and Innovative Production	10.935	Direct Program	N/A	-	19,496
Total U.S. Department of Agriculture					5,554,422
<u>U.S. Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grant		Direct Program	N/A	-	630,468
COVID-19 Community Development Block Grants/Entitlement Grant		Direct Program	N/A	-	176,954
Total CDBG - Entitlement Grants Cluster	14.218				807,422
<u>U.S. Department of Justice</u>					
Equitable Sharing Program	16.922	Direct Program	N/A	-	77,637
<u>U.S. Department of Labor:</u>					
COVID-19 Unemployment Insurance	17.225	State Department of Labor	N/A	-	12,352
<u>U.S. Department of the Treasury</u>					
Coronavirus Relief Fund	21.019	State Office of Policy and Management	12060-OPM20600-29561	-	258,917
Coronavirus State and Local Fiscal Recovery Funds	21.027	Direct	N/A	-	7,070
Total U.S. Department of the Treasury					265,987
<u>U.S. Department of Education</u>					
Adult Education - Basic Grants to States	84.002	State Department of Education	12060-SDE64370-20784-2022	-	30,000
Title I Grants to Local Educational Agencies	84.010	State Department of Education	12060-SDE64370-20679-2022	-	2,964,007
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-20977-2020	-	20,000
Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-20977-2022	-	1,756,645
Total Special Education-Grants to States (IDEA Part B)	84.027				1,776,645
Special Education - Preschool Grants (IDEA Preschool)		State Department of Education	12060-SDE64370-20983-2021	-	57,937
Special Education - Preschool Grants (IDEA Preschool)		State Department of Education	12060-SDE64370-20983-2022	-	182,871
COVID-19 American Rescue Plan Special Education -Preschool Grants		State Department of Education	12060-SDE64370-29684-2022	-	17,388
Total Special Education - Preschool Grants (IDEA Preschool)	84.173				258,196
Total Special Education Cluster (IDEA)					2,034,841

(Continued)

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, 2022

<u>Federal Awarding Agency/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Name of Funder Pass Through Entity</u>	<u>Identifying Number Assigned by Funder Pass Through Entity</u>	<u>Provided to Subrecipients</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education</u>					
Career and Technical Education - Basic Grants to States	84.048	State Department of Education	12060-SDE64370-20742-2021	\$ -	\$ 154,763
English Language Acquisition State Grants		State Department of Education	12060-SDE64370-20868-82075-2022	-	\$ 122,570
English Language Acquisition State Grants		State Department of Education	12060-SDE64370-20868-82076-2022	-	10,000
Total English Language Acquisition State Grants	84.365				132,570
Supporting Effective Instruction State Grants	84.367	State Department of Education	12060-SDE64370-20858-2021	-	332,124
Student Support and Academic Enrichment Program (Title IV)	84.424	State Department of Education	12060-SDE64370-22854-2021	-	186,902
Education Stabilization Fund (ESF):					
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	State Department of Education	12060-SDE64370-29570	-	4,309,653
Elementary and Secondary School Emergency Relief Fund II - Bonus Dyslexia Recovery Grant	84.425D	State Department of Education	12060-SDE64370-29571-82079	-	5,525
Elementary and Secondary School Emergency Relief Fund II State Set-Aside	84.425D	State Department of Education	12060-SDE64370-29571-82079	-	200,000
Family Resource Center - ESSER II	84.425D	State Department of Education	12060-SDE64370-29571-82079	-	12,500
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	State Department of Education	12060-SDE64370-29571-2020	-	60,000
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	State Department of Education	12060-SDE64370-29636-2021	-	4,899,515
Total Education Stabilization Fund (ESF)	84.425				9,487,193
Total U.S. Department of Education					15,322,400
<u>U.S. Department of Health and Human Services</u>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Chesprocott Health District	N/A	-	19,643
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	State Department of Public Health	12060-DPH48557-29582	-	138,349
CCDF Cluster:					
Child Care and Development Block Grant	93.575	State Office of Early Childhood	12060-OEC64806-22975	-	750
Total U.S. Department of Health and Human Services					158,742
<u>U.S. Department of Homeland Security</u>					
Emergency Management Performance Grants	97.042	State Department of Emergency Services and Public Protection	12060-DPS32160-21881	-	2,753
Assistance to Firefighters Grant	97.044	Direct Program	N/A	-	628,830
Total U.S. Department of Homeland Security					631,583
Total Expenditures of Federal Awards				\$ -	\$22,830,545

(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, 2022**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards ("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 \$228,817 of USDA donated commodities under the National School Lunch Program and \$24,917 from the Fresh Fruit and Vegetable Program.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-001 Vendor Approval (Material Weakness)

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Current status

This finding has been repeated as finding 2022-001.

Reason for recurrence

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

Finding 2021-002 Segregation of Duties (Significant Deficiency) – City

Condition

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.

Current status

This finding has been repeated as finding 2022-002.

Reason for recurrence

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

Finding 2021-003 Segregation of Duties (Significant Deficiency) – Education Department

Condition

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.

Current status

This finding has been repeated as finding 2022-003.

Reason for recurrence

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

City of West Haven, Connecticut

Summary Schedule of Prior Year Audit Findings (Continued)
For the Year Ended June 30, 2022

Finding 2021-004 Procurement and Suspension and Debarment (Compliance)

Condition

The City's procurement policy does not include the essential elements as outlined in 2 CRF section 200.318 through 200.326.

Current status

This finding has been repeated as finding 2022-004.

Reason for recurrence

The Purchasing Department did not have adequate staffing to address the finding.

Finding 2021-005 Coronavirus Relief Fund – Cash Disbursements (Material Weakness)

Condition

Funds were embezzled from the City using fictitious vendors established by the City employees who were managing the Coronavirus Relief Fund (CRF) program. The invoices for the fictitious vendors were charged to a line item designated for the CRF program.

The grant reporting to the State for the CRF program was performed by the Finance Director and not by the Grant Coordinator Department. The original reporting of the specific disbursements for the program included the invoices for the fictitious vendors. The reporting was subsequently revised to remove the fraudulent invoices.

Current status

This finding has been repeated as finding 2022-005.

Reason for recurrence

Due to the timing of the identification of the material weakness the corrective action was not implemented during the audit period.

Finding 2021-006 Reporting – Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (Compliance)

Condition

The City did not file form SF-425 or the quarterly progress and financial reports to the State.

Current status

This finding has been resolved as the grant was completed as of June 30, 2021.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u>	yes	<u> </u> no none
Significant deficiency(ies) identified?	<u> x </u>	yes	<u> </u> reported
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> x </u>	yes	<u> </u> no none
Significant deficiency(ies) identified?	<u> </u>	yes	<u> x </u> reported
Type of auditors' report issued on compliance for major programs:	<u>Unmodified opinion</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u> x </u>	yes	<u> </u> no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund (ESF)

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>		
Auditee qualified as low-risk auditee?	<u> </u>	yes	<u> x </u> no

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

II. Findings – Financial Statement Audit

Finding 2022-001 Vendor Approval (Material Weakness)

Criteria

Formal vendor approval and related due diligence is a critical control related to the cash disbursements process. Access to the vendor file should be segregated from the employee who processes disbursement. The approved vendor listing should be reviewed and updated annually to ensure that payment can only be made to approved vendors.

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Context

Not applicable.

Cause

City policies and procedures do not require vendor approvals prior to being added to the vendor master file. In addition, the employee who processes cash disbursements has the ability to add vendors to the master file.

Effect

Payments may be processed to fictitious vendors.

Recommendation

We recommend that all updates to the vendor master file be formally approved before they are processed. We also recommend that the employee who processes cash disbursements be restricted from the ability to make any vendor master file changes.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement procedures to include a formal approval process and update system rights for employees processing cash disbursements.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Finding 2022-002 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 a lack of proper segregation of duties.

Condition

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

Not applicable.

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. The City is in the process of revising policies and procedures to require the Human Resource Department to update rates.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Finding 2022-003 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 a lack of proper segregation of duties.

Condition

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.

Context

Not applicable.

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.

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 view 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.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

III. Findings – Major Federal Award Programs

Finding 2022-004 Procurement and Suspension and Debarment (Compliance)

Program

All Federal Programs

Criteria

The City must comply with procurement standards set out at 2 CFR sections 200.318 through 200.326 within Uniform Guidance.

Condition

The City's procurement standards do not include the essential elements as outlined in 2 CFR sections 200.318 through 200.326.

Questioned costs

None noted.

Context

Although the City did not have a policy in place in conformity with the federal uniform guidance criteria, the City did follow their procedures as it relates to the contracts under the procurements applicable to the City's major programs.

Effect

The City is at risk for noncompliance for expenditures of federal monies as it relates to federal procurement.

Cause

The purchasing department staffing levels did not allow for review and update of the City's purchasing policy.

Recommendation

We recommend that the City review its formal procurement policies and make necessary changes to comply with the criteria as set out in 2 CFR sections 200.318 through 200.326.

Views of responsible official and planned corrective actions

Management agrees with this finding. The City will update the purchasing policy to include the CFR requirements.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-005 Coronavirus Relief Fund – Cash Disbursements (Material Weakness)

Federal Agency	U.S. Department of the Treasury
Federal Program	Coronavirus Relief Fund
AL Number	21.019
Pass-through Entities	State Office of Policy and Management

Criteria

The City must establish proper internal controls to ensure that expenditure of federal grant monies is in compliance with the grant requirements and for actual goods or services provided.

Condition

Funds were embezzled from the City using fictitious vendors established by the City employees who were managing the Coronavirus Relief Fund (CRF) program. The invoices for the fictitious vendors were charged to a line item designated for the CRF program.

The grant reporting to the State for the CRF program was performed by the Finance Director and not by the Grant Coordinator Department. The original reporting of the specific disbursements for the program included the invoices for the fictitious vendors. The reporting was subsequently revised to remove the fraudulent invoices.

Questioned costs

None noted. The reporting was subsequently revised as there were other expenditures that were allowable costs under the grant.

Context

Although the City has a Grant Coordinator that is responsible for the monitoring, accounting and reporting for federal and state grants, the CRF grant program was managed by another employee and the reporting was performed by the Finance Director. This circumvented the City's internal control policies and procedures that were designed to ensure proper grant administration and reporting.

Effect

Fraudulent expenditures were reported to the State as disbursements for the CRF program. The grant program was not properly monitored in accordance with established policies and procedures and related internal controls.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Finding 2022-005 Coronavirus Relief Fund – Cash Disbursements (Material Weakness) (Continued)

Cause

The City did not follow the established procedures and internal controls for grant monitoring and reporting. Vendors were added to the vendor file without proper due diligence and approval.

Recommendation

We recommend the following:

- Adequate due diligence be performed on all vendors before invoices are approved and paid (See finding 2022-001)
- Invoices for grant programs should reviewed and approved by employees who are knowledgeable about grant requirements and allowable and unallowable costs
- All grant programs should be properly monitored by the Grants Coordinator for compliance and reporting

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement the proper policies and procedures and internal controls over grants.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-006 Education Stabilization Fund (ESF) (Compliance)

Federal Agency	U.S. Department of Education
Federal Program	Education Stabilization Fund (ESF)
AL Number	84.425
Pass-through Entity	State Department of Education

Criteria

The Federal regulations require that construction contracts include a provision that the contractor or subcontractor comply with the Federal wage rate requirements and that the contractor or subcontractor submit certified payrolls.

Condition

The Education Department did not obtain and review the certified payrolls to verify the contractor's compliance with the prevailing wage rates requirements.

Questioned costs

There were no questioned costs.

Context

Certified payrolls for 1 of the 2 vendors selected were not obtained.

Effect

The certified payrolls were not reviewed to ensure that prevailing wage rates were paid.

Cause

The Education Department did not follow the established procedures and internal controls for monitoring of prevailing wage rates.

Recommendation

We recommend the Education Department implement procedures to ensure certified payrolls are requested from contractors or subcontractors for construction projects and reviewed for prevailing wage rates.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will review current procedures to ensure compliance with federal awards vendor contract requirements and request the certified payrolls from contractors or subcontractors.

**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**

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of West Haven, Connecticut's ("City") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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's state programs.

Auditors' 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 the City'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 GAAS, *Government Auditing Standards*, and the State Single Audit Act 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's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, 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'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'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 State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the City'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

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 items 2022-004, 2022-005, and 2022-006. Our opinion on each major state program is not modified with respect to these matters.

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

Report on 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 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 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated November 27, 2023, 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 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
November 27, 2023

City of West Haven, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2022**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Education:			
Talent Development	11000-SDE64370-12552	\$ -	\$ 11,154
Non Sheff Transportation	11000-SDE64370-12632	-	110,675
Family Resource Centers	11000-SDE64370-16110	-	101,650
Child Nutrition State Matching Grant	11000-SDE64370-16211	-	32,088
Healthy Foods Initiative	11000-SDE64370-16212	-	72,653
Adult Education	11000-SDE64370-17030	-	222,808
Health Services	11000-SDE64370-17034	-	73,776
Alliance District	11000-SDE64370-17041	-	8,940,201
Bilingual Education	11000-SDE64370-17042	-	36,758
School Breakfast Program	11000-SDE64370-17046	-	23,840
Magnet Schools	11000-SDE64370-17057	-	119,425
Department of Children and Families:			
Youth Service Bureaus Enhancement	11000-DCF91141-17107	-	1,449
Department of Economic and Community Development:			
Brownfield Redevelopment Loan Fund	12052-ECD46260-43403	-	104,002
Urban Action Bonds	13019-ECD46000-41240	-	272,926
Department of Justice:			
Youth Violence Prevention Initiative	11000-JUD96114-12555	-	8,700
Office of the State Treasurer:			
Nitrogen Credit Exchange Program	21016-OTT14230-42407	-	23,853
Office of Early Childhood:			
Child Day Care	11000-OEC64841-16274	685,685	685,685
School Readiness Quality Enhancement	11000-OEC64845-16158	-	24,973
School Readiness in Priority School Districts	11000-OEC64845-16274	2,054,764	2,054,764
Connecticut State Library:			
Historic Documents Preservation Grants	12060-CSL66094-35150	-	7,500
Department of Transportation:			
Town Aid Road Grants - Municipal	12052-DOT57131-43455	-	309,185
Town Aid Road Grants - STO	13033-DOT57131-43459	-	309,185
Office of Policy and Management:			
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	4,031
Property Tax Relief for Veterans	11000-OPM20600-17024	-	114,482
Tiered payment in lieu of taxes (PILOT)	11000-OPM20600-17111	-	6,982,603
Tiered payment in lieu of taxes (PILOT) - MRSA	12060-OPM20600-35691	-	2,481,365
Local Capital Improvement Program	12050-OPM20600-40254	-	946,029
Municipal Grants-in-Aid	12052-OPM20600-43587	-	169,031
Department of Emergency Services and Public Protection:			
Asset Forfeiture	12060-DPS32155-35142	-	35,108
Enhanced 911 Telecommunications Fund	12060-DPS32741-35190	-	172,566

(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, 2022**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Energy and Environmental Protection:			
Municipal Loan Land Acquisition	12052-DEP43153-43615	\$ -	\$ 22,257
Flood Control and Beach Erosion	12052-DEP43740-43154	-	369,908
Community Conservation and Development	13019-DEP43153-41239	-	1,875,029
Clean Water Revenue Bonds - Loans	21015-DEP43720-42318	-	886,577
Clean Water Revenue Bonds - Grant	21015-DEP43720-42318	-	26,201
Department of Public Health:			
Local and District Departments of Health	11000-DPH48558-17009	-	105,417
X-Ray Screening and Tuberculosis Care	11000-DPH48666-16112	-	3,258
Department of Social Services:			
Medicaid	11000-DSS60000-16020	-	304,098
Total State Assistance Before Exempt Programs			<u>28,045,210</u>
<u>Exempt Programs:</u>			
Department of Administrative Services:			
School Construction	13010-DAS27635-43744	-	5,913,898
Department of Education:			
Education Cost Sharing	11000-SDE64370-17041	-	41,492,780
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	1,790,679
Office of Policy and Management:			
Mashantucket Pequot/Mohegan Fund Grant	12009-OPM20600-17005	-	807,097
Municipal Transition Grant	11000-OPM20600-17103	-	2,071,012
Total Exempt Programs			<u>52,075,466</u>
Total State Financial Assistance		<u>\$ 2,740,449</u>	<u>\$ 80,120,676</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, 2022

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, public safety, public works, human resources and health and welfare, parks and recreation, library 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 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 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.

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2022**

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 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):

<u>Grant ID</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2022</u>
CWF 346-C	12/31/2003	2.00%	\$ 801,945	\$ 71,212	\$ -	\$ 47,237	\$ 23,975
CWF 348-C1	12/31/2003	2.00%	1,728,831	153,519	-	101,834	51,685
CWF 346-CD2	5/31/2007	2.00%	801,055	77,108	-	51,405	25,703
CWF 549-C	7/1/2013	2.00%	28,250,103	16,876,999	-	1,374,010	15,502,989
CWF 549-CD2	6/30/2015	2.00%	1,425,544	976,671	-	80,185	896,486
CWF 223-CSL	11/30/2021	2.00%	586,545	586,545	-	16,404	570,141
CWF 222-CSL	6/30/2022	2.00%	3,925,943	3,925,943	-	196,297	3,729,646
Total				<u>\$22,667,997</u>	<u>\$ -</u>	<u>\$1,867,372</u>	<u>\$ 20,800,625</u>

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-001 Vendor Approval (Material Weakness)

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Current status

This finding has been repeated as finding 2022-001.

Reason for recurrence

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

Finding 2021-002 Segregation of Duties (Significant Deficiency) – City

Condition

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.

Current status

This finding has been repeated as finding 2022-002.

Reason for recurrence

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

Finding 2021-003 Segregation of Duties (Significant Deficiency) – Education Department

Condition

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.

Current status

This finding has been repeated as finding 2022-003.

Reason for recurrence

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

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-004 Child Day Care Subrecipient Monitoring (Compliance)

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.

Current status

This finding has been repeated as finding 2022-004.

Reason for recurrence

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

Finding 2021-005 Reporting – Community Conservation and Development Grant (Compliance)

Condition

The City did not provide summaries of project status to the State.

Current status

This finding has been repeated as finding 2022-005.

Reason for recurrence

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

Finding 2021-006 School Readiness Subrecipient Monitoring (Compliance)

Condition

The Education Department did not perform the following monitoring activities:

- Receive and review financial and program reports
- Review audit reports
- Ensure expenditures were in agreement with subrecipient records

Current status

This finding has been repeated as finding 2022-006.

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, 2022**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u> yes	<u> </u>	no none reported
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u>	reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u>	no

State Financial Assistance

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u>	no none reported
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u>	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 Section 4-236-24 of the Regulations to the State Single Audit Act?	<u> x </u> yes	<u> </u>	no
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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>
Department of Education:		
Alliance District	11000-SDE64370-17041	\$ 8,940,201
Office of Policy and Management:		
Tiered payment in lieu of taxes (PILOT)	11000-OPM20600-17111	6,982,603
Tiered payment in lieu of taxes (PILOT) - MRSA	12060-OPM20600-35691	2,481,365
Department of Energy and Environmental Protection:		
Flood Control and Beach Erosion	12052-DEP43740-43154	369,908
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>560,904</u>	

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

II. Findings – Financial Statement Audit

Finding 2022-001 Vendor Approval (Material Weakness)

Criteria

Formal vendor approval and related due diligence is a critical control related to the cash disbursements process. Access to the vendor file should be segregated from the employee who processes disbursement. The approved vendor listing should be reviewed and updated annually to ensure that payment can only be made to approved vendors.

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Context

Not applicable.

Cause

City policies and procedures do not require vendor approvals prior to being added to the vendor master file. In addition, the employee who processes cash disbursements has the ability to add vendors to the master file.

Effect

Payments may be processed to fictitious vendors.

Recommendation

We recommend that all updates to the vendor master file be formally approved before they are processed. We also recommend that the employee who processes cash disbursements be restricted from the ability to make any vendor master file changes.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement procedures to include a formal approval process and update system rights for employees processing cash disbursements.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Finding 2022-002 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 a lack of proper segregation of duties.

Condition

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

Not applicable.

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. The City is in the process of revising policies and procedures to require the Human Resource Department to update rates.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Finding 2022-003 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 a lack of proper segregation of duties.

Condition

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.

Context

Not applicable.

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.

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 view 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.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

III. Findings – State Financial Assistance Findings and Questioned Costs

Finding 2022-004 Child Day Care Subrecipient Monitoring (Compliance)

Grantor	Office of Early Childhood
State Program Name	Child Day Care
State Grant Program CORE-CT Number	11000-OEC64841-16274-83012

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.

Questioned Cost

None noted.

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.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-005 Reporting – Community Conservation and Development Grant (Compliance)

Grantor	Department of Energy and Environmental Protection
State Program Name	Community Conservation and Development
State Grant Program CORE-CT Number	13019-DEP43153-41239

Criteria

The City must provide summaries of project status to the State in accordance with the grant agreement.

Condition

The City did not provide summaries of project status to the State.

Questioned costs

None noted.

Context

Not applicable.

Effect

The City was not in compliance with the grant agreement.

Cause

The City did not follow the established procedures and internal controls for grant monitoring and reporting.

Recommendation

We recommend the City implement procedures or checklists to ensure reporting is properly completed and filed timely in accordance with the grant requirements.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement procedures to ensure reports are filed timely.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-006 School Readiness Subrecipient Monitoring (Compliance)

Grantor	Office of Early Childhood
State Program Name	School Readiness in Priority School Districts
State Grant Program CORE-CT Number	11000-OEC64845-16274-83014

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 Education Department did not perform the following monitoring activities:

- Receive and review financial and program reports
- Review audit reports
- Ensure expenditures were in agreement with subrecipient records

Questioned Cost

None noted.

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 Education Department 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 Education Department review all grant compliance requirements and monitor the subrecipients' compliance with these requirements.

Views of responsible officials and planned corrective actions

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