

**Federal Single Audit
and
State Single Audit**

of the

City of West Haven, Connecticut

Year Ended June 30, 2013

City of West Haven, Connecticut

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**Federal
Single
Audit**

City of West Haven, Connecticut
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	State Project Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-20508-82079-170005	\$ 449,716
National School Lunch Program - Cash	10.555	12060-20560-80279-170005	1,346,460
National School Lunch Program - Commodities	10.555	12060-20560-80279-170006	<u>88,958</u>
Total Child Nutrition Cluster			1,885,134
Passed through State Department of Environmental Protection:			
Forest Health Protection	10.680	12060-DEP44434-34907-64009	<u>3,600</u>
Total U.S. Department of Agriculture			<u>1,888,734</u>
<u>U.S. Department of Commerce</u>			
Direct Program:			
Investments for Public Works and Economic Development Facilities	11.300		<u>1,000,000</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218		<u>509,559</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710		300,000
Passed through State Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-DPS32523-23185	10,500
Passed through State Office of Policy and Management:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	31,500
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	12060-OPM20350-29002	<u>19,001</u>
Total U.S. Department of Justice			<u>361,001</u>
<u>U.S. Department of Environmental Protection</u>			
Direct Program:			
Brownsfield Assessment and Clean-up Agreement	66.818		265,002
Passed through State Department of Environmental Protection:			
Office of Research and Development Consolidated Research	66.511	13019-DEP43153-41239-64004	<u>84,062</u>
Total U.S. Department of Environmental Protection			<u>349,064</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Adult Education - Basic Grants to States	84.002	12060-20784-84002-2013-170002	<u>30,000</u>
Title I Grants to Local Educational Agencies		12060-20679-82070-2012-170002	350,397
Title I Grants to Local Educational Agencies		12060-20679-82070-2013-170002	<u>1,852,428</u>
Total Title I Grants to Local Educational Agencies	84.010		<u>2,202,825</u>
Special Education - Cluster:			
Special Education - Grants to States (IDEA, Part B)		12060-20977-82032-2013-170002	1,539,848
Special Education - Grants to States (IDEA, Part B)		12060-20977-82032-2012-170002	<u>537,409</u>
Total Special Education - Grants to States (IDEA, Part B)	84.027		2,077,257
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-20983-82032-2012-170002	7
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-20983-82032-2013-170002	<u>59,013</u>
Total Special Education - Cluster			<u>2,136,277</u>
Career and Technical Education - Basic Grants to States	84.048	12060-20742-84010-2013-170002	<u>110,832</u>
Title III, Part A English Language Acquisition	84.365	12060-20868-82075-2013-170002	<u>97,223</u>

(Continued)

City of West Haven, Connecticut
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	State Project Number	Expenditures
<u>U.S. Department of Education (Continued)</u>			
Improving Teacher Quality State Grants		12060-20858-84131-2012-170002	\$ 40,757
Improving Teacher Quality State Grants		12060-20858-84131-2013-170002	<u>247,058</u>
Total Improving Teacher Quality State Grants	84.367		<u>287,815</u>
Education Jobs Fund	84.410	12060-22405-2011-82010-170002	<u>45,891</u>
Total U.S. Department of Education			<u>4,910,863</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Public Health:			
Public Health Emergency Preparedness	93.069	2012-1102	27,011
Immunization Program	93.268	2012-0133	53,837
Immunization Program - Non-cash Assistance	93.268		8,516
Preventative Health and Health Services Block Grant	93.991		76 (1)
Passed through State Department of Social Services:			
Social Services Block Grant (Daycare)	93.667		<u>130,867</u>
Total U.S. Department of Health and Human Services			<u>220,307</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Emergency Management & Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12060-DPS32990-21891	<u>1,191,623</u>
Total Federal Awards			<u>\$ 10,431,151</u>

(1) - \$76 was returned to funding source

(Concluded)

City of West Haven, Connecticut

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

1. Significant Accounting Policies

The accounting policies of the City of West Haven, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying schedule of expenditures of Federal awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Noncash Federal Awards

The City received and expended \$88,958 of USDA donated commodities under the National School Lunch Program and \$8,516 of vaccines under the Immunization Grants Program.

3. Subrecipients

The City provided Federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
93.667	Social Services Block Grant	\$130,867

City of West Haven, Connecticut

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

Finding 2010-1

Condition:

The City has a fund deficit in the General Fund.

Current Status:

Finding has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

Finding 2010-5

Condition:

Currently, 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:

Finding has been adequately addressed.

Finding 2010-8

Conditions:

City and Board of Education Payroll - Currently, the payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Student Activities - Currently, one employee at each school is responsible for all aspects of cash receipts, cash disbursements and the recording of the transactions for the student activity funds.

Current Status:

Findings above have **not** been adequately addressed and are repeated in the schedule of findings and questioned costs.

City of West Haven, Connecticut
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Finding 2010-9

Condition:

There were significant adjustments made to the final trial balance of the following fund:

Educational Grants Fund - Recording certain Board of Education revenue accrual grant activity.

Current Status:

The proper recording of the year end accruals for the Education Grants fund has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

Compliance

Finding CF 2010-1

Condition:

The City did not completely address the General Fund deficit fund balance in the subsequent year's budget as required by State Statutes.

Current Status:

Finding has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

Finding 2012-1

Condition:

Excess funds were drawn down by the Board of Education for the Education grants during the fiscal year.

Current Status:

Finding has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

City of West Haven, Connecticut

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

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.300	Investments for Public Works and Economic Development Facilities
14.218	Community Development Block Grants/ Entitlement Grants
16.710	Public Safety Partnership and Community Policing Grants
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 312,935

Auditee qualified as low-risk auditee? yes x no

City of West Haven, Connecticut

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

II - Financial Statement Findings

Internal Control Findings

2010-1 General Fund Deficit

Criteria

State Statutes require that municipalities have a positive General Fund fund balance. The City's General Fund deficit is \$7,776,649 as of June 30, 2013.

Condition

The City has an accumulated fund deficit in the General Fund of \$7,776,649.

Cause

In prior years, the City has overestimated budget revenues and overspent appropriations.

Effect

The City is not in compliance with State Statutes.

Recommendation

We recommend the City continue to develop and implement a plan to fund/eliminate the General Fund deficit.

2010-8 Segregation of Duties

Criteria

In order to maintain the proper internal controls, the City should have proper segregation of duties for all material financial activities.

Condition

City and Board of Education Payroll

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

Student Activities

Currently, one employee at each school is responsible for all aspects of cash receipts, cash disbursements and the recording of the transactions for the student activity funds.

City of West Haven, Connecticut

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

II - Financial Statement Findings

Internal Control Findings

2010-8 Segregation of Duties

Context

Systemic in nature.

Cause

Controls should be established to ensure proper segregation of duties for all functional areas for these departments.

Effect

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

Recommendation

We recommend that to improve segregation of duties and adequacy of internal controls, incompatible responsibilities must be segregated between employees and that the City's policies be revised to reassign responsibilities to properly segregate duties.

City and Board of Education Payroll

For payroll procedures, one individual should accumulate the information and enter it into the system, and another should run the payroll. The final payroll should also be reviewed by an independent individual.

Student Activities

We recommend that the Board of Education develop and implement policies and procedures to ensure proper segregation of duties over the cash receipts and cash disbursements process. Someone other than the employee involved in processing transactions should be responsible for preparing the bank reconciliations. We also recommend that the general ledger reports and the bank reconciliations be submitted to the Business Office and reviewed on a periodic basis.

City of West Haven, Connecticut

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

II - Financial Statement Findings

Internal Control Findings

2010-9 Closing Procedures

Criteria

Trial balances at June 30 should be complete, including all year end accruals and other closing entries.

Condition

There were significant revenue accrual adjustments made to the final trial balances for certain education grant funds.

Context

Systemic in nature.

Cause

All closing entries were not recorded.

Effect

Management does not have accurate financial information upon which to base management decisions.

Recommendation

We recommend that the Board of Education review its month end and year end closing procedures to ensure completeness and proper cut off for all activity.

City of West Haven, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

II - Financial Statement Findings

Compliance Findings

CF 2010-1 General Fund Fund Balance Deficit

Criteria

State Statutes require that municipalities have a positive General Fund fund balance. The City's General Fund deficit is \$7,776,649 as of June 30, 2013.

Context

Systemic in nature.

Cause

In prior years, the City estimated revenues higher than actual revenues received. Expenditures were in excess of approved appropriations.

Effect

The City was not in compliance with Section 7-390 of the Connecticut General Statutes.

Recommendation

The City should continue to implement a plan to eliminate the General Fund deficit and incorporate the plan in future budgets.

City of West Haven, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

III - Federal Awards Findings and Questioned Costs

2012-1 Cash Management - Certain Federally Funded Education Grants:

Condition

Excess monies were drawn down by the Board of Education for certain Federally funded education grants during the fiscal year.

Criteria

Federal cash management regulations require that only immediate cash requirements should be drawn down by the grantee.

Questioned Costs

There were no questioned costs.

Context

In the current and prior years, the deficiency occurred in two to three months out of four tested months of the fiscal year.

Effect

Amounts were drawn down in excess of immediate cash requirements.

Cause

The cause is due to the Board of Education requesting funds from these programs without an adequate process and analysis of the actual amount of monies needed to pay immediate amounts due.

Recommendation

We recommend that all cash draw down requests be based upon actual immediate cash needed in accordance with Federal regulations.

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

City Council
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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity'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 to be a material weakness (Finding 2010-1).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (Findings 2010-8 and 2010-9).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding CF 2010-1.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Farmington, Connecticut
March 3, 2014

Independent Auditor's Report on Compliance for Each
Major Federal Program; Report on Internal Control over
Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133

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 compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2013. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-1. Our opinion on each major Federal program is not modified with respect to this matter.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 3, 2014, 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 OMB Circular A-133 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.

CohnReznick LLP

Farmington, Connecticut
March 3, 2014

**State
Single
Audit**

City of West Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Department of Education:		
Adult Education	11000-SDE64000-17030	\$ 218,055
Bilingual Education	11000-SDE64000-17042	37,856
Youth Services Bureau	11000-SDE64000-17052	43,168
Youth Services Enhancement	11000-SDE64000-16201	7,382
School Breakfast Program	11000-SDE64000-17046	35,425
School Readiness and Child Care in Priority School Districts	11000-SDE64000-17043-82056	1,738,199
Magnet Schools	11000-SDE64000-17057	206,000
School Readiness Quality Enhancement	12000-SDE64000-90242	33,318
Healthy Foods Initiative	11000-SDE64000-16212	58,969
Family Resource Centers	11000-SDE64000-16110	105,213
Health Services	11000-SDE64000-17034	157,999
Child Nutrition State Matching Grant	11000-SDE64000-16211	27,929
Child Day Care	11000-SDE64000-12520	579,147
Alliance District Funding Program	11000-SDE64000-17041-82164	1,381,848
Department of Agriculture:		
Shell Fish Taxes and Rents	34003-DAG42660-42337	25,083
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	312,766
Department of Energy and Environmental Protection:		
Clean Water Fund	21015-DEP43720-42318	1,762,900
Board of Education Services for the Blind:		
Educational Services for the Blind	12060-ESB65020-12060	36,565
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	20,427
Payment in Lieu of Taxes (PILOT) on Private Colleges and Hospitals	11000-OPM20600-17006	5,536,694
Payment in Lieu of Taxes (PILOT) on Private Colleges and Hospitals - Allingtown	11000-OPM20600-17006	343,870
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	7,650
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	376,384
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	12,000
Property Tax Relief for Elderly Homeowners - Freeze Program - Allingtown	11000-OPM20600-17021	1,918
Property Tax Relief for Veterans	11000-OPM20600-17024	111,575
Local Capital Improvement Program	12050-OPM20600-40254	311,293
Housing for Economic Growth - Technical Assistance Grant	12060-OPM20600-90526	8,562
Department of Social Services:		
Community Services	11000-DSS60794-16160	40,476
Medicaid	11000-DSS60000-16020	95,293
Department of Public Health:		
Local and Districts Departments of Health	11000-DPH48500-17009	65,681
Children's Health Initiatives - Lead Poisoning Prevention	11000-DPH48500-12126	19,990 (1)
Department of Economic and Community Development:		
Local Arts Agency Program	11000-ECD46820-16196	1,299
Urban Action Bonds	13019-ECD46000-41240-094	1,000,000
Department of Emergency Services and Public Protection:		
Grant in Aid	12060-DPS32000-2000-1-2156	110,000
Drug Assets Forfeiture Funds	12060-DPS32155-35142	3,077
Telecommunication Fund	12060-DPS32181-35190	123,578
Telecommunication Fund	12060-DPS32741-35190	29,445
Total State Assistance Before Exempt Programs		<u>14,987,034</u>

(Continued)

City of West Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
<u>Exempt Programs:</u>		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	\$ 41,361,658
Public School Transportation	11000-SDE64370-17027	104,570
Nonpublic School Transportation	11000-SDE64370-17049	534,380
Special Education - Excess Costs Student Based and Equity	11000-SDE64000-17047	2,395,621
Department of Construction Services:		
School Construction Projects - Progress	13010-DCS28246-40901	627,898
School Construction Projects - Interest	13009-DCS28246-40896	5,379
School Construction Projects - Principal	13010-DCS28246-40901	170,003
Office of Policy and Management:		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	1,046,532
Municipal Revenue Sharing	12060-OPM20600-35458	690,701
Municipal Revenue Sharing - Allingtown	12060-OPM20600-35458	17,113
Municipal Video Competition	12060-OPM20600-35362	49,968
Total Exempt Programs		<u>47,003,823</u>
Grand Total State Financial Assistance		<u>\$ 61,990,857</u>

(1) - \$15,928 was returned to the state

(Concluded)

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013**

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

1. Summary of Significant Accounting Policies

The accounting policies of the City of West Haven, Connecticut, conform to accounting principles generally accepted in the United States of America 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.

2. 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 loan program activity for the year ended June 30, 2013:

Department of Energy and Environmental Protection:

Clean Water Funds (21014-OTT14230-40001):

Issue Date	Interest Rate	Original Amount	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Interim Funding Obligation	2.0%	N/A	\$ 26,853,239	\$ 1,762,900	\$ 28,250,103	\$ 366,036

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013**

Department of Energy and Environmental Protection:

Clean Water Funds (21014-OTT14230-40001):

Grant ID	Issue Date	Interest Rate	Original Amount	Balance July 1, 2012	Additions	Retired	Balance June 30, 2013
166-C	4/29/1994	2.00%	\$ 9,213,384	\$ 728,445	\$	\$ 544,510	\$ 183,935
166-CDI	1/1/1996	2.00%	2,769,461	236,291		176,627	59,664
167-D	10/31/1996	2.00%	293,596	65,104		16,506	48,598
167-C	10/30/1998	2.00%	4,858,956	1,477,120		265,103	1,212,017
347-C	5/31/2000	2.00%	1,618,947	670,605		84,727	585,878
444-C	3/31/2001	2.00%	1,603,000	732,651		82,507	650,144
348-C	11/30/2001	2.00%	4,407,222	2,051,662		226,088	1,825,574
346-C	12/31/2003	2.00%	801,945	456,440		39,462	416,978
348-C1	12/31/2003	2.00%	1,728,831	983,981		85,072	898,909
348-CD1	9/29/2006	2.00%	617,707	391,000		42,741	348,259
346-CD2	5/31/2007	2.00%	801,055	539,749		51,405	488,344
549-C	7/1/2013	2.00%	28,250,103		28,250,103		28,250,103
			<u>\$56,964,207</u>	<u>\$8,333,048</u>	<u>\$28,250,103</u>	<u>\$1,614,748</u>	<u>\$ 34,968,403</u>

City of West Haven, Connecticut

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

Finding 2010-1

Condition:

The City has a fund deficit in the General Fund.

Current Status:

Finding has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

Finding 2010-5

Condition:

Currently, 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:

Finding has been adequately addressed.

Finding 2010-8

Conditions:

City and Board of Education Payroll - Currently, the payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Student Activities - Currently, one employee at each school is responsible for all aspects of cash receipts, cash disbursements and the recording of the transactions for the student activity funds.

Current Status:

Findings above have **not** been adequately addressed and are repeated in the schedule of findings and questioned costs.

City of West Haven, Connecticut

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

Finding 2010-9

Condition:

There were significant adjustments made to the final trial balance of the following fund:

Recording certain Board of Education revenue accrual grant activity.

Current Status:

The proper recording of the year end accruals for the Education Grants fund has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

Compliance

Finding CF 2010-1

Condition:

The City did not completely address the General Fund deficit fund balance in the subsequent year's budget as required by State Statutes.

Current Status:

Finding has **not** been adequately addressed and is repeated in the schedule of findings and questioned costs.

State Financial Assistance

Finding 2011-1

Condition:

The City does not adequately monitor the subrecipient who receives the Child Day Care Services grant money to ensure compliance with State requirements.

Current Status:

Finding has been adequately addressed.

City of West Haven, Connecticut

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

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

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

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 299,741

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education:		
School Readiness and Child Care in Priority School Districts	11000-SDE64000-17043-82056	\$ 1,738,199
Child Day Care	11000-SDE64000-12520	579,147
Alliance District Funding Program	11000-SDE64000-17041-82164	1,381,848
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	312,766
Department of Energy and Environmental Protection:		
Clean Water Fund	21015-DEP43720-42318	1,762,900
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	5,536,694
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals - Allingtown	11000-OPM20600-17006	343,870
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	376,384
Local Capital Improvement Program	12050-OPM20600-40254	311,293
Department of Economic and Community Development:		
Urban Action Bonds	13019-ECD46000-41240-094	1,000,000

City of West Haven, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

II - Financial Statement Findings

Internal Control Findings

2010-1 General Fund Deficit

Criteria

State Statutes require that municipalities have a positive General Fund fund balance. The City's General Fund deficit is \$7,776,649 as of June 30, 2013.

Condition

The City has an accumulated fund deficit in the General Fund of \$7,776,649.

Cause

In prior years, the City has overestimated budget revenues and overspent appropriations.

Effect

The City is not in compliance with State Statutes.

Recommendation

We recommend the City continue to develop and implement a plan to fund/eliminate the General Fund deficit.

City of West Haven, Connecticut

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

II - Financial Statement Findings

Internal Control Findings

2010-8 Segregation of Duties

Criteria

In order to maintain the proper internal controls, the City should have proper segregation of duties for all material financial activities.

Condition

City and Board of Education Payroll

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

Student Activities

Currently, one employee at each school is responsible for all aspects of cash receipts, cash disbursements and the recording of the transactions for the student activity funds.

Context

Systemic in nature.

Cause

Controls should be established to ensure proper segregation of duties for all functional areas for these departments.

Effect

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

Recommendation

We recommend that to improve segregation of duties and adequacy of internal controls, incompatible responsibilities must be segregated between employees and that the City's policies be revised to reassign responsibilities to properly segregate duties.

City of West Haven, Connecticut

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

II - Financial Statement Findings

Internal Control Findings

City and Board of Education Payroll

For payroll procedures, one individual should accumulate the information and enter it into the system, and another should run the payroll. The final payroll should also be reviewed by an independent individual.

Student Activities

We recommend that the Board of Education develop and implement policies and procedures to ensure proper segregation of duties over the cash receipts and cash disbursements process. Someone other than the employee involved in processing transactions should be responsible for preparing the bank reconciliations. We also recommend that the general ledger reports and the bank reconciliations be submitted to the Business Office and reviewed on a periodic basis.

2010-9 Closing Procedures

Criteria

Trial balances at June 30 should be complete, including all year end accruals and other closing entries.

Condition

There were significant revenue accrual adjustments made to the final trial balances for certain education grant funds.

Context

Systemic in nature.

Cause

All closing entries were not recorded.

Effect

Management does not have accurate financial information upon which to base management decisions.

Recommendation

We recommend that the Board of Education review its month end and year end closing procedures to ensure completeness and proper cut off for all activity.

City of West Haven, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

II - Financial Statement Findings

Compliance Findings

CF 2010-1 General Fund Fund Balance Deficit

Criteria

State Statutes require that municipalities have a positive General Fund fund balance. The City's General Fund deficit is \$7,776,649 as of June 30, 2013.

Context

Systemic in nature.

Cause

In prior years, the City estimated revenues higher than actual revenues received. Expenditures were in excess of approved appropriations.

Effect

The City was not in compliance with Section 7-390 of the Connecticut General Statutes.

Recommendation

The City should continue to implement a plan to eliminate the General Fund deficit and incorporate the plan in future budgets.

III - State Financial Assistance Findings and Questioned Costs

None

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

City Council
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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding 2010-1).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (Findings 2010-8 and 2010-9).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding CF 2010-1.

Purpose of this Report

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



Farmington, Connecticut
March 3, 2014

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit 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.

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 City of West Haven, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 3, 2014, 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.

CohnReznick LLP

Farmington, Connecticut
March 3, 2014