

TOWN OF WATERFORD, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2019

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TOWN OF WATERFORD, CONNECTICUT**FEDERAL SINGLE AUDIT REPORT****JUNE 30, 2019****TABLE OF CONTENTS**

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Members of the Board of Finance
Town of Waterford, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Waterford, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Waterford, Connecticut's major federal program for the year ended June 30, 2019. The Town of Waterford, Connecticut's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Waterford, Connecticut's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waterford, Connecticut'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 the major federal program. However, our audit does not provide a legal determination of the Town of Waterford, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Waterford, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town of Waterford, Connecticut, 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 Town of Waterford, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterford, Connecticut'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements. We issued our report thereon dated November 18, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 18, 2019

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	12060-SDE64370-20560	\$ 314,492
School Breakfast Program	10.553	12060-SDE64370-20508	<u>45,412</u>
			\$ 359,904
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	12060-SDE64165-26130	<u>798</u>
Total United States Department of Agriculture			<u>360,702</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	12062-DOT57513-20559	1,267
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	12062-DOT57191-22108	58,914
Alcohol Open Container Requirements	20.607	12062-DOT57513-22091	<u>11,234</u>
Total United States Department of Transportation			<u>71,415</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Emergency Management Performance Grants	97.042	12060-DPS32160-21881	<u>12,253</u>
United States Department of Justice			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-DPS32523-26185	11,748
<i>Direct:</i>			
Equitable Sharing Program	16.922		<u>7,330</u>
Total United States Department of Justice			<u>19,078</u>
United States National Endowment for the Humanities			
<i>Passed Through the State of Connecticut Economic and Community Development:</i>			
Promotion of the Arts Partnership Agreements	45.025	12060-ECD46820-20328	<u>1,431</u>
United States Department of Education			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	12060-SDE64370-20977-2019	360,440
Special Education Grants to States	84.027	12060-SDE64370-20977-2018	130,774
Special Education Preschool Grants	84.173	12060-SDE64370-20983-2019	3,946
Special Education Preschool Grants	84.173	12060-SDE64370-20983-2018	<u>16,735</u>
			511,895

The accompanying notes are an integral part of this schedule

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2019	\$ 267,099
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2018	<u>34,053</u>
			\$ 301,152
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742-2019	24,888
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2019	5,804
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2018	<u>57,081</u>
			62,885
Title IV - Student Support	84.424A	12060-SDE64370-22854-2019	11,702
Title IV - Student Support	84.424A	12060-SDE64370-22854-2018	<u>6,759</u>
			18,461
<i>Passed Through LEARN:</i>			
English Language Acquisition State Grants	84.365		<u>6,658</u>
Total United States Department of Education			<u>925,939</u>
United States Department of Health and Human Services			
<i>Passed Through the State of Connecticut Department on Aging Senior Resources Agency on Aging:</i>			
Aging Cluster:			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	12060-SDA62810-20835	<u>9,021</u>
Total Federal Awards			\$ <u>1,399,839</u>

The accompanying notes are an integral part of this schedule

TOWN OF WATERFORD, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Waterford, Connecticut, under programs of the federal government for the year ended June 30, 2019. The information in the 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 Town of Waterford, Connecticut, 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 Town of Waterford, Connecticut.

Basis of Accounting

Expenditures reported on the Schedule are reported using 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.

2. INDIRECT COST RECOVERY

The Town of Waterford, Connecticut, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

3. NONCASH AWARDS

Donated commodities in the amount of \$27,797 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

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

To the Members of the Board of Finance
Town of Waterford, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Waterford, Connecticut'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 Town of Waterford, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterford, Connecticut's internal control.

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

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

Compliance and Other Matters

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

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 Town of Waterford, Connecticut'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 Town of Waterford, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 18, 2019

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X 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? X yes none reported

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

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

Major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? X yes no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2019-001

Procurement and Suspension and Debarment

Program

All Federal Programs

Criteria

The Board of Education of the Town of Waterford must comply with procurement standards set out at 2 CFR sections 200.318 through 200.326 within Uniform Guidance.

Condition

The Board of Education'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 Board of Education did not have a policy in place in conformity with the federal Uniform Guidance criteria, the Board of Education did follow the State procedures as it relates to the contracts under the procurements applicable to the Town of Waterford's major program.

Effect

With the absence of a compliant policy for the Board of Education, the Town of Waterford is at risk for noncompliance as it relates to federal procurement.

Cause

The Board of Education was unaware of the details surrounding the new procurement standards.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Management agrees with this finding.