

**Federal Single Audit  
and  
State Single Audit  
of the  
City of New London, Connecticut  
For the Year Ended June 30, 2019**

**City of New London, Connecticut  
For the Year Ended June 30, 2019**

Table of Contents

Page

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
<u>Federal Single Audit</u>	
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	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Summary Schedule of Prior Year Audit Findings	9-10
Schedule of Findings and Questioned Costs	11-14
<u>State Single Audit</u>	
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	15-17
Schedule of Expenditures of State Financial Assistance	18-19
Notes to Schedule of Expenditures of State Financial Assistance	20
Summary Schedule of Prior Year Audit Findings	21-22
Schedule of Findings and Questioned Costs	23-26

**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 New London, 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 City of New London, Connecticut ("City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2020.

**Internal Control Over Financial Reporting**

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

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. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**City's 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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
February 14, 2020

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**Federal  
Single  
Audit**

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**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance;  
and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

**City Council  
City of New London, Connecticut**

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

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, 2019.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 14, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
February 14, 2020

**City of New London, 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	Provided Through to Subrecipients	Total Expenditures
U.S. Department of Agriculture:				
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	12060-SDE64370-20508	\$ -	\$ 578,514
National School Lunch Program - Cash		12060-SDE64370-20560	-	1,666,362
National School Lunch Program - Commodities		N/A	-	100,381
Total National School Lunch Program	10.555			1,766,743
Summer Food Service Program for Children		12060-SDE64370-20540	-	122,566
Summer Food Service Program for Children		12060-SDE64370-20548	-	12,672
Summer Food Service Program for Children (Summer EBT)		12060-SDE64370-26130	-	1,038
Total Summer Food Service Program for Children	10.559			136,276
Total Child Nutrition Cluster				2,481,533
Child and Adult Care Food Program		12060-SDE64370-20518	-	216,593
Child and Adult Care Food Program - Cash in Lieu of Commodities		12060-SDE64370-20544	-	15,407
Total Child and Adult Care Food Program	10.558			232,000
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	-	162,058
Total U.S. Department of Agriculture				2,875,591
U.S. Department of Housing and Urban Development:				
Direct Program:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	-	910,471
Passed through State Department of Housing:				
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:				
Hurricane Sandy Community Development Block Grant				
Disaster Recovery Grants (CDBG-DR)		12060-DOH46961-29516	-	47,372
Disaster Recovery Grants (CDBG-DR) - Infrastructure		12060-DOH46961-29520	-	327,598
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster	14.269			374,970
Total U.S. Department of Housing and Urban Development				1,285,441
U.S. Department of the Interior:				
Passed through State Department of Energy and Environmental Protection:				
Clean Vessel Act	15.616	12060-DEP44434-20954	-	5,520
U.S. Department of Justice:				
Passed through State Office of Policy and Management:				
Juvenile Justice and Delinquency Prevention	16.540	12060-OPM20350-21676	-	6,961
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	-	10,429
Passed through State Department of Emergency Services and Public Protection:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-DPS32523-26185	-	28,196
Recovery Act - Internet Crimes Against Children	16.800	12060-DPS32353-21917	-	7,700
Total U.S. Department of Justice				53,286
U.S. Department of Transportation:				
Passed through State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	12062-DOT57124-22108	-	30,061
Highway Safety Cluster:				
State and Community Highway Safety	20.600	12062-DOT57513-20559	-	9,241
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12062-DOT57513-22091	-	11,683
Total Highway Safety Cluster				20,924
Total U.S. Department of Transportation				50,985

(Continued)

See Notes to Schedule of Expenditures of Federal Awards.

City of New London, 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	Provided Through to Subrecipients	Total Expenditures
U.S. Department of Education:				
Passed through State Department of Education:				
Adult Education - Basic Grants to States	84.002	12060-SDE64370-20784-84002-2019	\$ -	\$ 223,994
Title I Grants to Local Educational Agencies		12060-SDE64370-20679-82070-2018	-	775,089
Title I Grants to Local Educational Agencies		12060-SDE64370-20679-82071-2018	-	111,269
Title I Grants to Local Educational Agencies		12060-SDE64370-20679-82070-2019	-	2,118,183
Title I Grants to Local Educational Agencies		12060-SDE64370-20679-82071-2019	-	67,422
Total Title I Grants to Local Educational Agencies	84.010			3,071,963
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B)		12060-SDE64370-20977-82032-2018	-	200,997
Special Education - Grants to States (IDEA, Part B)		12060-SDE64370-20977-82032-2019	-	565,741
Total Special Education - Grants to States (IDEA, Part B)	84.027			766,738
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-SDE64370-20983-82032-2019	-	28,658
Total Special Education Cluster				795,396
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742-84010-2019	-	80,104
Twenty-First Century Community Learning Centers		12060-SDE64370-20863-84131-2018	-	80,762
Twenty-First Century Community Learning Centers		12060-SDE64370-20863-84131-2019	-	89,303
Total Twenty-First Century Community Learning Centers	84.287			170,065
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-82075-2018	-	95,257
Supporting Effective Instruction State Grant		12060-SDE64370-20858-84131-2018	-	7,554
Supporting Effective Instruction State Grant		12060-SDE64370-20858-84131-2019	-	193,060
Total Supporting Effective Instruction State Grant	84.367			200,614
School Improvement Grants	84.377	12060-SDE64370-22223-82071-2016	-	225,483
Student Support and Academic Achievement Enrichment Program (Title IV)	84.424	12060-SDE64370-22854-82079-2018	-	10,842
Direct Programs:				
School Safety National Activities	84.184	N/A	-	605,324
Innovative Approaches to Literacy	84.215	N/A	-	396,710
Total U.S. Department of Education				5,875,752
U.S. Department of Health and Human Services:				
Direct Program:				
Drug-Free Communities Support Program Grants	93.276	N/A	-	135,680
U.S. Department of Homeland Security:				
Direct Program:				
Assistance to Firefighters Grants	97.044	N/A	-	248,650
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	127,963
Total U.S. Department of Homeland Security				376,613
Total Federal Awards			\$ -	\$ 10,658,868

(Concluded)

N/A - Not applicable or not available.

See Notes to Schedule of Expenditures of Federal Awards.

**City of New London, Connecticut**

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

**1. Basis of presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the City of New London, 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 \$100,381 of USDA donated commodities under the National School Lunch Program.

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**City of New London, Connecticut**

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

**Finding 2018-001 (Prior Finding 2017-001)**

**Condition**

The City and the Board of Education are unable to close their financial reporting systems within a reasonable time frame. Additionally, neither entity is performing any reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

**Current status**

The finding has been repeated as Finding 2019-001.

**Reason for recurrence**

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

**Finding 2018-002 (Prior Finding 2017-002)**

**Condition**

An accurate monthly reconciliation between the Education Grants Fund and the City general ledger is not being performed. The City is obtaining a summary of the Board of Education's expenditures and is monitoring the balancing; however, this is not their responsibility. The Board of Education should be initiating the reconciliation process in order to avoid material adjustments at year end to reconcile the Education Grants Fund accounting records to the general ledger detail maintained by the City finance office.

**Current status**

The finding has been repeated as Finding 2019-002.

**Reason for recurrence**

Due to staffing issues and the implementation of new accounting software, the City has been unable to implement the planned corrective action.

**City of New London, Connecticut**

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

**Finding 2018-003 (Finding 2017-003)**

**Condition**

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billing were recorded (interfaced) into the City's general ledger. In addition, we noted that certain interfaces were recorded several months after the transactions occurred. Finally, receivables were not reconciled monthly or at year end and therefore, required adjustments as part of the audit process.

**Current status**

The finding has been repeated as Finding 2019-003.

**Reason for recurrence**

Due to staffing issues and the implementation of new accounting software, the City has been unable to implement the planned corrective action.

**Finding 2018-004**

**Condition**

Federal cash management regulations require requests for reimbursement be limited to current expenditures. Excess monies were requested for reimbursement and received by the City for the Title I Grants to Local Educational Agencies during the fiscal year without supporting expenditures. Of the \$2,405,979 grant revenue drawn down to date, only \$1,990,490 was expended by June 30, 2018. Cash on hand exceeded immediate requirements. The cause is due to a change from the original projections for June 2018 expenditures compared to what was actually spent.

**Current status**

The finding has been corrected.

City of New London, Connecticut

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

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?        yes   x   none reported

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition
84.010	Title I Grants to Local Educational Agencies
84.215	Innovative Approaches to Literacy

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

Auditee qualified as low-risk auditee?        yes   x   no

City of New London, Connecticut

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

II. Findings – Financial Statement Audit

**Finding 2019-001 (Material Weakness)**

**Criteria**

The City and the Board of Education should have internal controls in place to ensure that timely and accurate financial reporting is achieved. Monthly and year end closing procedures should be documented, communicated and monitored by the Finance Department of the City and the Business Office of the Board of Education.

**Condition**

The City and the Board of Education are unable to close their financial reporting systems within a reasonable time frame. Additionally, neither entity is performing adequate reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

**Context**

Not applicable.

**Effect**

The existing process being followed is often used to identify and correct posting errors and omissions made during the year and, thus, City Council and Board of Education are managing current operations while using data that is neither timely nor accurate. Additionally, the lack of timeliness of closing at year end has caused delays in audit completion.

**Cause**

The cause is unknown.

**Recommendation**

The City and Board of Education should develop, document, communicate and monitor a financial closing process in order to facilitate an effective monthly close as well as a year end close. The process should include the necessary procedures to be performed and the timeline in order to perform them. The procedure should include detailed reconciliation and supporting schedule or all significant balance sheet accounts

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The City plans to hire an additional employee in the Finance Department before the fiscal year end whose responsibilities will include billing, receiving and account reconciliations.

**City of New London, Connecticut**

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

**Finding 2019-002 (Material Weakness)**

**Criteria**

As the City's general ledger constitutes the official books and records of the City, it is crucial that the Board of Education reconcile its subsidiary ledgers, General Fund and Education Grants Fund to the City general ledger on a monthly basis.

**Condition**

An accurate monthly reconciliation between the Education Grants Fund and the City general ledger is not being performed. The City only processes cash receipts and cash disbursements. The Board of Education only records expenditure activity. Revenues are not recorded in a general ledger and not reconciled to the amounts collected by the City. There are material adjustments at year end to reconcile the Education Grants Fund accounting records to the general ledger maintained by the City Finance Department.

**Context**

Not applicable.

**Effect**

Without properly reconciling on a monthly basis, significant errors and discrepancies between City and Board of Education accounting records could exist and go undetected.

**Cause**

The cause is unknown.

**Recommendation**

A timely and accurate reconciliation should be performed on a monthly basis between the Board of Education accounting records and the City's general ledger.

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The Board of Education currently accounts for the grant expenditures in a separate general ledger. It is the responsibility of the Board of Education to reconcile their detail accounts to the City's official financial records. This comment will be eliminated once the Board of Education financial recordkeeping is merged with the City's financial recordkeeping.

**City of New London, Connecticut**

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

**Finding 2019-003 (Material Weakness)**

**Criteria**

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed.

**Condition**

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billing were recorded (interfaced) into the City's general ledger. In addition, we noted that certain interfaces were recorded several months after the transactions occurred. Finally, receivables were not reconciled monthly or at year end and therefore, required adjustments as part of the audit process.

**Context**

Not applicable.

**Effect**

Without proper reconciling of both collections and receivable balances on a monthly basis, significant errors, omission of activity, or fraud may occur and go undetected.

**Cause**

The cause is unknown.

**Recommendation**

A timely reconciliation of collections and receivable balances should be performed on a monthly basis between the water and sewer billing and collections software and the City's general ledger to ensure that all activity is properly recorded and that all monies are being properly deposited in the bank.

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The City plans to hire an additional employee in the Finance Department before the fiscal year end whose responsibilities will include billing, receiving and account reconciliations.

III. Findings – Major Federal Award Programs Audit

None.

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**State  
Single  
Audit**

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**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 New London, Connecticut**

**Report on Compliance for Each Major State Program**

We have audited the City of New London, Connecticut's ("City") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2019. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major State Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

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

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

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

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

**City Council  
City of New London, Connecticut**

Page 3

**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, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated February 14, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
February 14, 2020

City of New London, Connecticut

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

State Grantor/Pass Through Grantor/Program Title	State Grantor Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Connecticut State Library:			
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ -	\$ 6,500
Department of Administrative Services:			
Alliance District General Improvements	12052-DAS27635-43651	-	571,000
Department of Education:			
Talent Development	11000-SDE64370-12552	-	16,410
Youth Services Bureau - Enhancement	11000-SDE64370-16201	-	5,753
Child Nutrition State Matching Grant	11000-SDE64370-16211	-	26,040
Healthy Foods Initiative	11000-SDE64370-16212	-	49,635
Adult Education	11000-SDE64370-17030	-	1,158,300
Health and Welfare - Private School Pupils	11000-SDE64370-17034	-	45,997
Alliance District Funding Program	11000-SDE64370-17041	-	3,358,009
Bilingual Education	11000-SDE64370-17042	-	53,556
Priority School Districts	11000-SDE64370-17043-82052	-	823,588
Extended School Hours Program Grant	11000-SDE64370-17043-82054	-	62,988
Summer School Accountability Grant	11000-SDE64370-17043-82055	-	74,082
School Breakfast	11000-SDE64370-17046	-	20,258
Youth Services Bureau	11000-SDE64370-17052	-	23,906
Magnet Schools - Transportation	11000-SDE64370-17057-82061	-	885,090
Magnet Schools - Operating	11000-SDE64370-17057-82062	-	8,050,932
After School Program	11000-SDE64370-17084	-	158,263
Low Performing Schools	12052-SDE64370-43728	-	61,666
Office of Early Childhood:			
Even Start Family Literacy Program	11000-OEC64845-12569	-	98,477
Smart Start	11000-OEC64845-16279-83004	-	65,087
Department of Emergency Services and Public Protection:			
School Security Competitive Grant Program	12052-DPS32161-43546	-	105,276
Drug Asset Forfeiture Revolving Fund	12060-DPS32155-35142	-	34,461
Nuclear Safety Fund	12060-DPS32982-90428	-	945
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	192,509
Town Aid Road Grants Transportation Fund - STO	13033-DOT57131-43459	-	192,509
Local Transportation Capital Improvement Program	13033-DOT57197-43584	-	935,028
Office of Policy and Management:			
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	-	397,802
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	-	4,620,940
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	2,982
Property Tax Relief for Veterans	11000-OPM20600-17024	-	5,920
Local Capital Improvement Program	12050-OPM20600-40254	-	254,386
Municipal Grants-In-Aid	12052-OPM20600-43587	-	33,169
Department of Social Services:			
Medicaid	11000-DSS60000-16020	-	143,906

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

**City of New London, Connecticut**

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

State Grantor/Pass Through Grantor/Program Title	State Grantor Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Energy and Environmental Protection:			
Community Investment Program	12060-DEP43153-35328	\$ -	\$ 750
Regional Green House Gas	12060-DEP44165-35402	-	11,421
CT Bikeway, Pedestrian, Recreational Rail and Greenway Program	12052-DEP44321-43314	-	<u>9,367</u>
Total State Financial Assistance Before Exempt Programs			<u>22,556,908</u>
Exempt Programs			
Department of Education:			
Education Cost Sharing	11000-SDE64370-17041-82002	-	229,406
Education Cost Sharing	11000-SDE64370-17041-82010	-	22,712,518
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	694,386
Department of Administrative Services:			
School Construction Progress Payments - Interest	13009-DAS27636-40896	-	7,193
School Construction Progress Payments - Principal	13010-DAS27635-40901	-	830,447
School Construction Progress Payments - Principal	13010-DAS27636-40901	-	49,930
Office of Policy and Management:			
Municipal Stabilization Grant	11000-OPM20600-17104	-	1,112,913
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	-	<u>1,667,837</u>
Total Exempt Programs			<u>27,304,630</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 49,861,538</u>

(Concluded)

See Notes to Schedule of Expenditures of State Financial Assistance.

**City of New London, Connecticut**

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

**1. Basis of presentation**

The accompanying schedule of expenditures of state financial assistance ("Schedule") includes state grant activity of the City of New London, 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, health and welfare, culture and recreation and education.

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

**2. Summary of significant accounting policies**

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

**3. Loan programs**

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:

Description	Issue Date	Interest Rate	Original Amount	Balance July 1, 2018	Retired	Balance June 30, 2019
Clean Water Funds 21015-OTT14000-42318:						
390C	03/31/00	2.0%	\$ 1,615,141	\$ 60,569	\$ 60,569	\$ -
390CD1	12/31/01	2.0%	700,861	30,327	30,327	-
455PDC	02/28/02	2.0%	2,014,170	318,910	100,709	218,201
				<u>\$ 409,806</u>	<u>\$ 191,605</u>	<u>\$ 218,201</u>
Drinking Water Program 21018-DPH48500-42319:						
2013-7025	01/31/17	2.0%	\$ 5,534,628	\$ 4,930,982	\$ 236,400	\$ 4,694,582

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**City of New London, Connecticut**

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

**Finding 2018-001 (Prior Finding 2017-001)**

**Condition**

The City and the Board of Education are unable to close their financial reporting systems within a reasonable time frame. Additionally, neither entity is performing any reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

**Current status**

The finding has been repeated as Finding 2019-001.

**Reason for recurrence**

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

**Finding 2018-002 (Prior Finding 2017-002)**

**Condition**

An accurate monthly reconciliation between the Education Grants Fund and the City general ledger is not being performed. The City is obtaining a summary of the Board of Education's expenditures and is monitoring the balancing; however, this is not their responsibility. The Board of Education should be initiating the reconciliation process in order to avoid material adjustments at year end to reconcile the Education Grants Fund accounting records to the general ledger detail maintained by the City finance office.

**Current status**

The finding has been repeated as Finding 2019-002.

**Reason for recurrence**

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

**City of New London, Connecticut**

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

**Finding 2018-003 (Prior Finding 2017-003)**

**Condition**

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billing were recorded (interfaced) into the City's general ledger. In addition, we noted that certain interfaces were recorded several months after the transactions occurred. Finally, receivables were not reconciled monthly or at year end and therefore, required adjustments as part of the audit process.

**Current status**

The finding has been repeated as Finding 2019-003.

**Reason for recurrence**

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

**City of New London, Connecticut**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?     yes   x  no

State Financial Assistance

Internal control over major programs:

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

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

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?     yes   x  no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education		
Adult Education	11000-SDE64370-17030	\$ 1,158,300
Alliance District Funding Program	11000-SDE64370-17041	3,358,009
Priority School Districts	11000-SDE64370-17043-82052	823,588
Magnet Schools – Operating	11000-SDE64370-17057-82062	8,050,932

Dollar threshold used to distinguish between type A and B programs: \$451,138

**City of New London, Connecticut**

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

II. Findings – Financial Statement Audit

**Finding 2019-001 (Material Weakness)**

**Criteria**

The City and the Board of Education should have internal controls in place to ensure that timely and accurate financial reporting is achieved. Monthly and year end closing procedures should be documented, communicated and monitored by the Finance Department of the City and the Business Office of the Board of Education.

**Condition**

The City and the Board of Education are unable to close their financial reporting systems within a reasonable time frame. Additionally, neither entity is performing any reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

**Context**

Not applicable.

**Effect**

The existing process being followed is often used to identify and correct posting errors and omissions made during the year and, thus, City Council and Board of Education are managing current operations while using data that is neither timely nor accurate. Additionally, the lack of timeliness of closing at year end has caused delays in audit issuance.

**Cause**

The cause is unknown.

**Recommendation**

The City and Board of Education should develop, document, communicate and monitor a financial closing process in order to facilitate an effective monthly close as well as a year end close. The process should include the necessary procedures to be performed and the timeline in order to perform them.

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The City plans to hire an additional employee in the Finance Department before the fiscal year end whose responsibilities will include billing, receiving and account reconciliations.

**City of New London, Connecticut**

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

**Finding 2019-002 (Material Weakness)**

**Criteria**

As the City's general ledger constitutes the official books and records of the City, it is crucial that the Board of Education reconcile its subsidiary ledgers, General Fund and Education Grants Fund to the City general ledger on a monthly basis.

**Condition**

An accurate monthly reconciliation between the Education Grants Fund and the City general ledger is not being performed. The City only processes cash receipts and cash disbursements. The Board of Education only records expenditure activity. Revenues are not recorded in a general ledger and not reconciled to the amounts collected by the City. There are material adjustments at year end to reconcile the Education Grants Fund accounting records to the general ledger maintained by the City Finance Department.

**Context**

Not applicable.

**Effect**

Without properly reconciling on a monthly basis, significant errors and discrepancies between City and Board of Education accounting records could exist and go undetected.

**Cause**

The cause is unknown.

**Recommendation**

A timely and accurate reconciliation should be performed on a monthly basis between the Board of Education accounting records and the City's general ledger.

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The Board of Education currently accounts for the grant expenditures in a separate general ledger. It is the responsibility of the Board of Education to reconcile their detail accounts to the City's official financial records. This comment will be eliminated once the Board of Education financial recordkeeping is merged with the City's financial recordkeeping.

**City of New London, Connecticut**

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

**Finding 2019-003 (Material Weakness)**

**Criteria**

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed.

**Condition**

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billing were recorded (interfaced) into the City's general ledger. In addition, we noted that certain interfaces were recorded several months after the transactions occurred. Finally, receivables were not reconciled monthly or at year end and therefore, required adjustments as part of the audit process.

**Context**

Not applicable.

**Effect**

Without proper reconciling of both collections and receivable balances on a monthly basis, significant errors, omission of activity, or fraud may occur and go undetected.

**Cause**

The cause is unknown.

**Recommendation**

A timely reconciliation of collections and receivable balances should be performed on a monthly basis between the water and sewer billing and collections software and the City's general ledger to ensure that all activity is properly recorded and that all monies are being properly deposited in the bank.

**Views of responsible officials and planned corrective actions**

Staffing in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Finance Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits. The City plans to hire an additional employee in the Finance Department before the fiscal year end whose responsibilities will include billing, receiving and account reconciliations.

III. Findings – State Financial Assistance Findings and Questioned Costs

None.