

CITY OF PORTLAND, MAINE

**Reports Required by *Government Auditing
Standards* and the Uniform Guidance**

For the Year Ended June 30, 2020

CITY OF PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2020

<u>Report</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6-11
Notes to Schedule of Expenditures of Federal Awards	12
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	13
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	14-15
Section III - Findings and Questioned Costs for Federal Awards	16
Section IV - Status of Prior Year Findings and Questioned Costs for <i>Government Auditing Standards</i> and Federal Awards	17-18

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 and Portland Board of Public Education
City of Portland, Maine

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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Portland, Maine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Portland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.

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 as item 2020-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 deficiency described as item 2020-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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*, CONTINUED

Compliance and Other Matters

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

We noted certain matters that are opportunities for strengthening internal controls and operating efficiency that we have reported to the management of the City of Portland, Maine in a separate letter dated March 22, 2021.

The City of Portland, Maine’s Responses to Findings

The City of Portland, Maine’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Portland, Maine’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 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.



March 22, 2021
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council and Portland Board of Public Education
City of Portland, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Portland, Maine's 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 of Portland, Maine's major federal programs for the year ended June 30, 2020. The City of Portland, Maine'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Portland, Maine'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 of Portland, Maine'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 of Portland, Maine's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding the Special Education Cluster as described in finding number 2020-003 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the City of Portland, Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Portland, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Portland, Maine 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

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

Report on Internal Control over Compliance

Management of the City of Portland, Maine 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 of Portland, Maine'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 of Portland, Maine's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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. 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 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine’s basic financial statements. We issued our report thereon dated March 22, 2021, 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.


March 22, 2021
South Portland, Maine

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards
For year ended June 30, 2020

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:						
Direct Programs:						
Community Development Block Grants	NONE	14.218	NONE	\$ 1,764,257		1,399,648
Total CDBG Grant Cluster					1,764,257	
Emergency Solutions Grant (ESG):						
ESG FS Essential Services	GR1928	14.231	NONE	3,334		-
ESG FS Essential Services	GR2009	14.231	NONE	48,191		-
ESG FS Homeless Prevention	GR2010	14.231	NONE	27,865		-
ESG OSS Homelessness Prevention	GR1803	14.231	NONE	2,313		-
ESG OSS Rapid Rehousing	GR1804	14.231	NONE	11,099		-
ESG OSS HIMS	GR2006	14.231	NONE	12,065		-
ESG OSS Homelessness Prevention	GR2017	14.231	NONE	6,713		-
ESG OSS Rapid Rehousing	GR2018	14.231	NONE	26,233		-
Total Emergency Solutions Grant (ESG)					137,813	
HUD Lead Abatement Program	NONE	14.900	NONE	350,453		-
HOME Program	NONE	14.239	NONE	692,097		-
Pass-through Maine State Housing Authority:						
MSHA Emergency Solutions Grant (ESG):						
MSHA OSS Operating	GR1823	14.231	NONE	100		-
MSHA OSS Stabilization	GR1922	14.231	NONE	96,280		-
MSHA OSS Operating	GR1923	14.231	NONE	239,855		-
MSHA FS Operating	GR1924	14.231	NONE	258,103		-
MSHA FS Stabilization	GR1925	14.231	NONE	22,887		-
MSHA OSS Stabilization HF	GR2020	14.231	NONE	72,167		-
MSHA OSS Operation	GR2022	14.231	NONE	335,228		-
MSHA FS Operation	GR2025	14.231	NONE	63,918		-
MSHA FS Stabilization	GR2027	14.231	NONE	59,639		-
MSHA ESG-CV Emergency Funding - COVID 19	COVID19	14.231	NONE	316,466		-
Total MSHA ESG					1,464,643	
Total U.S. Department of Housing and Urban Development				4,409,263		1,399,648

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
Environmental Protection Agency:						
Pass-through Maine Department of Environmental Protection:						
Clean Water State Revolving Loan Fund Cluster:						
Capitalization Grants for Clean Water state Revolving Funds	NONE	66.458	NONE	\$ 1,195,512		-
Total Clean Water Slate Revolving Loan Fund Cluster					1,195,512	
Direct Program:						
Brownfield Assessment & Cleanup	NONE	66.818	NONE	177,888		-
Total Environmental Protection Agency				1,373,400		-
U.S. Department of Justice:						
Direct Programs:						
Justice Assistance Grant:						
2016 Justice Assistance Grant	GR1731	16.738	NONE	14,385		-
2017 Justice Assistance Grant	GR1936	16.738	NONE	13,926		-
2019 Justice Assistance Grant	GR2019	16.738	NONE	14,609		-
Total Justice Assistance Grant					42,920	
Federal Equitable Sharing	NONE	16.922	PD0026	7,000		-
Pass-through Maine Department of Human Services:						
Crime Victim Assistance:						
Victim Advocacy FY20	GR2008	16.575	OVP-20-2307	41,774		-
Total U.S. Department of Justice				91,694		-

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Transportation:						
Direct Programs:						
Airport Improvement Program	NONE	20.106	NONE	\$ 12,031,751		-
CARES Act - Jetport - COVID 19	NONE	20.106	NONE	1,931,578		-
Total Airport Cluster					13,963,329	
Pass-through Maine Department of Transportation:						
Highway Planning and Construction Cluster:						
Somerset/Elm-Hanover Reconstruction	GR1322	20.205	PP-1762(800)x	44,300		-
Franklin ST Corridor Feasibility study phase II	GR1345	20.205	STP-1521	31,124		-
West Commercial St Trail	GR1751	20.205	NONE	23,081		-
Washington Ave Reconstruction	GR1754	20.205	NONE	34,650		-
Congress St Traffic Signals	GR1832	20.205	NONE	18,965		-
Allen Ave Pavement Preservation	GR1833	20.205	NONE	24,016		-
Washington Ave MPI	GR1834	20.205	NONE	15,663		-
State RT 100 Allen Ave - Yale to Pennell	GR1913	20.205	NONE	149,439		-
PTC Neighborhood Byway	GR2007	20.205	NONE	13,794		-
Roundabout @ Brighton/Deering/Falmouth	GR2030	20.205	NONE	277,181		-
Total Highway Planning and Construction Cluster					632,213	
Pass-through Maine Bureau of Highway Safety:						
Highway Safety Cluster:						
National Priority Safety Programs:						
2019 Seatbelt Grant	GR1937	20.616	OPB19-034	207		-
State and Community Highway Safety:						
2019 Speed Enforcement Grant	GR1915	20.600	PT19-010	3,295		-
2019 OUI Grant	GR2011	20.600	OPB19-034	442		-
Total Highway Safety Cluster					3,944	
Total U.S. Department of Transportation				14,599,486		-
U.S. Department of the Interior:						
Pass-through Maine Historic Preservation:						
Historic Preservation Fund Grants-In-Aid:						
CLG Western Promenade Master Plan	GR1906	15.904	NONE	20,190		-
CLG Historical Preservation FY20	GR2033	15.904	NONE	15,000		-
Mechanics Hall Restoration	GR2034	15.904	NONE	12,944		-
Total Historic Preservation Fund Grants-In-Aid					48,134	
Total U.S. Department of the Interior				48,134		-

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Treasury:						
Direct Program:						
CARES ACT - Assistance Living (Barron Center) - COVID 19	NONE	21.019	NONE	\$ 3,868		-
Pass-through the Maine Department of Education:						
Coronavirus Relief Fund - COVID 19	NONE	21.019	NONE	144,251		-
Total Coronavirus Relief Fund					148,119	
Total U.S. Department of Treasury				148,119		-
U.S. Department of Agriculture:						
Pass-through Maine Department of Education:						
Child Nutrition Cluster:						
School Breakfast Program	NONE	10.553	013-3014	501,786		-
School Lunch Program	NONE	10.555	013-3024	1,009,529		-
Summer Food	NONE	10.559	013-3018	456,237		-
Total Child Nutrition Cluster					1,967,552	
Child and Adult Care Food Program	NONE	10.558	013-3020	124,600		-
Food Distribution Cluster:						
Cash in Lieu of Commodities	NONE	10.565	NONE	182,566		-
Total Food Distribution Cluster					182,566	
Fresh Fruit and Vegetables Program	NONE	10.582	013-3028	50,813		-
Pass-through the Maine Department of Health and Human Services, Pass-through the University of New England:						
SNAP Cluster:						
Supplemental Nutrition Assistance Program:						
HP SNAP ED	GR1911	10.561	UNE-29032-06	32,217		-
HP SNAP ED	GR2014	10.561	29032A-73	98,011		-
Total SNAP Cluster					130,228	
Total U.S. Department of Agriculture				2,455,759		-

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Education:						
Direct Program:						
Federal Impacted Aid	NONE	84.041	NONE	\$ 49,347		-
Pass-through the Maine Department of Education:						
Adult Basic Education:						
Adult Basic Education	NONE	84.002	013-6296	305,745		-
Adult Education Special Project	NONE	84.002	013-6299	57,140		-
Total Adult Basic Education					362,885	
Title 1A:						
Title 1A, Disadvantaged	NONE	84.010	013-3107	2,354,871		-
Special Education Cluster (IDEA):						
Special Ed Local Entitlement Title VA EHA	NONE	84.027	013-3046	1,950,553		-
Preschool Local Entitlement	NONE	84.173	013-6247	22,535		-
Total Special Education Cluster (IDEA)					1,973,088	
Vocational Education Title II	NONE	84.048	013-3030	172,068		-
Education for Homeless Children and Youth	NONE	84.196	013-3104	88,470		-
Title IIA - Supporting Effective Instruction	NONE	84.367	013-3042	452,745		-
English Language Acquisition Grant	NONE	84.365	013-3115	199,556		-
Student Support and Academic Enrichment Program	NONE	84.424	013-3345	140,312		-
Total U.S. Department of Education				5,793,342		-
U.S Department of Homeland Security:						
Direct Program:						
Port Security Grant:						
FY16 Port Security Grant	GR1739	97.056	EMW-2016-PU-00220	18,657		-
FY19 Port Security Grant	GR1938	97.056	EMW-2018-PU-00226	76,550		-
Total Port Security Grant					95,207	
TSA Bomb Dogs	GR1139	97.072	HSTS0210HCAN624	136,287		-
Assistance to Firefighters Grant - Rescue 1	GR1910	97.044	EMW-2017-FV-01418	529,870		-
Pass-through Maine Emergency Management Association:						
Public Assistance - COVID 19	NONE	97.036	NONE	194,374		-
Homeland Security:						
Homeland Security FY17	GR1726	97.067	EMW-2016-SS-00080	54,677		-
Homeland Security FY18	GR1814	97.067	EMW-2017-SS-00052	136,265		-
Homeland Security FY19	GR1917	97.067	EMW-2018-SS-00049	2,392		-
Homeland Security FY20	GR2031	97.067	EMW-2019-SS-00015	6,977		-
Total Homeland Security					200,311	
Pass-through Cumberland County:						
United Way EFSP Phase 36	GR2003	97.024	NONE	7,500		-
Total U.S. Department of Homeland Security				1,163,549		-

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	City Grant number	Federal CFDA number	Pass- through/ grantor number	Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U.S. Department of Health and Human Services:						
Direct Program:						
Substance Abuse and Mental Health Services:						
CARA - Comprehensive Addiction and Recovery Act	GR1908	93.243	NONE	\$ 72,931		-
Pass-through the Maine Department of Education:						
Refugee and Entrant Assistance Discretionary Grants:						
Refugee Resettlement	NONE	93.576	OMA-14-004	56,136		-
Pass-through the Maine Department of Health and Human Services:						
CRI 2018	GR1819	93.074	CDM-18-1351	5,717		-
CRI 2020	GR2005	93.817	CDO-20-1351	34,494		-
Peer Navigation for NEP	GR2039	93.136	CDM-20-5166	47,545		-
Viral Hepatitis Prevention Activities:						
Maine Viral Hepatitis Prevention	GR1939	93.270	CD2-19-5185	6,359		-
HIV Prevention Activities:						
FFS Clinical	GR18C1	93.940	CDM-18-5150	114,019		-
Disease Intervention	GR18C2	93.940	CDM-18-5150	91,954		-
Outreach Coordination	GR18C3	93.940	CDM-18-5150	58,206		-
Total HIV Prevention Activities					264,179	
Block Grants for Prevention and Treatment of Substance Abuse:						
Overdose Prevention	GR1902	93.959	OSA-19-372	535,839		-
Pass-through University of New England:						
Substance Use Prevention Services	GR1918	93.959	CDC-18-4425	11,345		-
Substance Use Prevention Services	GR2028	93.959	CDO-20-4425	47,791		-
Total Block Grants for Prevention and Treatment of Substance Abuse:					594,975	
Total U.S. Department of Health and Human Services				1,082,336		-
Total Federal Awards				\$ 31,165,082		1,399,648

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

PURPOSE OF THE SCHEDULE

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Portland, Maine for the fiscal year ended June 30, 2020. The reporting entity is defined in the Notes to Financial Statements of the City of Portland, Maine.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 - 2. Major - The Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Portland, Maine are identified in the summary of auditor's results in the Schedule of Findings and Questioned Costs.
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.
- D. Indirect Cost Rate - The City of Portland, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs
June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:
 Material weaknesses identified? No

Significant deficiencies identified? No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants
20.106	Airport Improvement Program
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 934,609

Auditee qualified as low-risk auditee? No

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

MATERIAL WEAKNESS

2020-001 – Timely Reconciliation of Balances

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Statement of Condition: Many general ledger accounts, including cash and investments, accounts receivable, deferred revenues, and accrued liabilities were not reconciled in a timely manner during the year and at year-end. While we did see significant improvements from the prior year, many of these general ledger accounts had to be materially adjusted during the audit process.

Cause: The City and School Department were affected by the COVID-19 pandemic while continuing to transition to new accounting software which has caused delays in the reconciliation processes. The School Department continues to experience significant turnover in key accounting positions.

Effect: Many significant general ledger balances were not reconciled and substantiated until nearly six months after year-end, including cash and investment accounts, accounts receivable, deferred revenues, and accrued liabilities. As a result, material misstatements were not detected and corrected in a timely manner. The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: It is our recommendation that all general ledger balances, most importantly cash and investments, are reconciled within one month after month's end and that all year-end general ledger balances be reconciled and substantiated within two months of year-end.

Management's response/corrective action plan: *The City implemented new accounting software that continues to cause delays in periodic reconciliations due to difficulties extracting relevant information and significant increases in the amount of time required to perform reconciliation functions, despite additional staff hours and assistance from representatives of the software company. As a result, the reconciliation of cash and general ledger accounts, typically performed in a timely manner in the past, were not complete until several months after the close of the fiscal year. Despite challenges resulting from the Covid-19 pandemic, these delays were significantly reduced in FY20, and the City continues to explore ways to enhance the efficiency and timeliness of the reconciliation process.*

In the School Department, continued staff turnover in combination with Munis challenges has led to a backlog and gaps in accounting duties, including routine reconciliation and timely audit preparation. Despite reinstating the Controller position in FY20 to address prior year challenges, the appointed staff member left the district shortly thereafter, and the position remained vacant for several months, and is now vacant again. Additionally, a staff accountant position was vacant almost all year. The School Finance Department is under new leadership with a focus on structure and systems aimed at improving internal accounting operations to ensure regular reviews and reconciliations of all general ledger balances as well as timely audit preparation moving forward.

Anticipated completion date: June 30, 2021

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*, continued

SIGNIFICANT DEFICIENCY

2020-002 – Review of Purchasing Card Transactions - School Department

Criteria: To ensure that the purchasing cards are being utilized appropriately, the School Department should review the monthly statements, which includes verifying that the transactions included are following the School Department’s policies in regards to use of the purchasing cards.

Statement of Condition: During our testing of purchasing card transactions, we found that the monthly statements were not being reviewed and reconciled during the year. We found the retention of receipts and invoices that support purchases made with purchasing cards was not consistent. We also noted purchases that included sales tax, and other purchases which, per policy, should have gone through the purchase order system.

Cause: The School Department experienced turnover in key accounting positions during the year which delayed the review of the monthly statements and oversight responsibilities. Employees utilizing purchasing cards did not always follow the parameters within the School Department policy regarding use of those purchasing cards.

Effect: The lack of review and oversight of the purchasing card transactions increases the risk of fraud and error and also increases the chances that School Department funds will be utilized for unauthorized activity.

Recommendation: It is our recommendation that monthly statements and individual transactions are reviewed to ensure that they are following the School Department’s policy in regards to the usage of the purchasing cards. We recommend having a consistent policy on the retention of supporting documentation, (i.e., receipts and invoices), for purchasing card purchases, which should include uploading documentation for all transactions to the JP Morgan website. We also recommend reviewing and enforcing the policy and revoking the use of purchasing cards for those employees who violate the School Department’s purchasing card policy.

Management’s response/corrective action plan: *New software implementation and staff turnover over the course of the year continues to cause significant challenges for the department with respect to routine reviews and reconciliations. With new leadership and staff in place, we intend to re-prioritize review of all policies and procedures related to purchasing cards. Following our internal policy review, we will ensure that these policies have been communicated to purchasing cards end users. Moving forward, we will perform monthly reviews of purchasing card activity to identify whether there are transactions that may be out of compliance. If the Finance Department finds that a user is not following policy despite being informed of said policy, their purchasing card privileges will be revoked.*

Anticipated Completion Date: June 30, 2021

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

2020-003 - U.S. Department of Education, For the Period July 1, 2019 through June 30, 2020, CFDA #84.027, #84.173 Special Education Cluster

Statement of Condition: The School Department did not properly document employee time and effort for the Special Education Cluster.

Criteria: Uniform Guidance requires time and effort be documented when employees charge less than 100% of their time to a program.

Cause: The School Department did not have proper documentation for employees who split their time between the Special Education Cluster, the general fund, and other federal programs.

Effect: It could not be determined if the employees worked the amount of time that was charged to the Special Education Cluster.

Recommendation: We recommend that the School Department implement a process for documenting time and effort for employees working in multiple grant funded areas.

Questioned Costs: None

Management's response/corrective action plan: This is a responsibility previously held by the staff accountant position that was vacant for the majority of FY20 and previously overseen by the Controller position, which was also vacant for part of the year, with a new staff member taking the role in January. A misunderstanding between new Finance staff and Special Education with respect to who was responsible for this task led to it being missed for a period in the year. We have already addressed this by clarifying roles and responsibilities for effort reporting within the Finance Department, and we intend to prevent this oversight from recurring in the future by cross-training multiple staff, documenting procedures centrally, and revamping our overall process for completing effort reporting so that the task can be completed more efficiently.

Anticipated Completion Date: June 30, 2021

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for *Government Auditing Standards* and Federal Awards

MATERIAL WEAKNESS

2019-001 – Timely Reconciliation of Balances

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Statement of Condition: Many general ledger accounts, including cash, accounts receivable, accounts payable, and other assets and accrued liabilities were not reconciled in a timely manner during the year and at year-end. Many of these general ledger accounts were materially adjusted between our original fieldwork dates in September 2019 and when we returned to complete fieldwork in January of 2020.

Cause: The City and School Department are transitioning to a new accounting software that has caused delays in the reconciliation processes. The School Department has also experienced significant turnover in key accounting positions.

Effect: Many significant general ledger balances were not reconciled and substantiated until nearly six months after year-end, including cash, accounts receivable, accounts payable, and other assets and accrued liabilities. As a result, material misstatements were not detected and corrected in a timely manner. The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: It is our recommendation that all general ledger balances, most importantly cash, are reconciled within one month after month's end and that all year-end general ledger balances be reconciled and substantiated within two months of year-end.

Status: *See current year item 2020-001*

SIGNIFICANT DEFICIENCIES

2019-002 – Review of Purchasing Card Transactions - School Department

Criteria: To ensure that the purchasing cards are being utilized appropriately, the School Department should review the monthly statements, which includes verifying that the transactions included are following the School Department's policies in regards to use of the purchasing cards.

Statement of Condition: During our testing of purchasing card transactions, we found that the monthly statements were not being reviewed and reconciled during the year. We found the retention of receipts and invoices that support purchases made with purchasing cards was not consistent. We also noted a transaction that was split into two transactions to circumvent the purchasing limit, purchases that included sales tax, meals purchased that had no documented business purpose, and other purchases which, per policy, should have gone through the purchase order system.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for *Government Auditing Standards* and Federal Awards, continued

SIGNIFICANT DEFICIENCIES, CONTINUED

Cause: The School Department experienced turnover in key accounting positions during the year which delayed the review of the monthly statements and oversight responsibilities. Employees utilizing purchasing cards did not always follow the parameters within the School Department policy regarding use of those purchasing cards.

Effect: The lack of review and oversight of the purchasing card transactions increases the risk of fraud and error and also increases the chances that School Department funds will be utilized for unauthorized activity.

Recommendation: It is our recommendation that monthly statements and individual transactions are reviewed to ensure that they are following the School Department's policy in regards to the usage of the purchasing cards. We recommend having a consistent policy on the retention of supporting documentation, (i.e., receipts and invoices), for purchasing card purchases, which should include uploading documentation for all transactions to the JP Morgan website. We also recommend reviewing and enforcing the policy and revoking the use of purchasing cards for those employees who violate the School Department's purchasing card policy.

Status: *See current year item 2020-002*