

CITY OF PORTLAND, MAINE

**Reports Required by *Government Auditing
Standards* and OMB Circular A-133**

For the Year Ended June 30, 2012

REVISED

CITY OF PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
June 30, 2012
REVISED

<u>Report</u>	<u>Page</u>
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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	15
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	16
Section III - Findings and Questioned Costs for Federal Awards	17-21
Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards	22-24

**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 School Committee
City of Portland, Maine

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2012, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the City of Portland, Maine, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Portland, Maine's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the management of the City of Portland, Maine in a separate letter dated November 16, 2012.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 16, 2012
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(REVISED)**

City Council and School Committee
City of Portland, Maine

Compliance

We have audited the compliance of the City of Portland, Maine with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Portland, Maine's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Portland, Maine's management. Our responsibility is to express an opinion on the City of Portland, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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. Our audit does not provide a legal determination on the City of Portland Maine's compliance with those requirements.

As described in item #2012-1 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding cash management that are applicable to its U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218).

As described in item #2012-2 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding reporting that are applicable to its U.S. Department of Homeland Security, TSA - Checked Baggage Inspection System including Recovery Act (CFDA #97.117).

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED

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.

As described in item #2012-3 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding reporting that are applicable to its U.S. Department of Housing and Urban Development, HOME Program (CFDA #14.239).

As described in item #2012-4 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements of the special tests and provisions regarding private schools that are applicable to its U.S. Department of Education, Title 1A Grant (CFDA #84.010).

In our opinion, except for the noncompliance described in the preceding paragraphs, the City of Portland, Maine complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Portland, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2012-5 to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED

This report is replacing a previously issued report dated November 16, 2012. The only change is that an additional major program (Clean Water State Revolving Loan, CFDA #66.458) was subsequently discovered and added to the SEFA, and tested as a major program.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2012 and have issued our report thereon dated November 16, 2012, except for our report on the Clean Water State Revolving Loan (CFDA #66.458) as to which the date is December 29, 2015, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

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. We did not audit the City of Portland, Maine's responses or Corrective Action Plan and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 16, 2012, except for our report on the Clean Water State Revolving Loan (CFDA #66.458) as to which the date is December 29, 2015
South Portland, Maine

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards
For year ended June 30, 2012

REVISED

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Housing and Urban Development:											
Direct Programs:											
Community Development Block Grants		None	14.218	\$ 1,940,539	N/A	50,631	1,828,002	-	129,239	1,957,141	50,731
CDBG - Section 108 Loan Program		PL0955	14.248	10,200,000	N/A	214,929	-	-	-	6,703	208,226
Brownfields Economic Development		GR0655	14.246	1,800,000	N/A	(6,703)	-	-	-	(6,703)	-
Cumberland St. Sidewalk Reconstruction	ARRA	CD1013	14.253	235,670	N/A	10,657	-	-	-	-	10,657
Everett St. Sidewalk Reconstruction	ARRA	CD1016	14.253	115,000	N/A	1,130	-	-	-	-	1,130
ESG-Operations		GR1014	14.234	37,732	N/A	1,130	(1,130)	-	-	-	-
ESG-Operations		GR1106	14.234	37,582	N/A	(1,130)	1,130	-	-	-	-
Emergency Shelter Grant		GR1118	14.234	28,187	N/A	(1,865)	1,946	-	-	81	-
ESG-Operations		GR1212	14.234	37,582	N/A	-	36,484	-	-	37,020	(536)
ESG-Homeless Prevention		GR1224	14.234	28,326	N/A	-	20,894	-	-	28,326	(7,432)
ESG Essential Services		GR1225	14.234	28,327	N/A	-	27,753	-	-	28,327	(574)
HUD Continuum of Care 2008-Employment Assistance		GR1153	14.234	70,016	N/A	(8,970)	39,488	-	-	30,518	-
HUD Continuum of Care-Job Training		GR1245	14.234	15,443	N/A	-	2,520	-	-	5,431	(2,911)
HUD Continuum of Care 2010-Employment Assistance		GR1247	14.234	70,016	N/A	-	19,080	-	-	23,396	(4,316)
HOME Program		None	14.239	1,379,749	N/A	(439,641)	40,752	-	1,700,502	1,410,780	(109,167)
HUD Continuum of Care 2009-Job Training Fund		GR1152	14.235	15,443	N/A	(2,328)	11,733	-	-	9,405	-
HUD Continuum of Care 2009-Portland Collaborative		GR1151	14.235	158,126	N/A	(3,017)	-	-	-	93,222	(96,239)
HUD Continuum of Care 2010-Portland Collaborative		GR1246	14.235	158,125	N/A	-	-	-	-	14,813	(14,813)
Subtotal U.S. Department of Housing and Urban Development						(185,177)	2,028,652	-	1,829,741	3,638,460	34,756

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Housing and Urban Development, continued:											
Direct programs, continued:											
HUD CoC Bell Street Transitional Housing		GR1079	14.235	\$ 43,092	N/A	-	-	-	-	(150)	150
HUD CoC 09 Bell Street Transitional Housing		GR1254	14.235	42,152	N/A	-	16,042	-	-	26,403	(10,361)
HUD-HPRP	ARRA	GR1030	14.257	876,120	N/A	(15,877)	219,779	-	-	204,008	(106)
HUD-HPRP Engagement & Stabilization	ARRA	GR1048	14.257	909,816	N/A	5,469	141,996	-	-	146,919	546
HUD-HPRP Cumberland CTY Security Deposit	ARRA	GR1049	14.257	297,050	N/A	14,835	9,375	682	-	15,502	9,390
Lead Paint Grant		GR0863	14.900	977,765	N/A	4,517	-	-	-	4,517	-
Pass-through Maine State Housing Authority:											
MSHA - ESG - OSSM		GR1062	14.231	52,513	NONE	20	-	-	-	20	-
HUD-HPRP E&S Housing Counselor	ARRA	GR1161	14.231	34,564	NONE	(23,286)	40,713	-	-	17,427	-
MSHA-ESG-Family Shelter		GR1164	14.231	40,000	NONE	(2,623)	18,354	-	-	15,731	-
MSHA-ESG-OSSM		GR1165	14.231	52,313	NONE	(5,435)	37,173	-	-	31,738	-
MSHA-ESG-OSSM		GR1256	14.231	60,587	NONE	-	37,289	-	-	28,109	9,180
MSHA-ESG-Family Shelter		GR1257	14.231	40,000	NONE	-	25,968	-	-	31,699	(5,731)
Pass-through Ingraham Volunteers:											
Mainstay		GR1108	14.235	9,036	NONE	9,036	-	-	-	9,036	-
Pass-through Maine Department of Economic Development:											
Neighborhood Stabilization Program (NSP) Grant		GR0971	14.228	1,324,136	NONE	(308,315)	515,085	-	-	329,085	(122,315)
Total U.S. Department of Housing and Urban Development						(506,836)	3,090,426	682	1,829,741	4,498,504	(84,491)
Environmental Protection Agency:											
Direct Programs:											
Brownfields Assessment		GR0675	66.818	200,000	N/A	46,249	10,840	-	-	57,089	-
Brownfields Cleanup Grant		GR0951	66.818	180,000	N/A	19,271	-	-	-	19,271	-
EPA Environment Resource		GR1138	66.035	100,000	N/A	(13,846)	61,061	-	-	40,537	6,678
Brownfield Grant		GR0241	66.463	135,000	N/A	-	(10,840)	-	-	(10,840)	-
Pass-through Maine Department of Environmental Protection:											
Clifton Street Stimulus Fund	ARRA	MM09A1	66.458	2,063,665	NONE	(163,284)	50,125	-	-	125,868	(239,027)
Forest Avenue Stimulus Fund	ARRA	MM09A2	66.458	936,335	NONE	-	-	-	-	71	(71)
Retrofit Diesel DPf's	ARRA	GR1078	66.040	118,000	2009SP04	-	94,339	-	-	94,339	-
Clean Water State Revolving Loan Fund		NONE	66.458	4,492,347	NONE	-	2,718,650	-	-	2,718,650	-
Capisic Brook Watershed Plan	ARRA	GR1053	66.454	97,795	2009SP04	(6,539)	6,542	-	-	3	-
Total Environmental Protection Agency						(118,149)	2,930,717	-	-	3,044,988	(232,420)

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Justice:											
Direct Programs:											
COPS Hiring Grant	ARRA	GR1032	16.710	\$ 882,528	N/A	(59,011)	243,586	-	-	254,509	(69,934)
Byrne Justice Assistance Grant		GR1031	16.738	261,148	N/A	(11,270)	55,849	-	-	57,541	(12,962)
2010 Justice Assistance Grant		GR1122	16.738	199,578	N/A	(35,804)	99,251	-	-	67,628	(4,181)
2011 Justice Assistance Grant		GR1222	16.738	134,775	N/A	-	38,485	-	-	42,444	(3,959)
Justice and Mental Health Collaboration		GR1133	16.745	184,940	N/A	(21,511)	65,118	-	17,602	81,955	(20,746)
FY2009 Byrne Memorial Justice Assistance	ARRA	GR0977	16.804	1,158,713	N/A	56,587	5,984	-	-	99,419	(36,848)
Portland Safe Kids		GR1143	16.730	160,000	N/A	(43,390)	72,403	-	-	29,013	-
Portland Safe Kids		GR1231	16.730	500,000	N/A	-	34,036	-	-	87,302	(53,266)
Pass-through Department of Public Safety:											
Greater Portland Area Information Sharing		GR0841	16.588	15,923	42-01-07	-	15,923	-	-	15,923	-
East Bayside Community Policing Coordinator	ARRA	GR1057	16.588	96,050	42-03-09	(12,006)	48,025	-	-	36,019	-
Pass-through Maine Department of Human Services:											
Victim Advocate FY11		GR1136	16.575	34,094	CFS-11-2307	(256)	8,524	-	-	8,268	-
Victim Advocate FY12		GR1223	16.575	34,094	CFS-12-2307	-	25,003	-	-	25,570	(567)
Total U.S. Department of Justice						(126,661)	712,187	-	17,602	805,591	(202,463)
U.S. Department of Transportation:											
Direct Program:											
Airport Improvement Plan		None	20.106	29,508,350	N/A	(790,172)	6,802,521	198,661	1,856,534	8,885,435	(817,891)
Airport Improvement Plan	ARRA	None	20.106	2,138,016	N/A	(281)	-	-	-	-	(281)
Total U.S. Department of Transportation						(790,453)	6,802,521	198,661	1,856,534	8,885,435	(818,172)
U.S. Department of Labor:											
Pass-through City of Lewiston:											
City of Lewiston Earmark/NMRWDP		GR1120	17.261	80,885	EA-20169-10-60-A-23	(30,764)	52,083	-	-	21,319	-
Total U.S. Department of Labor						(30,764)	52,083	-	-	21,319	-

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Agriculture:											
Pass-through Maine Department of Education:											
Fresh Fruit and Vegetables Program			10.582	\$ N/A	013-6134	-	111,212	-	-	111,212	-
School Breakfast Program			10.553	N/A	013-7127	-	588,742	3,946	-	592,688	-
School Lunch Program			10.555	N/A	013-7128	-	1,438,132	39,102	-	1,477,234	-
After School Program			10.558	N/A	CCFP9359	-	6,357	-	-	6,357	-
Summer Food			10.559	N/A	N/A	-	9,112	-	-	9,112	-
Cash in Lieu of Commodities			10.565	N/A	N/A	-	148,498	-	-	148,498	-
Total U.S. Department of Agriculture						-	2,302,053	43,048	-	2,345,101	-
U.S. Department of Commerce:											
Direct Programs:											
Bayside Business Park		GR0254	11.300	1,500,000	N/A	31,432	-	-	-	31,432	-
Total U.S. Department of Commerce						31,432	-	-	-	31,432	-
U.S. Department of Conservation:											
Pass-through Maine Department of Conservation:											
Fort Allen Trail Improvement Project		GR1018	15.916	25,000	23-00819	2,531	-	-	-	2,531	-
Total U.S. Department of Conservation						2,531	-	-	-	2,531	-
Federal Highway Administration:											
Pass-through Maine Department of Transportation:											
Bayside Trail		GR0861	20.205	560,000	STP-1184	(31,961)	12,965	-	-	(19,148)	152
Prelim Engineering Path from 295 to High Street		GR0773	20.205	70,000	STP-1334(800)X	(56,622)	57,294	-	-	672	-
Port Security		GR0416	20.420	390,000	DTS A20-03-G-01191	12,979	-	-	-	10,694	2,285
Bike Lanes		GR0950	20.205	39,894	STP-1436(300)X	(342)	-	-	-	(342)	-
Franklin Arterial Study		GR0943	20.205	22,500	STP-1521(300)X	(22,500)	22,500	-	-	-	-
Brighton Avenue Level II Resurfacing		GR0918	20.205	127,500	STP-1158(800)X	3,292	-	-	-	3,292	-
Brighton Avenue Resurfacing		GR0974	20.205	29,538	STP-1158(800)X	2,549	-	-	-	2,549	-
Overlay Park Ave/Deering-State		GR0976	20.205	159,970	STP-A150(000)X	5,539	-	-	-	5,539	-
Brighton Avenue Pedestrian Signal		GR1070	20.205	12,750	STP-1158(700)x	(12,953)	-	-	-	-	(12,953)
Pass-through Bureau of Parks and Lands:											
Recreational Trails Program			20.219	1,995	N/A	-	1,995	-	-	1,995	-
Total Federal Highway Administration						(100,019)	94,754	-	-	5,251	(10,516)

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue			Expenditures	Transfers	Ending balance
							Federal	State	Other			
U.S. Department of Education:												
Direct Program:												
Readiness and Emergency Management for Schools			84.184C	\$ 52,500	N/A	12,977	-	-	-	12,977	-	-
School Counseling			84.215E	15,000	N/A	(13,982)	215,400	-	-	248,544	-	(47,126)
U.S. Department of Education:												
Pass-through the Maine Department of Education:												
ARRA GPA Stabilization Funds	ARRA		84.394	-	020-2077	(1)	-	-	1	-	-	-
Adult Basic Education			84.002	125,038	013-6296	(25,038)	125,038	-	-	100,000	-	-
Adult Education Special Project			84.002	57,171	013-6299	(14,697)	57,171	-	-	42,474	-	-
Title 1A, Disadvantaged			84.010	2,654,301	013-3057	(1)	2,654,301	-	-	2,916,376	262,076	-
Title 1A, Disadvantaged			84.010	198,977	013-3057	69,243	198,977	-	-	6,144	(262,076)	-
Title 1A, SIG			84.010	-	013-3056	5,274	-	-	-	5,274	-	-
Title 1A, SIG	ARRA		84.388	1,682,222	013-3055	-	1,682,222	-	-	1,682,222	-	-
Title 1C - Even Start			84.213	1,006	013-3058	1,092	1,006	-	-	135	(1,963)	-
Special Ed Local Entitlement Title VA EHA			84.027	1,579,590	013-3046	(1)	1,579,590	-	-	1,580,428	-	(839)
IDEA Part B	ARRA		84.391	38,619	020-3046	-	38,619	-	-	38,619	-	-
Preschool Local Entitlement			84.173	37,117	013-6241	32,854	37,117	-	-	69,131	-	840
IDEA Part B Pre-School	ARRA		84.392	2,743	020-6241	-	2,743	-	-	2,743	-	-
Vocational Education Title II			84.048	177,177	013-3030	(458)	177,177	-	-	176,719	-	-
Stewart B. McKinney Act			84.196	67,343	013-3002	1	67,343	-	-	67,344	-	-
Title IIA - Teacher Quality			84.367	529,457	013-3042	(1)	529,457	-	-	529,456	-	-
Title IID - Education Technology			84.318	110	013-3003	-	110	-	-	110	-	-
English Language Acquisition Grant			84.365	383,468	013-3090	(9,148)	383,468	-	-	310,722	-	63,598
Education Jobs Fund	ARRA		84.410	1,879,869	013-3099	(1)	1,879,869	-	-	1,879,868	-	-
Title 1-Gear Up			84.334	8,967	013-3059	8,482	8,967	-	-	17,449	-	-
Total U.S. Department of Education						66,595	9,638,575	-	1	9,686,735	(1,963)	16,473

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
Federal Emergency Management Agency:											
Pass-through the Maine Emergency Management:											
Storm Damage			97.036	\$ 776,729	FEME-1891-DR-ME	(304,855)	-	-	-	-	(304,855)
Total Federal Emergency Management Agency						(304,855)	-	-	-	-	(304,855)
Federal Department of Homeland Security:											
Direct Program:											
Jetport EDS Checked Baggage Inspection System		GR1081	97.117	9,100,000	HSTS04-09_H-REC146	(5,713,984)	4,999,108	-	-	2,944,500	(3,659,376)
FEMA Safer		GR1211	97.044	1,047,362	EMW-2010-FAH-00982	-	303,748	-	-	506,383	(202,635)
Port Security Recovery Grant		GR1040	97.116	225,000	2009-PU-RI-0212	-	-	-	-	101,800	(101,800)
DHS-Fire Training		GR1083	97.044	119,457	EMW-2009-FR-00498	(22,388)	90,389	-	-	68,001	-
Port Security Round 8		GR0942	97.056	1,122,025	2008-GB-T8-0096	(620,835)	877,903	-	-	391,777	(134,709)
Port Security Round 9		GR1019	97.056	1,137,543	2009-PU-T9-K010	-	-	-	-	910	(910)
FY10 Port Security Grant		GR1214	97.056	1,027,985	2010-PU-TO-K023	-	6,515	-	-	561,858	(555,343)
FY11 Port Security Grant		GR1230	97.056	1,000,777	EMW-2011-PU-00082	-	-	-	-	43,081	(43,081)
Pass-through Maine Emergency Management Association:											
Public Safety Interoperable Communications		GR0933	11.555	236,250	2007-GS-H7-0056	-	111,899	-	-	111,899	-
HHS-Homeland Security		GR0563	97.004	40,600	None	3,075	-	-	-	221	2,854
Homeland Security FY09		GR1051	97.067	629,420	2009-SS-T9-0077	(351,703)	309,142	-	-	1,060	(43,621)
Homeland Security FY10		GR1148	97.067	664,306	210-SS-TO-0090	(254,186)	-	-	-	300,600	(554,786)
Homeland Security FY11		GR1262	97.067	460,597	EMW-2011-SS-00056-S01	-	-	-	-	238,767	(238,767)
Total Federal Department of Homeland Security						(6,960,021)	6,698,704	-	-	5,270,857	(5,532,174)
Transportation Security Administration:											
Direct Program											
TSA Bomb Dogs		GR1139	97.072	542,500	None	(95,958)	128,654	-	-	82,710	(50,014)
Total Transportation Security Administration						(95,958)	128,654	-	-	82,710	(50,014)
U.S. Department of Energy:											
Direct Program:											
Energy Efficient Block Grant	ARRA	GR1042	81.128	684,700	DE-SC0002942	(7,410)	529,659	-	-	530,220	(7,971)
Pass-through Efficiency Maine Trust											
EM Grant Central Maintenance	ARRA	GR1150	81.128	48,973	DE-EE0000368	9,795	-	-	-	45,959	(36,164)
Total U.S. Department of Energy						2,385	529,659	-	-	576,179	(44,135)

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Health & Human Services:											
Direct Program:											
King School Renovation		GR1251	93.501	\$ 198,269	N/A	-	14,900	-	-	45,406	(30,506)
Health Care Homeless		GR1169	93.224	592,410	N/A	(158,626)	373,672	-	-	215,046	-
Health Care Homeless		GR1232	93.224	655,868	N/A	-	231,529	-	-	409,387	(177,858)
PTLD Comm Hlth Ctr		GR1233	93.224	650,000	N/A	-	221,790	-	-	427,141	(205,351)
ORR Torture Survivors Grant		GR1034	93.604	360,000	N/A	19,560	(14,992)	-	-	4,568	-
Services to Torture Survivors		GR1154	93.604	360,000	N/A	(226,373)	278,980	81,020	-	133,627	-
Services to Torture Survivors		GR1242	93.604	360,000	N/A	-	147,703	-	-	192,443	(44,740)
Capital Improvement Program	ARRA	GR1011	93.703	320,595	N/A	-	64,842	-	-	64,842	-
Portland Comm. Health Center		GR1170	93.703	650,000	N/A	(178,948)	422,623	-	-	238,474	5,201
Ryan White HIV		GR1056	93.918	375,298	N/A	1,309	-	-	-	1,309	-
Ryan White HIV		GR1157	93.918	375,298	N/A	(96,723)	299,768	-	-	203,045	-
Ryan White HIV		GR1250	93.918	375,298	N/A	-	88,436	-	-	190,699	(102,263)
HEP C/HIV		GR1234	93.928	90,000	N/A	-	28,581	-	-	55,499	(26,918)
Targeted Assistance Grant		GR1243	93.576	150,000	N/A	-	49,500	-	-	57,282	(7,782)
Pass-through the Maine Department of Education:											
Refugee Resettlement			93.576	137,715	013-3080	(22,924)	137,715	-	-	85,074	29,717
Pass-through Catholic Charities of Maine:											
Block Grant		GR1172	93.566	37,325	NONE	(17,600)	31,624	-	-	14,024	-
Block Grant		GR1244	93.566	132,544	NONE	-	66,272	-	-	80,239	(13,967)
Supplemental Services		GR1261	93.576	33,750	NONE	-	11,009	-	-	20,174	(9,165)
Subtotal U.S. Department of Health & Human Services						(680,325)	2,453,952	81,020	-	2,438,279	(583,632)

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

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue			Expenditures	Transfers	Ending balance
							Federal	State	Other			
U.S. Department of Health & Human Services, continued:												
Pass-through the Maine Department of Health & Human Services:												
CRI		GR1213	93.069	\$ 135,000	CDC 12-468	-	71,454	-	-	109,847	-	(38,393)
Teen Text Drive		GR1179	93.136	10,000	CDC 11-1107	-	10,000	-	-	8,874	-	1,126
CCHC/HMP/OSA/HMP		GR10A1/A2/A3	93.243	738,682	CDC 10-383	(1)	-	-	1	-	-	-
CCHC/HMP/School HMP		GR11A1/A2/A4	93.243	667,140	CDC 11-383	7,976	(3,826)	-	(453)	3,697	-	-
Colon Cancer Prevention		GR1113	93.243	16,000	CDC-10-677	(1,269)	2,519	-	(1,000)	250	-	-
Colon Cancer Prevention		GR1207	93.243	16,750	CDC-12-677	-	10,852	-	-	16,750	-	(5,898)
HMP Substance Abuse		GR1111	93.243	44,200	OSA 1-11-117	1,360	3,683	-	-	5,043	-	-
C.R.I.		GR1121	93.283	150,000	CDC-11-468	(33,925)	88,130	-	-	54,205	-	-
Smoke-Free Environments		GR1075	93.283	143,755	CDC 10-899	7,475	-	-	-	7,475	-	-
Smoke-Free Environments		GR1171	93.283	143,755	CDC-11-899	(19,985)	143,755	-	-	123,770	-	-
Smoke-Free Environments		GR1263	93.283	143,755	CDC 12-899	-	35,939	-	-	31,165	-	4,774
CPPW	ARRA	GR1084	93.724	1,841,197	CDC 10-900-RA	244,693	690,449	-	-	938,891	-	(3,749)
HID/IDU		GR1156	93.940	426,425	CDC-11-257	4,500	23,213	-	-	27,713	-	-
IDU		GR12C1/C2	93.940	193,425	CDC 12-255	-	96,713	-	-	79,488	-	17,225
Community Transformation		GR1264	93.959	90,000	-	-	-	-	-	6,535	-	(6,535)
HCB CCHC		GR12B1/B2/B3/B4	93.959	366,632	CDC-12-383	-	356,065	-	-	330,642	-	25,423
HMP Substance Abuse		GR0961	93.959	81,500	SA 1-09-117	(10)	-	-	-	(10)	-	-
HP CCHC		GR12A1/A2/A3/A4	93.959	255,147	CDC-12-1186	-	242,366	-	-	235,098	-	7,268
PMP Promotion Project		GR1235	93.959	13,000	SA-2-12-110	-	13,000	-	-	13,000	-	-
Youth Substance Abuse		GR1112	93.959	40,000	SA-11-091	3,389	3,336	-	-	6,725	-	-
Youth Substance Abuse		GR1206	93.959	40,000	OSA 3-12-091	-	36,674	3,326	-	39,719	-	281
School Based Health Centers		GR1012	93.994	450,000	CDC-10-022	29,183	125	(13,536)	(5,922)	9,850	-	-
School Based Health Centers		GR1209	93.994	264,200	CDC-12-022	-	211,500	-	30,554	256,516	-	(14,462)
Total U.S. Department of Health & Human Services						(436,939)	4,489,899	70,810	23,180	4,743,522	-	(596,572)
Total Federal Awards						(9,367,712)	37,470,232	313,201	3,727,058	40,000,155	(1,963)	(7,859,339)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, 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, 2012. 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 OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, 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 - OMB Circular A-133 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 cash basis of accounting, which differs from the reporting in the City's fund financial statements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs
June 30, 2012
REVISED

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218, 14.253	Community Dev. Block Grants - Including ARRA
14.239	HOME Program
20.106	Airport Improvement Program - Including ARRA
97.117	TSA - Checked Baggage Inspection System
84.027, 84.173, 84.391, 84.392	Special Education Cluster - Including ARRA
84.010	Title 1A
84.388	Title 1A, SIG - including ARRA
84.410	ARRA Education Jobs Fund
10.553, 10.555, 10.559	School Lunch Cluster
66.458	Clean Water State Revolving Loan Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,200,005
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*

NONE

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

Section III - Findings and Questioned Costs for Federal Awards

NONCOMPLIANCE – FEDERAL AWARDS

#2012-1 - U.S. Department of Housing and Urban Development, for the Period July 1, 2011 through June 30, 2012, CFDA #14.218 Community Development Block Grant – Entitlement Program

Statement of Condition: The Community Development Block Grant had excess cash balances on hand for an excessive period of time.

Criteria: Draw downs of federal funds must be made as close as possible to the time of making distributions. Time should be minimized between the transfer from the U. S. Treasury and the disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: The City erroneously drew down \$190,000 in February of 2012 and did not return the funds until August of 2012 by taking a credit on that month's drawdown. The City was drawing down funds from older projects that had not been closed out on the IDIS system. The budget was entered incorrectly on the IDIS system and the City drew down that incorrect amount while closing out the project.

Recommendation: The City should thoroughly review all drawdown requests to ensure that the amounts requested match the amounts disbursed in the City's accounting system for the period of time in the drawdown request. The City should request all funds disbursed for a project in the drawdown immediately following those disbursements. This would help eliminate the need for drawing down funds from older projects. The City should also thoroughly review the budgeted amounts entered into the IDIS system per project to ensure that all amounts were entered correctly to eliminate the chance of drawing down incorrect amounts while closing the projects.

Questioned Costs: None

Management's response/corrective action plan:

The City's CDBG program has a set of policies and procedures in place for IDIS drawdowns that state that drawdowns should occur in the same time period as the expense occurs. This procedure will be reiterated to the staff doing the drawdowns. The City will also create a system where the budgeted amounts listed in the IDIS system are confirmed by managers after they are entered on an annual basis. In addition, the City's Planning & Urban Development and Finance Departments are reviewing the overall structure of how Community Development Block Grant funds are managed in order to create a closer relationship between the Finance Department and the financial staff managing the CDBG program. The goal of this examination will be to create adequate controls to ensure reconciliation, accuracy and timely drawdowns.

Contact person responsible for corrective action:

Ellen Sanborn, Finance Director, 207-874-8645

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

Section III - Findings and Questioned Costs for Federal Awards, Continued

#2011-2 - U.S. Department of Homeland Security, for the Period July 1, 2011 through June 30, 2012, CFDA #97.117 TSA - Checked Baggage Inspection System

Statement of Condition: The City did not comply with the section 1512 reporting requirements under the American Recovery and Reinvestment Act (ARRA). Expenditures for certain quarters could not be substantiated and did not agree with the City's general ledger for those quarters. The City also did not comply with the requirements specific to this grant regarding small business participation. Unlike fiscal year 2011, we were able to gain a copy of the report, but when questioned, management stated the report was not filed.

Criteria: Grantees must submit expenditure information to the Federal Government on a quarterly basis for 1512 reports. Expenditures should be reported in the quarter in which they occurred. Also as a requirement to this grant, the City is required to file semi-annual small business participation reports.

Effect: By not adhering to the reporting requirements, the City does not meet the requirements of the American Recovery and Reinvestment Act (ARRA) of enhanced accountability and transparency.

Cause: An accounting error identified during the 2011 audit, in which grant expenditures were not properly reported in the general ledger, caused the discrepancies again in 2012.

Recommendation: The City should review the amounts reported to the Federal government and ensure that they agree with the amounts in the general ledger. They should also review the grant document to ensure all requirements specific to this grant are being met.

Questioned Costs: None

Management's response/corrective action plan:

The Jetport agrees with the Auditor's recommendation and will work more closely with our contractors for future grant-funded projects to ensure that all grant requirements are fulfilled according to the grant agreement.

Contact person responsible for corrective action:

Ellen Sanborn, Finance Director, 207-874-8645

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

Section III - Findings and Questioned Costs for Federal Awards, Continued

#2012-3 - U.S. Department of Housing and Urban Development, for the period July 1, 2011 through June 30, 2012, CFDA #14.239, HOME Program

Statement of Condition: The HUD 60002 Section 3 Summary Report prepared and submitted to the federal oversight agency was overlooked and therefore, filed late.

Criteria: The U.S. Department of Housing and Urban Development requires that all reports be filed within a specified period of time.

Effect: The U.S. Department of Housing and Urban Development may not be able to correctly monitor the financial status and performance of the program.

Cause: City personnel were unaware that the report had not been included with their Consolidated Annual Performance and Evaluation Report (CAPER).

Recommendation: We recommend the City develop and implement a system to track due dates of reports to ensure compliance with the requirements of the grant.

Questioned Costs: None

Management's response/corrective action plan:

A Section 3 report was filed with the CAPER but only included CDBG reporting. The HOME reporting was inadvertently not included. Staff completed the form and forwarded a copy to HUD when the oversight was discovered. The Section 3 report is filed for both HOME and CDBG with the CAPER.

Contact person responsible for corrective action:

Ellen Sanborn, Finance Director, 207-874-8645

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

Section III – Findings and Questioned Costs for Federal Awards, Continued

#2012-4 – U.S. Department of Education, for the Period July 1, 2011 through June 30, 2012, CFDA #84:010; Title 1A

Statement of Condition: The School Department miscalculated the appropriate equitable share of Title 1A funding for two of the eligible participating private schools.

Criteria: For programs funded under Title I, Part A (CFDA 84.010), an LEA, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families.

Effect: Failure to properly allocate funding could result in the payment of federal funds being reduced, delayed, or denied.

Cause: The calculation used in the application process to allocate equitable services (funding) was incorrect.

Recommendation: The calculation to allocate equitable services to eligible private schools should be reviewed annually as part of the grant application preparation process. Additionally, management should review expenditure throughout the year to ensure funding is allocated according to the budget items identified in the application.

Questioned Costs: None

Management's response/corrective action plan:

The amount allocated for private schools was submitted as part of the FY 2012 Consolidated NCLB Grant Application and the amounts were approved by the ESEA Federal Programs Director at the Maine Department of Education. Furthermore, actual funds spent on the private schools in FY2012 exceeded the budgeted amount in the allocation due to the use of FY2011 carry-forward funds. Actual funds spent at private schools were \$4,048 for Levey Day and \$15,615 for St. Brigid. Additionally, funds have been carried forward into fiscal year 2013 to ensure that both schools have received their entire FY2012 equitable share. The equitable services allocation calculation is reviewed annually as part of the grant application preparation process. Periodic reviews of expenditures are performed throughout the year to make sure funding is allocated properly and within the established budgeted items.

Contact person responsible for corrective action:

Michael Wilson, Chief Financial Officer, 207-874-8100

Anticipated completion date for corrective action of all comments:

We anticipate corrective action to be taken within the next 12 months.

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

Section III - Findings and Questioned Costs for Federal Awards, Continued

MATERIAL WEAKNESS – FEDERAL AWARDS

#2012-5 Identification of Federal Grants on the Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2012, the City of Portland, Maine did not properly identify a federal agreement for inclusion on the Schedule of Expenditures of Federal Awards (SEFA). We consider this exclusion to be a material weakness in the City of Portland, Maine's internal controls, as the error was not identified until after the original 2012 report was issued. This error resulted in a major program being excluded from testing by the external auditors, and a revised report was required to be filed with the Office of Management and Budget. Properly designed internal controls allow employees, in the normal course of performing their assigned functions to identify and correct errors, in a timely manner. We recommend that the City of Portland, Maine review its current policies and procedures regarding identification of federal award programs to ensure proper identification of federal agreements in the future.

Management's Response:

We concur with the finding. The city is currently involved in a number of changes in administering grants. These include a more rigorous review/approval process of new grant opportunities. Additionally, we have increased central oversight of grant funding. These include a secondary review of grant agreements to determine that the funding source has accurately been identified and recorded in our accounting system. Also, city departments receive monthly reports, that have been centrally reviewed, that summarize the status of all active grants for which they have primary and programmatic oversight. We also plan to review the source and use of all of the City's funds in order to identify any additional previously unidentified federal funds.

Contact person responsible for corrective action:

Cathy Ricker, Controller, 207-874-8100

Anticipated completion date for corrective action:

June 30, 2016

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

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards

#2011-1 - U.S. Department of Housing and Urban Development, for the period July 1, 2010 through June 30, 2011, CFDA #14.218, Community Development Block Grant

Statement of Condition: The Consolidated Annual Performance and Evaluation Report (CAPER), the Quarterly Federal Cash Transaction reports (SF-272), and the PR03 Activity Summary Report prepared and submitted to the federal oversight agency contained several errors and variances from supporting documentation which were material in nature.

Criteria: The U.S. Department of Housing and Urban Development requires that all reports be filed accurately and timely. Reports submitted should reconcile to the accounting system and other supporting documentation maintained by the grantee.

Effect: The U.S. Department of Housing and Urban Development may not be able to correctly monitor the financial status and performance of the program.

Cause: Turnover in City personnel resulted in a loss of grant compliance knowledge and experience. City personnel were unaware of specific grant reporting requirements.

Recommendation: We recommend that the reports be revised and submitted based on the underlying audited documentation. In addition, we recommend the City implement a process to ensure accurate reporting.

Questioned Costs: None

Status: Reports were correctly submitted by the City for the current year.

#2011-2 - U.S. Department of Homeland Security, for the Period July 1, 2010 through June 30, 2011, CFDA #97.117 TSA - Checked Baggage Inspection System

Statement of Condition – The City did not comply with the section 1512 reporting requirements under the American Recovery and Reinvestment Act (ARRA). Expenditures for certain quarters could not be substantiated and did not agree with the City's general ledger for those quarters. The City also did not comply with the requirements specific to this grant regarding small business participation as we were not able to obtain copies of the semi-annual reports filed, either because they were not prepared, or they could not be located.

Criteria – Grantees must submit expenditure information to the Federal Government on a quarterly basis for 1512 reports. Expenditures should be reported in the quarter in which they occurred. Also as a requirement to this grant, the City is required to file semi-annual small business participation reports.

Effect – By not adhering to the reporting requirements, the City does not meet the requirements of the American Recovery and Reinvestment Act (ARRA) of enhanced accountability and transparency.

Recommendation – The City should review the amounts reported to the Federal government and ensure that they agree with the amounts in the general ledger. They should also review the grant document to ensure all requirements specific to this grant are being met.

Questioned Costs – None

Status: This finding was repeated in 2012.

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

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards, Continued

#2011-3 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.391; 84.392 Special Education Cluster (ARRA funds)

Statement of Condition: The aforementioned programs had excess cash balances on hand for excessive periods of time.

Criteria: Circular A-102 (Common Rule) requires the draw downs of funds be made as close as possible to the time of making ultimate distributions. Time should be minimized between the transfer of funds and the ultimate disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the aforementioned grants from July 1, 2010 through June 30, 2011 were not sufficient to prevent cash overflows, as defined by the State of Maine, for certain months. For example, at the end of September 2010, the department had a cash balance in #84.391 (Special Education – Local Entitlement ARRA) of \$308,908 and at the end of December 2010 of \$131,965.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Status: Increased oversight by the State of Maine and changes to the reimbursement system has eliminated any excess cash held by the School Department.

#2011-4 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.010; 84.389 Title 1A Cluster (including ARRA funds)

Statement of Condition: The aforementioned programs had excess cash balances on hand for excessive periods of time.

Criteria: Circular A-102 (Common Rule) requires the draw downs of funds be made as close as possible to the time of making ultimate distributions. Time should be minimized between the transfer of funds and the ultimate disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the aforementioned grants from July 1, 2010 through June 30, 2011 were not sufficient to prevent cash overflows, as defined by the State of Maine, for certain months. For example, at the end of March 2011, the department had a cash balance in #84.010 (Title 1A) of \$787,307 and at the end of December 2010 in (Title 1A - ARRA) of \$348,285.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Status: Increased oversight by the State of Maine and changes to the reimbursement system has eliminated any excess cash held by the School Department.

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

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards, Continued

MATERIAL WEAKNESS – FEDERAL AWARDS

#2011-5 Identification of Federal Grants on the Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2011, the City of Portland, Maine did not properly identify a federal agreement for inclusion on the Schedule of Expenditures of Federal Awards (SEFA). We consider this exclusion to be a material weakness in the City of Portland, Maine’s internal controls, as the error was not identified until after the original 2011 report was issued. This error resulted in a major program being excluded from testing by the external auditors, and a revised report was required to be filed with the Office of Management and Budget. Properly designed internal controls allow employees, in the normal course of performing their assigned functions to identify and correct errors, in a timely manner. We recommend that the City of Portland, Maine review its current policies and procedures regarding identification of federal award programs to ensure proper identification of federal agreements in the future.

Status: This issue was identified during the 2015 audit, and spans all years from 2011 through 2014.

SIGNIFICANT DEFICIENCY – FEDERAL AWARDS

#2011-6 Title 1A Program

One of the federally funded programs tested at the Department of Public Schools was the Title 1A program. Our tests revealed the following control which could be strengthened:

Title 1A - The performance report, which is part of an overall “No Child Left Behind” performance report, reported expenditures amounts and carryover amounts that were inconsistent from amounts per the general ledger (fund accounting) system of the School Department. We would recommend that prior to submission of this report, a complete reconciliation be performed which details differences between amounts reported and the amounts per the fund accounting system. The reasons for the differences should be explained on the reconciliations.

Status: These issues were corrected in 2012.