

CITY OF PORTLAND, MAINE

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

For the Year Ended June 30, 2014

CITY OF PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2014

<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 OMB Circular A-133	3-6
Schedule of Expenditures of Federal Awards	7-14
Notes to Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	16
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	17
Section III - Findings and Questioned Costs for Federal Awards	18-19
Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards	20

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 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, 2014, 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 December 16, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 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 or other matters 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 December 16, 2014.

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.



December 16, 2014
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 *Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City of Portland, Maine's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required 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 on 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 OMB CIRCULAR A-133, CONTINUED

Basis of Qualified Opinion on Title IA, School Improvement Grant, and Special Education-Local Entitlement Cluster

As described in finding 2014-001 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding the following:

Finding	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-001	84.010, 84.388, 84.027, 84.173	Title IA, School Improvement Grant, Special Education – Local Entitlement Cluster	Semi-annual Certifications

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 Title IA, School Improvement Grant, and Special Education-Local Entitlement 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 Title IA, School Improvement Grant, and Special Education-Local Entitlement Cluster for the year ended June 30, 2014.

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, 2014.

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

The 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, we considered the City's internal control over compliance with the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 OMB CIRCULAR A-133, CONTINUED

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider a significant deficiency.

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 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.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

The City of Portland, Maine's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

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 on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

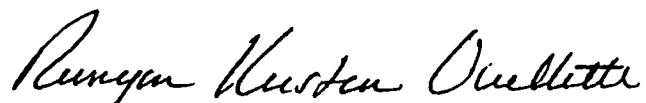
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, 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 December 16, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

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.

A handwritten signature in black ink, reading "Raymond Keenan Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 16, 2014
South Portland, Maine

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards
For year ended June 30, 2014

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	\$ 1,850,549	NONE	50,731	1,961,114	-	230,122	2,191,236	50,731
CDBG - Section 108 Loan Program		PL0955	14.248	10,200,000	NONE	208,226	-	-	-	-	208,226
City ESG Wrap HPRP		GR1271	14.234	53,007	NONE	(43,900)	45,298	-	-	1,398	-
ESG Admin		GR1272	14.234	11,043	NONE	-	7,709	-	-	7,709	-
ESG-Operations		GR1305	14.234	37,582	NONE	(24,487)	24,487	-	-	-	-
City ESG-OSS HP X RR Funds FY13		GR1317	14.234	61,208	NONE	(29,978)	42,533	-	-	24,449	(11,894)
ESG Essential Services		GR1318	14.234	28,327	NONE	(15,899)	15,899	-	-	-	-
ESG-Homeless Prevention		GR1319	14.234	28,326	NONE	(12,155)	12,155	-	-	-	-
HUD Continuum of Care 2011-Employment Assistance		GR1363	14.234	70,016	NONE	2,120	26,368	-	-	28,388	100
ESG Admin		GR1375	14.234	12,603	NONE	(7,709)	12,125	-	-	4,894	(478)
ESG-Operations		GR1417	14.234	28,993	NONE	-	9,941	-	-	28,993	(19,052)
ESG-Essential Services		GR1424	14.234	21,853	NONE	-	13,178	-	-	21,853	(8,675)
ESG-Homeless Prevention		GR1425	14.234	21,853	NONE	-	9,319	-	-	21,853	(12,534)
City ESG-OSS HP X RR Funds FY14		GR1427	14.234	44,860	NONE	-	15,936	-	-	17,507	(1,571)
ESG Admin		GR1428	14.234	5,600	NONE	-	2,867	-	-	5,600	(2,733)
HUD Continuum of Care 2012-Employment Assistance		GR1441	14.234	71,350	NONE	-	29,254	-	-	45,037	(15,783)
HUD Continuum of Care 2012-Job Training		GR1442	14.234	15,737	NONE	-	6,452	-	-	5,009	1,443
HUD Continuum of Care 2011-Job Training Fund		GR1362	14.235	15,443	NONE	(271)	9,893	-	-	4,122	5,500
HUD Continuum of Care 2011-PTD Portland Collaborative		GR1364	14.235	158,125	NONE	13,256	75,880	-	-	89,136	-
HUD COC 11 Bell Street Transitional Housing		GR1374	14.235	44,152	NONE	(20,310)	39,073	-	-	16,893	1,870
HUD Continuum of Care 2012-PTD Collaborative		GR1448	14.235	161,137	NONE	-	53,175	-	-	109,892	(56,717)
HOME Program		NONE	14.239	866,153	NONE	(109,419)	971,469	-	254,634	939,892	176,792
HUD CoC 09 Bell Street Transitional Housing		GR1254	14.235	44,152	NONE	(18,348)	18,119	-	229	-	-
HUD COC 11 Bell Street Transitional Housing		GR1469	14.235	44,152	NONE	-	1,439	-	-	19,731	(18,292)
Subtotal U.S. Department of Housing and Urban Development						(8,143)	3,403,683	-	484,985	3,583,592	296,934

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:											
Pass-through Maine State Housing Authority:											
MSHA-HUD Housing Counselor		GR1462	14.169	\$ 12,000	NONE	-	-	-	-	19,000	(19,000)
MSHA-ESG-Family Shelter		GR1366	14.231	40,000	NONE	(18,901)	35,000	-	-	16,099	-
MSHA ESG Funds - Oxford Street Shelter		GR1368	14.231	50,907	NONE	(30,728)	52,916	-	-	22,153	35
MSHA ESG Funds - Home to Stay-Family Shelter		GR1379	14.231	75,000	NONE	-	43,393	-	-	65,391	(21,998)
MSHA ESG Funds - Home to Stay-Oxford Street Shelter		GR1381	14.231	100,000	NONE	-	56,211	-	-	80,560	(24,349)
MSHA-ESG-Family Shelter		GR1463	14.231	35,000	NONE	-	21,401	-	-	11,524	9,877
MSHA ESG Funds - Oxford Street Shelter		GR1464	14.231	40,100	NONE	-	32,000	-	-	12,046	19,954
Pass-through Ingraham Volunteers:											
Mainstay		GR1411	14.235	9,036	NONE	-	9,036	-	-	9,036	-
Pass-through Cumberland County:											
Center for Therapeutic Recreation		GR1440	14.218	5,000	NONE	-	4,475	-	-	4,475	-
Total U.S. Department of Housing and Urban Development						(57,772)	3,658,115	-	484,985	3,823,876	261,453
Environmental Protection Agency:											
Direct Programs:											
EPA Environment Resource		GR1138	66.035	100,000	NONE	(7,064)	7,129	-	-	65	-
Total Environmental Protection Agency						(7,064)	7,129	-	-	65	-
U.S. Veterans Administration:											
Pass-through Preble Street Inc.:											
Support Services for Veteran Families		GR1343	64.033	376,030	12-ME-330	(44,238)	132,459	-	-	89,128	(907)
Support Services for Veteran Families		GR1452	64.033	555,703	12-ME-330	-	341,514	-	-	376,403	(34,889)
Total U.S. Veterans Administration						(44,238)	473,973	-	-	465,531	(35,796)

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	NONE	(14,162)	53,450	-	-	51,233	(11,945)
Portland Safe Kids		GR1231	16.730	2,110,000	NONE	(204,723)	470,347	-	-	539,132	(273,508)
2010 Justice Assistance Grant		GR1122	16.738	199,578	NONE	(11,008)	15,439	-	-	4,431	-
2011 Justice Assistance Grant		GR1222	16.738	134,775	NONE	(5,140)	10,604	-	-	10,977	(5,513)
2012 Justice Assistance Grant		GR1320	16.738	110,264	NONE	(26,265)	46,354	-	-	25,988	(5,899)
Pass-through Department of Public Safety:											
Mental Health Coordinator		GR1301	16.803	18,000	RJ 42-01-12	(9,649)	9,649	-	-	-	-
Pass-through Maine Department of Human Services:											
Operation Safe Start-21 Reasons		GR1439	16.727	3,000	NONE	-	2,737	-	-	2,737	-
Victim Advocate FY14		GR1422	16.575	42,000	CFS-13-2307	-	30,713	-	-	31,493	(780)
Victim Advocate FY13		GR1336	16.575	34,094	CFS-13-2307	(2,294)	10,161	-	-	7,867	-
Total U.S. Department of Justice						(273,241)	649,454	-	-	673,858	(297,645)
U.S. Department of Transportation:											
Direct Program:											
Airport Improvement Plan		NONE	20.106	14,116,158	NONE	(818,171)	1,581,114	421,411	86,264	2,539,754	(1,269,136)
Pass-through Bureau of Highway Safety:											
2013-2014 OUI Enforcement		GR1445	20.601	5,000	AL14-047	-	2,265	-	-	1,749	516
2014 Seatbelt Enforcement		GR1477	20.616	3,000	OP14-055	-	-	-	-	1,449	(1,449)
Total U.S. Department of Transportation						(818,171)	1,583,379	421,411	86,264	2,542,952	(1,270,069)
U.S. Department of the Interior:											
Direct Program:											
1924 Tax Record Digitization Project		GR1409	15.904	61,655	NONE	(578)	62,000	-	-	61,422	-
Pass-through Maine Historic Preservation:											
CLG Training and Salary		GR1326	15.904	22,350	NONE	(15,750)	15,750	-	-	-	-
CLG Abyssinian Meeting House		GR1349	15.904	32,388	NONE	(32,388)	18,988	-	13,400	-	-
CLG Historical Preservation		GR1402	15.904	20,000	NONE	-	20,000	-	-	20,000	-
Total U.S. Department of Interior						(48,716)	116,738	-	13,400	81,422	-

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:											
Direct Program:											
Farm to School Grant		NONE	10.575	\$ 99,895	NONE	-	48,303	-	-	48,303	-
Pass-through Maine Department of Education:											
Fresh Fruit and Vegetables Program		NONE	10.582	N/A	013-3028	-	74,317	-	-	74,317	-
School Breakfast Program		NONE	10.553	N/A	013-3014	-	744,126	5,630	-	749,756	-
School Lunch Program		NONE	10.555	N/A	013-3024	-	1,535,746	39,393	-	1,575,139	-
After School Program		NONE	10.558	N/A	013-3020	-	27,763	-	-	27,763	-
Summer Food		NONE	10.559	N/A	013-3018	-	31,231	-	-	31,231	-
Cash in Lieu of Commodities		NONE	10.565	N/A	NONE	-	169,796	-	-	169,796	-
Pass-through the Maine Department of Health and Human Services,											
Pass-through the University of New England:											
HP SNAP		GR1358	10.561	178,980	UNE 290032-09	(3,801)	83,546	-	-	79,745	-
HCB SNAP ED		GR1359	10.561	77,196	UNE 290032-22	(8,634)	32,689	-	-	24,055	-
HCB SNAP ED		GR1429	10.561	60,929	UNE 290032-42	-	31,604	-	-	36,289	(4,685)
HP SNAP ED		GR1430	10.561	186,394	UNE 290032-42	-	146,625	-	-	228,972	(82,347)
Pass-through Maine Forest Service:											
Project Canopy		GR1228	10.675	2,424	10-DG-11420004-067	(1,063)	1,063	-	-	-	-
Project Canopy		GR1265	10.675	11,600	10-DG-097 1PWP	(11,699)	11,600	-	99	-	-
Project Canopy		GR1474	10.675	15,000	13-DG-076	-	-	-	-	13,750	(13,750)
Total U.S. Department of Agriculture						(25,197)	2,938,409	45,023	99	3,059,116	(100,782)
U.S. Department of Commerce:											
Direct Programs:											
Portland Technology Park		GR10P1	11.300	660,000	NONE	(502,081)	624,062	-	-	121,981	-
Portland Technology Park		GR10W1	11.300	225,000	NONE	-	252,059	-	-	252,059	-
Fish Exchange EDA Grant		GR1270	11.300	320,000	NONE	(260,797)	260,797	-	-	-	-
Total U.S. Department of Commerce						(762,878)	1,136,918	-	-	374,040	-
Federal Highway Administration:											
Pass-through Maine Department of Transportation:											
Safe Routes to School		GR1069	20.205	403,956	17585	(158,058)	-	-	-	179,311	(337,369)
Brighton Avenue Pedestrian Signal		GR1070	20.205	12,750	STP-1158(700)x	(12,750)	12,750	-	-	-	-
Somerset/Elm-Hanover Reconstruction		GR1322	20.205	506,540	HPP-1762(800)x	-	-	-	-	96,130	(96,130)
Franklin st. Corridor Feasibility Study Phase II		GR1345	20.205	359,307	STP-1521	(18,478)	216,359	-	-	194,999	2,882
Auburn Street New Freedom Project		GR1382	20.521	82,282	ME-57-X001-01	-	69,361	-	-	69,361	-
Total Federal Highway Administration						(189,286)	298,470	-	-	539,801	(430,617)

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 Education:											
Direct Program:											
School Counseling		NONE	84.215	\$ 352,049	NONE	-	310,918	-	-	311,918	(1,000)
Passed through the Finance Authority of Maine:											
College Access Challenge Grant		NONE	84.378	22,000	NONE	-	22,000	-	-	22,577	(577)
Pass-through the Maine Department of Education:											
Adult Basic Education		NONE	84.002	100,000	013-6296	(4,112)	100,000	-	-	95,888	-
Adult Education Special Project		NONE	84.002	44,926	013-6299	(169)	45,079	-	-	44,910	-
Title 1A, Disadvantaged		NONE	84.010	2,592,966	013-3107	-	2,957,494	-	-	2,957,494	-
Title 1A, Program Improvement		NONE	84.010	20,000	013-3106	-	19,175	-	-	19,175	-
Title 1A, SIG		NONE	84.010	5,136	013-3105	-	5,136	-	-	5,136	-
Title 1A, SIG	ARRA	NONE	84.388	6,134,817	013-3105	-	1,091,095	-	-	1,091,095	-
Special Ed Local Entitlement Title VA EHA		NONE	84.027	1,700,492	013-3046	-	2,001,985	-	-	2,001,985	-
Preschool Local Entitlement		NONE	84.173	22,080	013-6247	-	22,080	-	-	22,080	-
Vocational Education Title II		NONE	84.048	199,508	013-3030	-	201,710	-	-	201,710	-
Stewart B. McKinney Act		NONE	84.196	53,861	013-3104	(180)	63,881	-	-	63,701	-
Title IIA - Teacher Quality		NONE	84.367	554,242	013-3042	-	554,960	-	-	554,960	-
English Language Acquisition Grant		NONE	84.365	215,682	013-3115	-	271,960	-	-	271,960	-
Total U.S. Department of Education						(4,461)	7,667,473	-	-	7,664,589	(1,577)

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 Department of Homeland Security:											
Direct Program:											
AFG 2011 Regional Training		GR1259	97.004	\$ 80,452	EMW-2011-FR-00598	(18,658)	47,667	-	-	29,202	(193)
FEMA Safer		GR1211	97.044	1,047,362	EMW-2010-FAH-00982	(255,965)	255,965	-	-	-	-
FEMA Safer		GR1416	97.044	1,111,188	EMW-2012-FH-0083	-	361,887	-	-	566,444	(204,557)
Port Security Round 9		GR1019	97.056	1,137,543	2009-PU-T9-K010	(467,044)	633,867	-	-	166,823	-
FY10 Port Security Grant		GR1214	97.056	1,027,985	2010-PU-TO-K023	(252,426)	252,426	-	-	-	-
FY11 Port Security Grant		GR1230	97.056	1,000,777	EMW-2011-PU-00082	(323,532)	572,251	-	-	341,258	(92,539)
TSA Bomb Dogs		GR1139	97.072	635,500	NONE	(14,495)	276,237	-	-	298,510	(36,768)
Pass-through Maine Emergency Management Association:											
HHS-Homeland Security		GR0563	97.004	40,600	NONE	2,854	-	-	-	2,854	-
Munjoy Hill Generator		GR1378	97.039	60,000	FEMA-4108-DR-ME	-	-	-	-	4,251	(4,251)
Homeland Security FY10		GR1148	97.067	664,306	210-SS-TO-0090	(24,547)	24,149	-	398	-	-
Homeland Security FY11		GR1262	97.067	460,597	EMW-2011-SS-00056-S01	(352,126)	365,348	-	-	94,325	(81,103)
Homeland Security FY12		GR1338	97.067	218,085	EMW-2012-SS-00081	(95,228)	-	-	-	100,110	(195,338)
Homeland Security FY13		GR1444	97.067	332,201	EMW-2013-SS-0008	-	-	-	-	67,099	(67,099)
FATPOT CAD Fusion		GR1376	97.067	103,350	2010-SS-TO-0090	(50,570)	101,140	-	-	50,570	-
Total Federal Department of Homeland Security						(1,851,737)	2,890,937	-	398	1,721,446	(681,848)

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 and Human Services:											
Direct Program:											
Health Care Homeless		GR1351	93.224	\$ 1,357,697	NONE	(206,557)	749,801	-	-	675,897	(132,653)
Homeless Outreach Enrollment		GR1431	93.224	74,433	NONE	-	14,653	-	-	14,653	-
King School Renovation		GR1251	93.501	198,629	NONE	-	12,709	-	-	12,709	-
Portland High Renovation		GR1361	93.501	225,000	NONE	(15,602)	225,000	-	-	205,028	4,370
Capital Development		GR1269	93.526	500,000	NONE	(48,896)	120,678	-	-	71,782	-
Services to Torture Survivors		GR1344	93.604	360,000	NONE	(253,379)	141,671	-	-	78,936	(190,644)
Services to Torture Survivors		GR1450	93.604	360,000	NONE	-	-	-	-	225,070	(225,070)
Ryan White HIV		GR1350	93.918	356,533	NONE	(122,450)	248,691	-	-	126,241	-
Ryan White HIV		GR1451	93.918	178,267	NONE	-	40,718	-	-	143,866	(103,148)
HEP C/HIV		GR1335	93.928	80,000	NONE	(23,446)	48,933	-	-	25,487	-
Pass-through the Maine Department of Health and Human Services:											
Refugee Resettlement		NONE	93.576	87,654	OMA-14-004	-	84,576	-	-	69,047	15,529
Pass-through the National Assoc. of County and City Health Officials:											
NACCHO Retail Food		GR1460	93.103	10,000	NONE	-	2,866	-	-	6,952	(4,086)
Pass-through Catholic Charities of Maine:											
Block Grant		GR1370	93.566	64,253	NONE	(43,232)	64,253	-	-	21,021	-
Block Grant		GR1468	93.566	52,297	NONE	-	-	-	-	41,769	(41,769)
Supplemental Services		GR1371	93.576	25,829	NONE	4,192	37,304	-	-	41,496	-
Subtotal U.S. Department of Health and Human Services						(709,370)	1,791,853	-	-	1,759,954	(677,471)

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 and Human Services, continued:											
Pass-through the Maine Department of Health and Human Services:											
CRI		GR1324	93.069	\$ 135,000	CDC-13-468	(39,149)	47,372	-	-	8,223	-
CRI		GR1401	93.069	135,000	CDC-14-468	-	108,811	-	-	134,997	(26,186)
Partnership for Success HP		GR1346	93.243	79,185	OSA 13-417	46,317	12,965	-	-	59,282	-
Partnership for Success HP		GR1419	93.243	79,185	OSA-14-417	-	30,123	-	-	35,387	(5,264)
Smoke-Free Environments		GR1373	93.283	244,755	CDC-13-899	4,656	208,782	-	-	213,438	-
Smoke-Free Environments		GR1471	93.283	192,837	CDC14-899	-	19,136	-	-	35,803	(16,667)
Targeted Assistance		GR1342	93.576	148,500	OMA 13-3008	(16,914)	74,250	-	-	89,961	(32,625)
Targeted Assistance		GR1454	93.576	174,500	OMA-14-3008	-	130,875	-	-	109,814	21,061
HID/STD		GR1354	93.940	220,500	CDC-13-255	(1,054)	145,463	-	-	152,203	(7,794)
IDU		GR1355	93.940	69,638	CDC-13-255	715	46,426	-	-	45,815	1,326
Community Transformation		GR1339	93.531	90,000	CDC-13-1412	(15,188)	64,712	-	-	49,524	-
Community Transformation		GR1418	93.531	90,000	CDC-14-1412	-	67,500	-	-	73,823	(6,323)
Healthy Partnership OSA		GR13A3	93.959	80,000	CDC-13-1186	299	-	-	-	299	-
Office of Substance Abuse		GR1404	93.959	27,870	OSA-14-345	-	27,870	-	-	27,870	-
HP SA Expansion		GR1407	93.959	20,000	OSA 14-157	-	13,336	-	-	19,435	(6,099)
HCBA SA Expansion		GR1408	93.959	15,000	OSA 14-168	-	10,000	-	-	14,701	(4,701)
HP CCHC		GR14A1	93.959	122,505	CDC-14-1186	-	101,842	-	-	120,884	(19,042)
HP HMP		GR14A2	93.959	384,984	CDC-14-1186	-	320,047	-	-	379,094	(59,047)
HP OSA		GR14A3	93.959	60,000	CDC-14-1186	-	49,880	-	-	59,382	(9,502)
School Based Health Centers		GR1314	93.994	\$34,800	CDC-13-022	34,394	141,750	15,290	54,446	292,812	(46,932)
Pass-through University of New England:											
UNE Project Channels		GR1353	93.359	246,128	UNE 71745	(15,691)	188,621	-	-	171,218	1,712
Total U.S. Department of Health and Human Services						(710,985)	3,601,614	15,290	54,446	3,853,919	(893,554)
Total Federal Awards				\$		(4,793,746)	25,022,609	481,724	639,592	24,800,615	(3,450,436)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

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, 2014. 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, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
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?	No
Significant deficiencies identified?	Yes
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>
10.553, 10.555, 10.559	School Nutrition Cluster
14.239	HOME Program
14.218	Community Development Block Grant
20.106	Airport Improvement Program
84.010	Title IA
84.027, 84.173	Local Entitlement Cluster
84.388	School Improvement Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 744,018
---	------------

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

2014-001 - U.S. Department of Education, for the Period July 1, 2013 through June 30, 2014, CFDA #84.010 Title 1A, CFDA #84.388 School Improvement Grant, CDFA #84.027 and 84.173 Special Education – Local Entitlement Cluster (IDEA)

Statement of Condition: The School Department did not comply with the requirements relating to employee certifications. The School Department has a system in place to document employee time spent on federal programs, but failed to complete the necessary forms in a timely manner.

Criteria: OMB Circular A-87, Attachment B, paragraphs 8.h.(3), (4), (5), and (6) describe the documentation requirements regarding employee time-and-effort requirements. A local educational agency must complete semiannual certification forms for all employees who work on a single federal cost objective. Employees working on multiple cost objectives, one of which is federally funded, must complete certification forms at least monthly.

Effect: These forms are used to certify that employees paid with federal funds were in fact engaged in activities supporting a federal program. Failure to complete the forms as described can result in loss of funding as the local educational agency may not be able to otherwise justify an employee's pay under a federal program.

Recommendation: The School Department has a system in place to document employee time spent on federal programs, but failed to implement the system as it was designed. The School Department should review the requirements under the federal grants and consider changing the design of their system to better allow for the timely completion of the necessary forms.

Questioned Costs: None

Management's Response/Corrective Action plan:

Central Office staff from both the Finance Department and the Academics and Grant Administration Department met to review the current process for obtaining the required employee certifications for time charged to federal grants and determined changes needed to ensure certifications are obtained timely. The current process, which is manual, relies on grant administrators and academic support staff to compile a semi-annual list of employees who need to complete certifications, send the certifications to the listed employees, log responses and follow up on non-responses. This process will be revised to include support from the payroll team and Staff Accountant who will compile a monthly list of employees charged (in whole or in part) to a federal grant. Employees on this monthly list will be subdivided into two groups: one group will be for semi-annual certifiers (employees working 100% on federal grants or who are allocated to more than one budget unit, but work a regular schedule); the second group will be employees who must complete monthly Personnel Activity Reports. Payroll staff will then work with the grant managers and academic support staff to send forms and log responses.

Anticipated completion date for corrective action of all comments:

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

Contact person responsible for corrective action:

Ray O'Donnell, Controller, 207-874-8100

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

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

SIGNIFICANT DEFICIENCY

2014-002 - School Nutrition Program: Claim Form Reimbursements

During our compliance testing over the School Nutrition program it was noted that the March 2014 meal claim reimbursement was inaccurately reported to the State of Maine Department of Education. This resulted in the nutrition program under-claiming nearly 3,600 breakfast meals. The dollar amount which the School Department failed to collect as a result of this error was \$3,771. While this amount is not material to the program in quantitative terms we feel that this error is significant qualitatively.

The cause of the error noted above relates to the process that Presumpscot Elementary and Linclon Middle School use to calculate meals available for reimbursement. Currently, Presumpscot Elementary and Lincoln Middle School provide free meals to all students regardless of the free, reduced, or paid eligibility classification. However, the School Nutrition program is only allowed to claim reimbursements for free, reduced, or paid meal classifications based on actual eligibility for each student in the program. As such, the School Nutrition program must track the eligibility of each student and claim meals based on eligibility status of the prior year. In order to do this the School Nutrition Director maintains a spreadsheet that tracks monthly meal counts for both schools.

This spreadsheet is also used to complete the computation of allowable meals to be reimbursed for each eligibility classification. The spreadsheet employs multiple tabs and formulas that must be updated each month. We found that during the process of updating the spreadsheet for March 2014 the School Nutrition Director improperly linked certain formulas. The spreadsheet and meal claim form was not reviewed by another individual after it was prepared by the School Nutrition Director and the inadvertent error was not detected or corrected prior to submission. We recommend that the calculation spreadsheet and monthly claim forms are reviewed and approved by another individual separate from the preparer in order to ensure that claim form amounts reported to the State are accurate.

Management's Response/Corrective Action plan:

The Food Service team will send the monthly claim workbook to the Central Office Finance Department for review and approval. In addition, it is anticipated that by early 2015 the existing point of sale computer system used by Food Service will be programmed to capture the actual meal counts at all schools and be used in support of the meal claim reimbursement.

Anticipated completion date for corrective action of all comments:

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

Contact person responsible for corrective action:

Ray O'Donnell, Controller, 207-874-8100

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

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

2013-001 - U.S. Department of Homeland Security, for the Period July 1, 2012 through June 30, 2013, CDFA #97.036 Disaster Grants – Public Assistance

Statement of Condition: The City did not comply with the allowable costs/cost principles relating to equipment usage. When calculating the equipment usage reimbursement, City personnel used an outdated schedule of equipment rates. Since the most current reimbursement rates actually decreased, the City over-estimated the amount due from FEMA.

Criteria: *Equipment Usage* – The Public Assistance program restricts eligible direct costs for City owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on these rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower.

Effect: By not using the most current schedule of equipment rates to calculate the reimbursement, the City over-estimated the amount due from FEMA.

Recommendation: The City should review the amounts and calculations used for reimbursement and ensure their accuracy before submitting them to the federal government.

Questioned Costs: \$19,576

Status: This grant was completed in 2013.