

CITY OF PORTLAND, MAINE

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

For the Year Ended June 30, 2011

REVISED

CITY OF PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
June 30, 2011

REVISED

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**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, 2011, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated December 1, 2011. 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

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 December 1, 2011.

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.



December 1, 2011
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 of 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 City of Portland, Maine's major federal programs for the year ended June 30, 2011. 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 #2011-1 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, Community Development Block Grant (CFDA #14.218).

As described in item #2011-2 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**

As described in item #2011-3 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 Education, Special Education Grants to States Recovery Act (CFDA #84.391, #84.392).

As described in item #2011-4 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 Education, Title 1A including Recovery Act (CFDA #84.010, #84.389).

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, 2011.

Internal Control Over Compliance

The 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 deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be 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 consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2011-5 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**

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 #2011-6 to be a significant deficiency.

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 replacing a previously issued report dated December 1, 2011. 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, 2011 and have issued our report thereon dated December 1, 2011, 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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.



December 1, 2011, 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, 2011

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	2,815,766	-	117,141	2,932,907	50,631
CDBG - Section 108 Loan Program		PL0955	14.248	10,200,000	N/A	48,332	500,000	-	-	333,403	214,929
Brownfields Economic Development		GR0655	14.246	1,800,000	N/A	-	159,964	-	-	166,667	(6,703)
Cumberland St. Sidewalk Reconstruction - ARRA	ARRA	CD1013	14.253	235,670	N/A	218,740	-	-	-	208,083	10,657
Everett St. Sidewalk Reconstruction - ARRA	ARRA	CD1016	14.253	115,000	N/A	-	105,324	-	-	104,194	1,130
Abyssinian Renovation - ARRA	ARRA	CD1046	14.253	122,000	N/A	20,328	-	-	-	20,328	-
ESG-Operations		GR1014	14.234	37,732	N/A	-	1,130	-	-	-	1,130
ESG-Operations		GR1106	14.234	37,582	N/A	-	36,452	-	-	37,582	(1,130)
Housing Opportunities for People with Aids		GR1076	14.241	1,429,923	N/A	(9,167)	344,393	-	-	335,226	-
Emergency Shelter Grant		GR1118	14.234	28,187	N/A	-	26,241	-	-	28,106	(1,865)
Emergency Shelter Grant		GR1119	14.234	28,187	N/A	-	28,187	-	-	28,187	-
HUD Continuum of Care 2007-Employment Assistance		GR0956	14.234	70,016	N/A	(500)	500	-	-	-	-
HUD Continuum of Care 2008-Employment Assistance		GR1046	14.234	70,016	N/A	(8,727)	35,010	-	-	26,283	-
HUD Continuum of Care 2008-Employment Assistance		GR1153	14.234	70,016	N/A	-	30,528	-	-	39,498	(8,970)
Emergency Shelter Grant		GR1015	14.234	28,146	N/A	427	-	-	-	427	-
HOME Program		None	14.239	1,221,812	N/A	(242,729)	593,069	-	73,946	863,927	(439,641)
HUD Continuum of Care 2007 - HMIS		GR0959	14.235	27,970	N/A	(27,970)	26,639	-	-	(1,331)	-
HUD Continuum of Care 2009-Job Training Fund		GR1152	14.235	15,443	N/A	-	3,710	-	-	6,038	(2,328)
HUD Continuum of Care 2009-Portland Collaborative		GR1151	14.235	158,126	N/A	-	61,887	-	-	64,904	(3,017)
Subtotal U.S. Department of Housing and Urban Development						49,365	4,768,800	-	191,087	5,194,429	(185,177)

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	(11,399)	26,934	-	-	15,535	-
HUD Continuum of Care 2008-Employment Assistance		GR1045	14.235	15,443	N/A	335	7,723	-	-	8,058	-
HUD Continuum of Care 2008-Portland Collaborative		GR1047	14.235	158,126	N/A	(74,692)	158,126	-	-	83,434	-
HUD-HPRP	ARRA	GR1030	14.257	876,120	N/A	(2,592)	374,725	-	-	388,010	(15,877)
HUD-HPRP Engagement & Stabilization	ARRA	GR1048	14.257	909,816	N/A	59,707	568,635	-	-	622,873	5,469
HUD-HPRP Cumberland CTY Security Deposit	ARRA	GR1049	14.257	297,050	N/A	(57,298)	222,959	-	-	150,826	14,835
Lead Paint Grant		GR0863	14.900	977,765	N/A	(12,812)	127,724	-	-	110,395	4,517
Lead Paint Grant		GR0864	14.900	547,407	N/A	(29,908)	117,626	-	-	87,718	-
Pass-through Maine State Housing Authority:											
MSHA - ESG - OSSM		GR1062	14.231	52,513	NONE	(6,986)	26,322	-	-	19,316	20
HUD-HPRP E&S Housing Counselor	ARRA	GR1161	14.231	34,564	NONE	-	-	-	-	23,286	(23,286)
MSHA-ESG-Family Shelter		GR1164	14.231	40,000	NONE	-	21,646	-	-	24,269	(2,623)
MSHA-ESG-OSSM		GR1165	14.231	52,313	NONE	-	24,805	-	-	30,240	(5,435)
MSHA-ESG-Family Shelter		GR1063	14.231	40,000	NONE	(3,728)	21,149	-	-	17,421	-
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	(1,100)	-	-	-	307,215	(308,315)
Total U.S. Department of Housing and Urban Development						(91,108)	6,476,210	-	191,087	7,083,025	(506,836)
Environmental Protection Agency:											
Direct Programs:											
Brownfields Assessment		GR0675	66.818	200,000	N/A	46,249	-	-	-	-	46,249
Brownfields Cleanup Grant		GR0951	66.818	180,000	N/A	(10,729)	-	-	30,000	-	19,271
EPA Environment Resource		GR1138	66.035	100,000	N/A	-	20,213	-	-	34,059	(13,846)
Pass-through Maine Department of Environmental Protection:											
Clifton Street Stimulus Fund	ARRA	MM09A1	66.458	2,063,665	NONE	(68,547)	66,024	-	-	160,761	(163,284)
Forest Avenue Stimulus Fund	ARRA	MM09A2	66.458	936,335	NONE	(19,637)	31,640	-	-	12,003	-
Clean Water State Revolving Loan Fund		NONE	66.458	6,341,421	NONE	-	6,341,421	-	-	6,341,421	-
Capisc Brook Watershed Plan	ARRA	GR1053	66.454	97,795	2009SP04	14,046	27,053	-	-	47,638	(6,539)
Total Environmental Protection Agency						(38,618)	6,486,351	-	30,000	6,595,882	(118,149)

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	-	186,520	-	-	245,531	(59,011)
Byrne Memorial Justice Assistance		GR0832	16.738	174,710	N/A	(23,505)	34,084	-	-	10,579	-
Byrne Justice Assistance Grant		GR1031	16.738	261,148	N/A	(92,710)	112,801	-	-	31,361	(11,270)
2010 Justice Assistance Grant		GR1122	16.738	199,578	N/A	-	67,316	-	-	103,120	(35,804)
Justice and Mental Health Collaboration		GR1133	16.745	184,940	N/A	-	38,232	-	-	59,743	(21,511)
FY2009 Byrne Memorial Justice Assistance	ARRA	GR0977	16.804	1,158,713	N/A	375,692	-	-	-	319,105	56,587
Portland Safe Kids		GR1143	16.730	160,000	N/A	-	87,597	-	-	130,987	(43,390)
Pass-through Department of Public Safety:											
Project Safe Neighborhoods		GR1074	16.609	7,500	42-01-10	(485)	6,650	-	-	6,165	-
East Bayside Community Policing Coordinator	ARRA	GR1057	16.588	96,050	42-03-09	-	36,019	-	-	48,025	(12,006)
Pass-through Maine Department of Human Services:											
Victim Advocacy Program		GR1041	16.575	32,294	CFS-10-2307	(365)	7,589	800	-	8,024	-
Victim Advocate FY11		GR1136	16.575	34,094	CFS-11-2307	-	25,570	-	-	25,826	(256)
Total U.S. Department of Justice						258,627	602,378	800	-	988,466	(126,661)
U.S. Department of Transportation:											
Direct Program:											
Airport Improvement Plan		None	20.106	16,977,084	N/A	(868,304)	12,790,447	351,109	362,831	13,426,255	(790,172)
Airport Improvement Plan	ARRA	None	20.106	2,138,016	N/A	-	62,011	-	-	62,292	(281)
Total U.S. Department of Transportation						(868,304)	12,852,458	351,109	362,831	13,488,547	(790,453)
U.S. Department of Labor:											
Pass-through City of Lewiston											
City of Lewiston Earmark/NMRWDP		GR1120	17.261	56,240	EA-20169-10-60-A-23	-	28,682	-	-	59,446	(30,764)
Total U.S. Department of Labor						-	28,682	-	-	59,446	(30,764)

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	-	75,457	-	-	75,457	-
School Breakfast Program			10.553	N/A	013-7127	-	446,360	2,936	-	449,296	-
School Lunch Program			10.555	N/A	013-7128	-	1,314,275	35,838	-	1,350,113	-
After School Program			10.558	N/A	CCFP9359	-	18,291	-	-	18,291	-
Cash in lieu of commodities			10.565	N/A	N/A	-	168,711	-	-	168,711	-
Total U.S. Department of Agriculture						-	2,023,094	38,774	-	2,061,868	-
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	(17)	5,355	-	-	2,807	2,531
Total U.S. Department of Conservation						(17)	5,355	-	-	2,807	2,531
Federal Highway Administration, pass-through											
Maine Department of Transportation:											
Commercial Street/High Street		GR0048	20.205	863,000	STP-8725	(12,557)	12,557	-	-	-	-
Bayside Trail		GR0861	20.205	560,000	STP-1184	(8,180)	-	-	-	23,781	(31,961)
Prelim Engineering Path from 295 to High Street		GR0773	20.205	70,000	STP-1334(800)X	(56,622)	-	-	-	-	(56,622)
Port Security		GR0416	20.420	390,000	DTS A20-03-G-01191	12,979	-	-	-	-	12,979
Bike Lanes		GR0950	20.205	39,894	STP-1436(300)X	(37,905)	36,908	2,307	-	1,652	(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	1,811	2,604	-	-	1,123	3,292
Brighton Avenue Resurfacing		GR0974	20.205	29,538	STP-1158(800)X	3,084	-	-	-	535	2,549
Deering Avenue Resurfacing Forest-Rte 25		GR0975	20.205	219,000	STP-1137(500)X	8,430	4,689	-	-	13,119	-
Overlay Park Ave/Deering-State		GR0976	20.205	159,970	STP-A150(000)X	5,544	-	-	-	5	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	1,997	N/A	-	1,997	-	-	1,997	-
Pass-through Bureau of Highway Safety:											
2011 Seat Belt Enforcement Grant		GR1174	20.600	1,936	OP11-120	-	1,791	-	-	1,791	-
2010 Seat Belt Enforcement Grant		GR1145	20.600	1,488	OP 11-030	-	1,031	-	-	1,031	-
Total Federal Highway Administration						(105,916)	61,577	2,307	-	57,987	(100,019)

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	-	15,000	-	-	28,982	-	(13,982)
U.S. Department of Education, pass-through the Maine Department of Education:												
ARRA GPA Stabilization Funds	ARRA		84.394	4,191,425	020-2077	-	4,191,425	-	-	4,191,426	-	(1)
Adult Basic Education			84.002	71,967	013-6296	(2,788)	71,967	-	-	94,217	-	(25,038)
Adult Education Special Project			84.002	22,093	013-6299	(2,477)	22,093	-	-	34,313	-	(14,697)
Title 1A, Disadvantaged			84.010	3,240,815	013-3057	(210,420)	3,240,815	-	-	3,109,913	79,517	(1)
Title 1A, Disadvantaged			84.010	146,832	013-3057	-	146,832	-	-	77,589	-	69,243
Title 1A, SIG			84.010	136,922	013-3056	(2,379)	136,922	-	-	129,269	-	5,274
Title 1A, Disadvantaged - ARRA	ARRA		84.389	725,152	013-3057	(9,872)	725,152	-	-	715,280	-	-
Title 1A, SIG - ARRA	ARRA		84.388	1,106,615	013-3055	-	1,106,615	-	-	1,106,615	-	-
Title 1C - Even Start			84.213	1,092	013-3058	129,455	1,092	-	-	129,455	-	1,092
Special Ed Local Entitlement Title VA EHA			84.027	1,481,822	013-3046	75,368	1,481,822	-	-	1,557,191	-	(1)
IDEA Part B - ARRA	ARRA		84.391	943,328	020-3046	185,517	943,328	-	-	1,128,845	-	-
Preschool Local Entitlement			84.173	30,658	013-6241	24,179	30,658	-	-	21,983	-	32,854
IDEA Part B Pre-School - ARRA	ARRA		84.392	20,210	020-6241	9,026	20,210	-	-	29,236	-	-
Vocational Education Title II			84.048	238,601	013-3030	(19,356)	238,601	-	-	219,703	-	(458)
Stewart B. McKinney Act			84.196	49,623	013-3002	12,235	49,623	-	-	61,857	-	1
Title IIA - Teacher Quality			84.367	806,048	013-3042	78,551	806,048	-	-	858,131	(26,469)	(1)
Title IID - Education Technology			84.318	18,800	013-3003	(1,803)	18,800	-	-	6,162	(10,835)	-
Title IID - Education Technology			84.318	874	013-3003	(874)	874	-	-	-	-	-
Title IID - Education Technology - ARRA	ARRA		84.386	16,654	020-3003	(666)	16,654	-	-	14,982	(1,006)	-
English Language Acquisition Grant			84.365	-	013-3090	227,914	-	-	-	237,062	-	(9,148)
Education Jobs Fund - ARRA			84.410	549,777	013-3099	-	549,777	-	-	549,778	-	(1)
Title 1-Gear Up			84.334	63,700	013-3059	8,741	63,700	-	-	63,959	-	8,482
Pass-through the Maine Department of Substance Abuse:												
Drug Free Schools and Communities			84.186	-	N/A	67,215	-	-	-	26,008	(41,207)	-
Total U.S. Department of Education						580,543	13,878,008	-	-	14,391,956	-	66,595

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	-	394,201	-	77,673	776,729	(304,855)
Total Federal Emergency Management Agency						-	394,201	-	77,673	776,729	(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	-	430,590	-	-	6,144,574	(5,713,984)
Infrastructure Improvements		GR0736	97.056	768,750	N/A	(16,250)	-	-	-	(16,250)	-
Port Security Round 8		GR0942	97.056	1,122,025	2008-GB-T8-0096	-	-	-	-	620,835	(620,835)
DHS-Fire Training		GR1083	97.044	119,457	EMW-2009-FR-00498	-	29,068	-	-	51,456	(22,388)
Pass-through Maine Emergency Management Association:											
Public Safety Interoperable Communications		GR0933	11.555	236,250	2007-GS-H7-0056	(14,776)	121,477	-	-	106,701	-
Cert Monies		GR0457	97.004	11,000	2004-GE-T4-0041	(4,970)	-	-	-	(4,970)	-
HHS-Homeland Security		GR0563	97.004	40,600	None	2,973	-	-	-	(102)	3,075
FY2008 Homeland Security		GR0939	97.004	602,882	2008-GE-T8-0037	(105,053)	105,839	-	-	786	-
Homeland Security FY09		GR1051	97.067	629,420	2009-SS-T9-0077	(180,865)	251,856	-	-	422,694	(351,703)
Homeland Security FY10		GR1148	97.067	664,306	210-SS-TO-0090	-	-	-	-	254,186	(254,186)
Total Federal Department of Homeland Security						(318,941)	938,830	-	-	7,579,910	(6,960,021)
Transportation Security Administration:											
Direct Program:											
TSA Bomb Dogs		GR1139	97.072	542,500	None	-	-	-	-	95,958	(95,958)
Total Transportation Security Administration						-	-	-	-	95,958	(95,958)
U.S. Department of Energy:											
Direct Program:											
Energy Efficient Block Grant	ARRA	GR1042	81.128	684,700	DE-SC0002942	(11,396)	128,931	-	-	124,945	(7,410)
Pass-through Efficiency Maine Trust:											
EM Grant Central Maintenance	ARRA	GR1150	81.128	48,973	DE-EE0000368	-	9,795	-	-	-	9,795
Total U.S. Department of Energy						(11,396)	138,726	-	-	124,945	2,385

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:											
Health Care Homeless		GR1036	93.224	569,969	N/A	-	425,118	-	-	425,118	-
Health Care Homeless		GR1169	93.224	592,410	N/A	-	12,612	-	-	171,238	(158,626)
ORR Torture Survivors Grant		GR1034	93.604	360,000	N/A	(69,343)	339,491	-	-	250,588	19,560
Services to Torture Survivors		GR1154	93.604	360,000	N/A	-	-	-	-	226,373	(226,373)
HCH IDS	ARRA	GR0970	93.703	125,915	N/A	(139)	62,418	-	-	62,279	-
Capital Improvement Program	ARRA	GR1011	93.703	320,595	N/A	-	7,404	-	-	7,404	-
Portland Comm. Health Center	ARRA	GR1068	93.703	650,000	N/A	34,505	215,303	-	-	249,808	-
Portland Comm. Health Center		GR1170	93.703	650,000	N/A	-	91,383	-	-	270,331	(178,948)
Ryan White HIV		GR1056	93.918	375,298	N/A	(3,989)	184,614	-	-	179,316	1,309
Ryan White HIV		GR1157	93.918	375,298	N/A	-	75,530	-	-	172,253	(96,723)
Pass-through the Maine Department of Education:											
Refugee Resettlement			93.576	-	013-3080	55,493	-	-	-	78,417	(22,924)
Pass-through Catholic Charities of Maine:											
New Mainers Block Grant		GR1059	93.566	25,055	NONE	(2,417)	19,589	-	-	17,172	-
Supplemental Services		GR1033	93.576	77,654	NONE	(26,011)	62,107	-	-	36,096	-
Block Grant		GR1172	93.566	37,325	NONE	-	5,731	-	-	23,331	(17,600)
Pass-through Family Planning of Maine:											
Family Planning		GR1035	93.217	4,000	FPA2010	3,209	-	-	-	3,209	-
Subtotal U.S. Department of Health & Human Services						(8,692)	1,501,300	-	-	2,172,933	(680,325)

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, continued:											
Pass-through the Maine Department of Health & Human Services:											
CCHC/HMP/OSA/HMP		GR10A1/A2/A3	93.243	738,682	CDC 10-383	44,405	171,101	(187,960)	-	27,547	(1)
Healthy Portland		GR10A5	93.243	10,000	CDC 10-383	(1,485)	-	-	-	(1,485)	-
HMP Substance Abuse		GR1111	93.243	44,200	OSA 1-11-117	-	40,517	-	-	39,157	1,360
Colon Cancer Prevention		GR1113	93.243	16,000	CDC-10-677	-	13,481	-	1,000	15,750	(1,269)
CCHC/HMP/School HMP		GR11A1/A2/A4	93.243	667,140	CDC 11-383	-	655,677	-	15,000	662,701	7,976
Colon Cancer Prevention		GR1010	93.283	21,676	CDC 10-677	(13,170)	14,609	-	-	1,439	-
CRI		GR1020	93.283	150,000	CDC 10-468	(17,436)	17,436	-	65,324	65,324	-
Maine Asthma		GR1043	93.283	15,972	CDC 10-725	(1,757)	15,972	-	-	14,215	-
H1N1 Emergency Preparedness & Flu Vaccination		GR1044	93.283	15,000	CDC-10-677	1,794	-	-	-	1,794	-
Smoke-Free Environments		GR1075	93.283	143,755	CDC 10-899	(17,491)	143,755	-	-	118,789	7,475
Smoke-Free Environments		GR1171	93.283	143,755	CDC-11-899	-	-	-	-	19,985	(19,985)
C.R.I.		GR1121	93.283	150,000	CDC-11-468	-	61,870	-	-	95,795	(33,925)
CPPW	ARRA	GR1084	93.724	1,841,197	CDC 10-900-RA	(40,435)	1,150,748	-	-	865,620	244,693
Breast/Cervical Cancer		GR1005	93.919	25,000	CDC 10-318	(2,332)	2,332	-	-	-	-
STD/HIV Services		GR1055	93.940	137,872	CDC 10-255	(17,304)	80,425	-	-	63,121	-
HIV/Latino/IDU/Prison		GR10B/B2/B3	93.940	122,543	CDC 10-257	2,624	61,272	-	-	63,896	-
HIV/IDU		GR1156	93.940	426,425	CDC-11-257	-	23,213	-	-	18,713	4,500
HMP Substance Abuse		GR0961	93.959	81,500	SA 1-09-117	11,754	(2,485)	-	-	9,279	(10)
Youth Substance Abuse		GR0962	93.959	56,667	OSA 1-09-091	6,694	(3,094)	-	-	3,600	-
Youth Substance Abuse		GR1112	93.959	40,000	SA-11-091	-	36,664	-	-	33,275	3,389
School Based Health Centers		GR1012	93.994	450,000	CDC-10-022	(7,480)	7,726	164,000	44,000	179,063	29,183
Total U.S. Department of Health & Human Services						(60,311)	3,992,519	(23,960)	125,324	4,470,511	(436,939)
Total Federal Awards						\$ (624,009)	47,878,389	369,030	786,915	57,778,037	(9,434,307)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2011

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, 2011. 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 modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs
June 30, 2011
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 weakness identified?	Yes
Significant deficiency 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>
14.218, 14.253	Community Dev. Block Grants - Including ARRA
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, 84.389	Title 1A - Including ARRA
84.394	ARRA GPA Stabilization
10.553 - 10.555	School Lunch Cluster
66.458	Clean Water State Revolving Loan

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,733,341
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

#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

Management's response:

An error was discovered in the formula and calculations of the internal worksheet used to complete the Quarterly Federal Cash Transaction Report. Quarterly Federal Cash Transaction Reports from 10/01/2010 through 06/30/2011 for FY 10/11 were corrected and the revised reports were submitted to HUD. Revised reports were also submitted to the auditors while they were on-site at City Hall.

To ensure that this type of error does not occur in the future the Accountant will review the internal report along with the PR03 Activity Summary Report prior to preparing the SF-272. The SF-272, along with the internal report and the PR03, will be reviewed by the Department's Principal Financial Officer prior to submission to HUD.

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, 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.

Cause: Expenditures were not properly charged to the general ledger. This resulted in errors in 1512 reporting.

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:

Expenditures under the Checked Baggage Inspection System were not charged to the correct project account during FY '11. These costs were charged to the general Terminal Expansion project but were intended to be transferred to the correct project account before fiscal year end, but that did not happen. The baggage system project costs were reconciled in July, 2011 and costs were transferred to the proper project account. During this reconciliation, several errors were discovered in Section 1512 reports which caused these reports to differ from the City's general ledger reports. The Jetport contacted the funding agency and was advised to correct the mistakes in future reports. All costs for the baggage system project are now being charged to the proper project on a monthly basis.

The small business participation reports were the responsibility of Turner Construction Company, the General Contractor for the terminal expansion project. Turner was contacted for copies of these reports but the Jetport was informed that these reports were not filed. Turner agreed that it was their responsibility to ensure the reports were filed, and has contacted their subcontractors to instruct them to file these reports. The Jetport will obtain copies of these reports and keep them on file for future reference.

Additionally, as recommended, the City and its contractor, Turner Construction Company, will review the grant document to ensure all requirements are met. Once complete, a closeout memo will be written and filed both at the Jetport and with the City's Finance Department.

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

Section III - 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

Management's response:

Due to the influx of Special Education ARRA funds, those funds were expended prior to regular Special Education funds, creating a situation of excess cash on hand at certain points during the year. These funds will be expended and requested via the new Maine DOE reimbursement system. As Maine DOE has moved to a reimbursement system, there will no longer be excess funds on hand for Local Entitlement programs.

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

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

#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

Management's response:

Due to the influx of Title IA ARRA funds, those funds were expended prior to Title IA funds, creating a situation of excess cash on hand at certain points during the year. These funds will be expended and requested via the new Maine DOE reimbursement system. As Maine DOE has moved to a reimbursement system, there will no longer be excess funds on hand for Title IA and Local Entitlement programs.

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

#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.

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 III - Findings and Questioned Costs for Federal Awards, Continued

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.

Management’s response:

The performance report for Title IA was completed with guidance from the Maine Department of Education. The primary differences between expenditures and carryover amounts reported in the performance report and those per the general ledger system resulted from amounts that the Maine Department of Education approved beyond the FY11 Title IA allocation. These expenditures will be reimbursed by Maine DOE. In the future, expenses for activities outside the scope of the original grant award will be captured in a separate project and fund (i.e., in Title I Program Improvement, fund 2310).

In addition, Grant and Grant Accounting Controls & Procedures were implemented in the latter part of FY11. Among other things, those procedures require monthly reconciliations of the project subsidiary ledger to the general ledger for the particular funds, which are being performed and currently are up-to-date. Those reconciliations detail any differences between amounts in the project subsidiary ledger and amounts in the general ledger for the particular funds and contain explanations of any differences. Any necessary adjustments resulting from the reconciliations are promptly made. The foregoing accomplishes the recommended reconciliations, as the performance report is prepared based on data in the project subsidiary ledger.

CITY OF PORTLAND, MAINE
Status of Prior Year Findings and Questioned Costs Under *Government Auditing Standards*

SIGNIFICANT DEFICIENCY

#2010-1 School Department Accounting System Reconciliation

School Department Accounting System Reconciliation (updated from 2009)

The City's accounting system historically, and currently, posts all School activity in a condensed account format. The Department of Public Schools historically did not maintain a separate self-balancing double entry fund accounting system. The system, up until the 2008-2009 fiscal year, only maintained expenditure data, and did so primarily to ensure budgetary compliance. Beginning in the 2008-2009 fiscal year, the School Department created additional accounts and funds in their accounting system to accommodate a full, self-balancing double entry fund accounting system. This new chart of accounts included revenue accounts and balance sheet accounts for most funds. The fact remains however, that the City's system is relied on for proper financial accounting in compliance with generally accepted accounting principles and the School system is treated as a subsidiary ledger only, for internal use as well as State Department of Education reporting. As a result, it is imperative that these two systems are fully reconciled on a monthly basis and any differences be promptly adjusted.

During the 2009-2010 year, reconciliations, although not always done timely, were performed for the general fund, the lunch fund and the adult education fund. The grant fund was also attempted, but was not fully reconciled at the time of the audit. We commend the School Department for these efforts. Finally, it was noted that the activity of certain capital funds are not being recorded in the School Department's accounting system. Although there is some question as to whether or not this is necessary, to the extent that the State Department of Education requires the information on quarterly and year end reports, the School Department will need to make accommodations to ensure this activity is posted to their accounting system.

We recommend that beginning in 2011-2012, the School Department performs reconciliations of all funds in a timely manner and posts any necessary correcting entries as soon as they are identified. The City and the School Department should work together to determine what transactions are causing difficulties in the reconciliation process, in an effort to continue to eliminate differences and provide for a less cumbersome reconciliation process. A resolution as to the need for posting of capital funds should be sought with the State Department of Education.

Status - All funds were fully reconciled with minor exceptions in capital project related activities (fund 3000 and 4000). Although there is some question as to whether or not it is necessary for the School Department to maintain these funds, to the extent that the State Department of Education requires the information on quarterly and year end reports, the School Department will need to make accommodations to ensure this activity is posted properly to their accounting system.

CITY OF PORTLAND, MAINE
Status of Prior Year Findings and Questioned Costs for Federal Awards

#2010-2 - U.S. Department of Housing and Urban Development, for the period July 1, 2009 through June 30, 2010, CFDA #14.253, CDBG Recovery Act

Statement of Condition: Form 1512 reporting was prepared for each quarter of the program, but the fourth quarter report did not agree with the balances reported in the general ledger.

Criteria: The U.S. Department of Housing and Urban Development requires that quarterly 1512 Reports be filed on a cash basis of accounting. The fourth quarter report included encumbrances, which overstated expenditures.

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

Cause: City personnel were not initially aware of the basis of accounting for preparing these reports.

Recommendation: We recommend that the reports be revised and submitted on the correct basis of accounting. In addition, we recommend the City implement a process to ensure accurate reporting.

Questioned Costs: None

Status: Reports were corrected and resubmitted by the City. Additionally, subsequent reports were prepared using the appropriate basis of accounting.

#2010-3 - U.S. Department of Housing and Urban Development, for the period July 1, 2009 through June 30, 2010, CFDA #14.253, CDBG Recovery Act

Statement of Condition: The CDBG Recovery Act grant had excess cash balances on hand for excessive periods 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 drew down funds in advance, anticipating expenditures. The funds were not completely spent for several months, resulting in excess cash on hand.

Recommendation: Request for payments, which is accomplished by completing form 270, should be timed when an invoice had been received and/or paid, resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Status: This finding was corrected in 2011 and all requests for payment were prepared under a reimbursement basis.

CITY OF PORTLAND, MAINE
Status of Prior Year Findings and Questioned Costs for Federal Awards

#2010-4 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (includes 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, 2009 through June 30, 2010 were not sufficient to prevent cash overflows, as defined by the State of Maine, for certain months. For example, at the end of June, 2010, the department had a cash balance in #84.391A (Special Education – Local Entitlement ARRA) of \$224,336. The department had a cash balance in #84.027 (Special Education – Local Entitlement) of \$164,323.

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: See current year finding #2011-3

#2010-5 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.010; #84.389; Title 1A (includes ARRA funds)

Statement of Condition: The School Department was found to have teachers that were not in compliance with program requirements relating to highly qualified teachers. Out of a total sample of 40 tested, two were found not to be in compliance with the highly qualified teacher requirements.

Criteria: Teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, should meet highly qualified requirements.

Effect: Noncompliance could result in the payment of federal funds being denied.

Cause: Unknown.

Recommendation: The School Department should set goals to achieve compliance in this area.

Questioned Costs: None

Status: This finding was corrected during the year.

CITY OF PORTLAND, MAINE
Status of Prior Year Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCY – FEDERAL AWARDS

#2010-6 Title 1A Program

One of the federally funded programs tested at the Department of Public Schools was the Title 1A program. The objective of this program is to improve teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families. We noted several areas relating to this program in which improvements could be made, as follows:

- The application for the program, which is part of an overall “No Child Left Behind” application, and is due in August of each year, was not filed until December 8, 2009. Every effort should be made to file this application in a timely manner.
- The application for the program, which is part of an overall “No Child Left Behind” application, includes a request for disbursement of funds schedule. This schedule is used by the State of Maine in determining when checks should be disbursed to the School Department to reimburse for expenditures made in the program. In the case of the Title 1A basic disadvantaged program and the Title 1A basic disadvantaged program ARRA, no funds were requested until July and August of 2010 even though the planned program expenditures were for September 2009 through June of 2010. This resulted in over \$4 million being owed to the City of Portland for these two programs as of June 30, 2010.
- The performance report, which is part of an overall “No Child Left Behind” performance report, reported expenditures amounts and carryover amounts that had not been reconciled to the related grant summary reports derived from the fund accounting system of the department.
- The School Department was found to have teachers that were not in compliance with Title 1A program requirements relating to highly qualified teachers. Out of a total sample of 40 tested, two were found not to be in compliance with the highly qualified teacher requirements. The School Department should set goals to achieve compliance in this area.

Status: These issues were corrected with the exception of the issue repeated in #2011-6.

CORRECTIVE ACTION PLAN
City of Portland, Maine
389 Congress Street
Portland, ME 04101
June 30, 2011
Ellen Sanborn, Finance Director
(207)874-8645

REVISED

NONCOMPLIANCE – 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

Management's response:

An error was discovered in the formula and calculations of the internal worksheet used to completed the Quarterly Federal Cash Transaction Report. Quarterly Federal Cash Transaction Reports from 10/01/2010 through 06/30/2011 for FY 10/11 were corrected and the revised reports were submitted to HUD. Revised reports were also submitted to the auditors while they were on-site at City Hall.

To ensure that this type of error does not occur in the future the Accountant will review the internal report along with the PR03 Activity Summary Report prior to preparing the SF-272. The SF-272, along with the internal report and the PR03, will be reviewed by the Department's Principal Financial Officer prior to submission to HUD.

CITY OF PORTLAND, MAINE
CORRECTIVE ACTION PLAN, Continued

#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

Finding – 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

Management’s Response:

Expenditures under the Checked Baggage Inspection System were not charged to the correct project account during FY '11. These costs were charged to the general Terminal Expansion project but were intended to be transferred to the correct project account before fiscal year end, but that did not happen. The baggage system project costs were reconciled in July, 2011 and costs were transferred to the proper project account. During this reconciliation, several errors were discovered in Section 1512 reports which caused these reports to differ from the City's general ledger reports. The Jetport contacted the funding agency and was advised to correct the mistakes in future reports. All costs for the baggage system project are now being charged to the proper project on a monthly basis.

The small business participation reports were the responsibility of Turner Construction Company, the General Contractor for the terminal expansion project. Turner was contacted for copies of these reports but the Jetport was informed that these reports were not filed. Turner agreed that it was their responsibility to ensure the reports were filed, and has contacted their subcontractors to instruct them to file these reports. The Jetport will obtain copies of these reports and keep them on file for future reference.

Additionally, as recommended, the City and its contractor, Turner Construction Company, will review the grant document to ensure all requirements are met. Once complete, a closeout memo will be written and filed both at the Jetport and with the City's Finance Department.

CITY OF PORTLAND, MAINE
CORRECTIVE ACTION PLAN, 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

Management's response:

Due to the influx of Special Education ARRA funds, those funds were expended prior to regular Special Education funds, creating a situation of excess cash on hand at certain points during the year. These funds will be expended and requested via the new Maine DOE reimbursement system. As Maine DOE has moved to a reimbursement system, there will no longer be excess funds on hand for Local Entitlement programs.

#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.

CITY OF PORTLAND, MAINE
CORRECTIVE ACTION PLAN, Continued

Questioned Costs: None

Management's response:

Due to the influx of Title IA ARRA funds, those funds were expended prior to Title IA funds, creating a situation of excess cash on hand at certain points during the year. These funds will be expended and requested via the new Maine DOE reimbursement system. As Maine DOE has moved to a reimbursement system, there will no longer be excess funds on hand for Title IA and Local Entitlement programs.

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.

Management's response:

The performance report for Title IA was completed with guidance from the Maine Department of Education. The primary differences between expenditures and carryover amounts reported in the performance report and those per the general ledger system resulted from amounts that the Maine Department of Education approved beyond the FY11 Title IA allocation. These expenditures will be reimbursed by Maine DOE. In the future, expenses for activities outside the scope of the original grant award will be captured in a separate project and fund (i.e., in Title I Program Improvement, fund 2310).

In addition, Grant and Grant Accounting Controls & Procedures were implemented in the latter part of FY11. Among other things, those procedures require monthly reconciliations of the project subsidiary ledger to the general ledger for the particular funds, which are being performed and currently are up-to-date. Those reconciliations detail any differences between amounts in the project subsidiary ledger and amounts in the general ledger for the particular funds and contain explanations of any differences. Any necessary adjustments resulting from the reconciliations are promptly made. The foregoing accomplishes the recommended reconciliations, as the performance report is prepared based on data in the project subsidiary ledger.