

CITY OF PORTLAND, MAINE

**Reports Required by *Maine Uniform
Accounting and Auditing Practices for
Community Agencies***

For the Year Ended June 30, 2018

CITY OF PORTLAND, MAINE
Reports Required by *Maine Uniform Accounting and
Auditing Practices for Community Agencies*
For the Year Ended June 30, 2018

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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
City of Portland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine (the City) as of and for the year ended June 30, 2018, 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 February 25, 2019.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2018-001 and 2018-002).

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*.

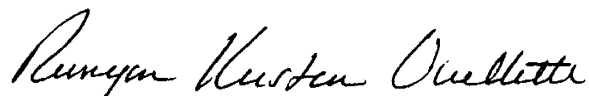
We noted certain matters that are opportunities for strengthening internal controls and operating efficiency that we have reported to the management of the City of Portland, Maine in a separate letter dated February 25, 2019.

City of Portland, Maine's Response to Findings

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

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.



February 25, 2019
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF
DEPARTMENT AGREEMENTS REQUIRED BY MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES
FOR COMMUNITY AGENCIES**

City Council
City of Portland, Maine

Report on Compliance for Each Major Department Agreement

We have audited the City of Portland, Maine's compliance with the types of compliance requirements described in *Maine Uniform Accounting and Auditing Practices for Community Agencies* that could have a direct and material effect on each of the City of Portland, Maine's major department agreements for the year ended June 30, 2018. The City of Portland, Maine's major department agreements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Portland, Maine's major department agreements 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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Those standards and *Maine Uniform Accounting and Auditing Practices for Community Agencies*, 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 department agreement 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 department agreement. However, our audit does not provide a legal determination of the City of Portland, Maine's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF
DEPARTMENT AGREEMENTS REQUIRED BY MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES
FOR COMMUNITY AGENCIES, CONTINUED**

Opinion on Each Major Department Agreement

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 major department agreements for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of Portland, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Portland, Maine's internal control over compliance with the types requirements that could have a direct and material effect on each major department agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major department agreement and to test and report on internal control over compliance in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*, 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.

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 department agreement 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 department agreement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

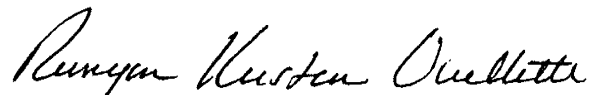
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF
DEPARTMENT AGREEMENTS REQUIRED BY MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES
FOR COMMUNITY AGENCIES, CONTINUED**

Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*

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, 2018, 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 February 25, 2019, 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 department agreements is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of department agreements is fairly stated in all material respects in relation to the basic financial statements as a whole.



February 25, 2019
South Portland, Maine

CITY OF PORTLAND, MAINE
 Schedule of Expenditures of Department Agreements
 For the Year Ended June 30, 2018

Department Office	Grant Name	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses
Pass-through Grants									
OFI	HCBS SNAP Education	OFI-17-351	\$ 71,274	10/1/2016-9/30/2017	Health Promotion	Final	17,998	-	17,998
OFI	HP SNAP Education	OFI-17-351	518,928	10/1/2016-9/30/2017	Health Promotion	Final	120,082	-	120,082
CDC	Substance Use Prevention Services	CDC-17-4425	60,000	10/1/2016-9/30/2017	Substance Abuse	Final	28,710	-	28,710
OFI	HP SNAP Ed QX3	OFI-18-351	129,982	10/1/2017-9/30/2018	Health Promotion	Interim	87,506	-	87,506
CDC	Substance Use Prevention Services QX3	CDC-18-4425	68,384	11/1/2017-9/30/2018	Substance Abuse	Interim	42,130	-	42,130
Total Pass-through Grants							296,426	-	296,426
Direct Grants									
CDC	FFS Clinical	CDC-17-1142	130,290	1/1/17-12/31/2017	HIV/STD Prevention	Final	77,891	30,683	108,574
CDC	Disease Intervention	CDC-17-1142	78,000	1/1/17-12/31/2017	HIV/STD Prevention	Final	38,965	8,000	46,965
CDC	Outreach Coordination	CDC-17-1142	45,000	1/1/17-12/31/2017	HIV/STD Prevention	Final	19,235	-	19,235
OSA	Overdose Prevention	OSA-17-372	100,000	7/1/2016-6/30/2018	Substance Abuse	Final	55,443	-	55,443
OVP	Victim Advocacy	OVP-17-2307	52,500	10/1/2016-9/30/2017	Counseling	Final	13,953	-	13,953
CDC	Lead Poisoning Prevention	CDC-17-1432	60,000	1/1/17-12/31/2018	Health Promotion	Interim	-	29,681	29,681
OVP	Human Trafficking	OVP-17-3000	100,000	10/1/2016-9/30/2017	Emergency Services	Final	21,363	-	21,363
CDM	FFS Clinical QX5	CDM-18-5150	130,290	1/1/18-12/31/18	HIV/STD Prevention	Interim	64,290	-	64,290
CDM	Disease Intervention QX5	CDM-18-5150	78,000	1/1/18-12/31/18	HIV/STD Prevention	Interim	35,440	-	35,440
CDM	Outreach Coordination QX5	CDM-18-5150	45,000	1/1/18-12/31/18	HIV/STD Prevention	Interim	22,429	-	22,429
OVP	Human Trafficking	OVP-18-2307	100,000	10/1/17-9/30/2018	Emergency Services	Interim	9,700	-	9,700
OVP	Victim Advocacy	OVP-18-2307	55,000	10/1/17-9/30/2018	Counseling	Interim	34,617	-	34,617
Total Direct Grants							393,326	68,364	461,690
Total							\$ 689,752	68,364	758,115

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Department Agreements
June 30, 2018

PURPOSE OF THE SCHEDULE

Maine Uniform Accounting and Auditing Practices for Community Agencies requires a Schedule of Expenditures of Department Agreements showing total expenditures for each award as identified in the respective department agreements.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all department agreements of the City of Portland, Maine for the fiscal year ended June 30, 2018. The reporting entity is defined in Notes to Financial Statements of the City of Portland, Maine.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Department Agreements is presented in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
 - 1. Pursuant to *Maine Uniform Accounting and Auditing Practices for Community Agencies*, department agreements are defined as a legally binding written document between two or more parties, including, but not limited to, a document commonly referred to as accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.

 - 2. Major Agreement - *Maine Uniform Accounting and Auditing Practices for Community Agencies* establishes the levels of expenditures or expenses to be used in defining major department agreements. Major agreements for the City of Portland, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.

- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Department Agreements 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, 2018

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?	Yes
Noncompliance material to financial statements noted?	No

State Agreements

Internal control over programs tested:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for programs tested:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Maine Uniform Accounting and Auditing Practices for Community Agencies</i> ?	No

Federal Awards

Required to have an audit in accordance with the Uniform Guidance?	Yes
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Identification of program(s) tested:

<u>Agreement Number(s)</u>	<u>Name of Department - Agreement</u>
OFI-17-351, OFI-18-351	SNAP Cluster
CDC-17-1142, CDM-18-5150	FFS Clinical, Disease Intervention, Outreach Coordination

Percentage of department agreements tested:	69%
Auditee qualified as a 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*

SIGNIFICANT DEFICIENCIES

2018-001 – Cash and Investment Reconciliations

Cash and investment reconciliations are an important part of financial planning. These reconciliations are important in understanding the cash flows of the City and for ensuring the availability of liquid cash for City operations. Ideally, these reconciliations are performed at the close of each month and necessary adjustments and reconciling items are posted to the general ledger in a timely manner. During our audit testing we found that material adjustments to reconcile the June pooled cash and investment accounts and consolidated rep payee account were not posted until September or later. Had these adjustments been posted in a timely manner it would have significantly altered financial reporting and potentially changed management decisions regarding operations.

We suggest that reconciliations of all cash and investment accounts be performed monthly with all necessary adjustments posted to the general ledger by the close of the subsequent month to ensure that crucial management decisions are based on accurate information.

Management Response: While the City completes cash reconciliations on a monthly basis, and uses other measurements and procedures to determine the appropriate timing of cash flows and investments, we agree that the reconciliation of accounts in the pooled cash fund must be completed on a timely basis. With the assistance of our auditors, we have begun regular reconciliations of the general ledger accounts in the pooled cash fund to individual bank account balances.

Anticipated Completion Date: February 1, 2019

We have reviewed the reconciliation procedures for the Rep Payee bank account and we believe that monthly cash reconciliations have been properly performed. However, the computer system used to facilitate the reconciliation process does not retain the necessary backup data from month to month and staff had neglected to save this documentation with monthly reconciliations. Formal reconciliations are now submitted to the Controller on a monthly basis.

Anticipated Completion Date: December 1, 2018

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

Section II - Findings Required to be Reported under *Government Auditing Standards, Continued*

2018-002 – Routine General Ledger Review - School Department

To ensure the accuracy of recorded transactions, periodic reviews and/or reconciliations of general ledger balances must be performed. Our audit testing revealed that such procedures were not routinely performed during the majority of the year. We believe that the following procedures should be performed on a monthly basis:

- Reconciliation of the detailed listing of accounts receivable to the general ledger balances
- Reconciliation of the detailed listing of accounts payable to the general ledger balances
- Determination of the accuracy of the withholding accounts recorded on the general ledger to subsequent payroll tax returns and other reports
- Analytical review of each revenue account to identify misclassifications or errors
- Analytical review of expenditures to identify misclassifications or errors

A monthly check off sheet controlled by the Finance Department would be a good means of ensuring that each of these procedures is performed on schedule each month.

Management Response: During FY2018, there were multiple finance staff on leaves of absence, there was a vacancy in the Finance Specialist position, and the Controller retired in April 2018. The level of review and analysis was not as consistent as it had been in prior years due to the staffing levels.

We have created monthly checklists to ensure we are reviewing accounts receivable and accounts payable balances regularly along with detailed review of the associated revenue and expenditure accounts.

Anticipated Completion Date: January 1, 2019

Oversight of the payroll function has been transferred back to the finance department as of February 2019 and additional staff have been added. The finance staff will continue to be responsible for the health and dental reconciliations and will ensure the rest of the payroll liabilities are reconciled monthly.

Anticipated Completion Date: March 1, 2019

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

Section III - Findings and Questioned Costs for State Agreements

None

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

Section IV - Status of Prior Year Audit Findings

None