

CITY OF HARTFORD, CONNECTICUT

STATE SINGLE AUDIT REPORT
JUNE 30, 2018

**CITY OF HARTFORD, CONNECTICUT
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Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Honorable Mayor and the Members of the Court of Common Council
City of Hartford, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of Hartford, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City of Hartford, Connecticut's major state programs for the year ended June 30, 2018. The City of Hartford, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hartford, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the City of Hartford, Connecticut'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 state program. However, our audit does not provide a legal determination of the City of Hartford, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the City of Hartford, Connecticut, 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 state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City of Hartford, Connecticut, 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 Hartford, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Hartford, Connecticut'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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

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 Hartford, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements. We issued our report thereon dated December 26, 2018, 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 state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 26, 2018

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Education		
Sheff Settlement	11000-SDE64370-12457	\$ 45,181
Family Resource Centers	11000-SDE64370-16110	499,590
Youth Service Bureau Enhancement	11000-SDE64370-16201	9,277
Child Nutrition State Match	11000-SDE64370-16211	160,569
Health Foods Initiative	11000-SDE64370-16212	304,682
Adult Education	11000-SDE64370-17030	1,774,995
Health & Welfare-Privat School Pupil	11000-SDE64370-17034	48,772
Alliance District	11000-SDE64370-17041-82164	12,543,354
Bilingual Education	11000-SDE64370-17042	245,360
Extended School Hours Program Grant	11000-SDE64370-17043-82054	342,147
Summer School Accountability Grant	11000-SDE64370-17043-82055	423,828
Priority School Districts	11000-SDE64370-17043-82052	4,453,233
School Breakfast Program	11000-SDE64370-17046	136,016
Youth Service Bureaus	11000-SDE64370-17052	119,279
Open Choice Program	11000-SDE64370-17053	313,774
Magnet Schools	11000-SDE64370-17057	59,683,994
Low-Performing Schools Improvement	12052-SDE64370-43594	110,904
Sheff Capital Start-Up	12052-SDE64370-43678	<u>651,756</u>
Total Department of Education		<u>81,866,711</u>
Connecticut State Library		
Historic Document Preservation	12060-CSL66094-35150	<u>7,500</u>
Department of Administrative Services		
Alliance District General Improvements	12052-DAS27635-43651	<u>1,178,836</u>
Department of Children and Families		
Juvenile Justice Outreach Services	11000-DCF91178-16043	<u>227,251</u>
Department of Consumer Protection		
Tax - Pari Mutual	34004-DCP39930-40001	<u>225,600</u>

The accompanying notes are an integral part of this schedule

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Energy and Environmental Protection		
Community Investment Account	12060-DEP43153-35328	\$ 16,016
Community Conservation and Development	13019-DEP43720-41239	34,444
Municipal Loan-Land Acquisition	12052-DEP43153-43615	4,000
Community Conservation and Development	13019-DEP43153-41239	<u>96,501</u>
Total Department of Energy and Environmental Protection		<u>150,961</u>
Department of Housing		
Housing/Homeless Services	11000-DOH46920-17038	506,094
Housing Assistance Bond Fund Taxable Grants	12064-DOH46915-40237	<u>15,000</u>
Total Department of Housing		<u>521,094</u>
Department of Transportation		
Bus Operations	12001-DOT57931-12175	66,789
Town Aid Road Grants-Municipal	12052-DOT57131-43455	597,412
Town Aid Road-STO	13033-DOT57131-43459	597,412
<i>Passed Through Greater Hartford Transit District: Enhancement/Bus Shelter Program</i>	12000-DOT57000-12379	<u>95,726</u>
Total Department of Transportation		<u>1,357,339</u>
Department of Public Health		
School Based Health Clinics	11000-DPH48832-17019	936,161
Venereal Disease Control	12004-DPH48665-17013	37,000
X-Ray Screen & Tuberculosis Care	12004-DPH48666-16112	52,163
Aids Services	12004-DPH48852-12236	<u>103,165</u>
Total Department of Public Health		<u>1,128,489</u>
Department of Emergency Services and Public Protection		
Drug Asset Forfeiture Revolving Account DPS	12060-DPS32155-35142	91,620
Enhanced 911 Telecomm Fund	12060-DPS32741-35190	<u>728,827</u>
Total Department of Emergency Services and Public Protection		<u>820,447</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	<u>837,795</u>

The accompanying notes are an integral part of this schedule

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures	
Economic and Community Development			
Urban Action Bonds - Streetscapes	13019-ECD46000-41240	\$	108,100
Quality of Life Initiatives	Project No. 20160640140940001A		395,256
CCEDA Home Ownership Appraisal GAP	12059-ECD46400-40577		162,017
175 Mather Street Remediation	12052-ECD46260-43403		3,614
North Hartford-Main Street	12052-ECD46210-43242		96,891
Hartford-Economic Development Projects	12052-ECD46210-43470		51,327
Urban Act Grant-OPM	13019-ECD46210-41240		<u>581,866</u>
Total Economic and Community Development			<u>1,399,071</u>
Judicial Branch			
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	58,631	
Non-Budgeted Operating Appropriations	34006-JUD95436-40001	\$ <u>292,970</u>	
			<u>351,601</u>
Office of Early Childhood			
Early Care and Education	11000-OEC64841-16274		1,728,344
Child Care Quality Enhancement	11000-OEC64845-16158		112,523
Early Care and Education	11000-OEC64845-16274	9,420,979	
Early Care and Education	11000-OEC64845-16274	<u>864,640</u>	
			10,285,619
Nuturing Families Network	11000-OEC64860-12603		154,253
Children's Trust Fund	11000-OEC64860-12042		<u>53,872</u>
Total Office of Early Childhood			<u>12,334,611</u>
Office of Policy and Management			
Reimburse Towns-Tax Loss On State Property	11000-OPM20600-17004		10,162,953
Reimburse Towns-Private Tax-Exempt Property	11000-OPM20600-17006		20,009,758
Reimburse Property Tax-Disability Exemption	11000-OPM20600-17011		6,813
Property Tax Relief For Veterans	11000-OPM20600-17024		39,133
Other Expenses	11000-OPM20870-10020		200,000
Local Capital Improvement	12050-OPM20600-40254		261,628
Municipal Purposes & Projects	12052-OPM20600-43587		1,419,161
Debt Service Contract Assistance	Public Act 17-2		<u>11,888,917</u>
Total Office of Policy and Management			<u>43,988,363</u>

The accompanying notes are an integral part of this schedule

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Total State Financial Assistance Before Exempt Programs		\$ <u>146,395,669</u>
Exempt Programs		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	189,803,273
Excess Cost - Student Based	11000-SDE64370-17047	<u>11,413,191</u>
Total Department of Education		<u>201,216,464</u>
Department of Administrative Services		
School Construction-Principal SDE	13010-DAS27635-40901	38,961,817
School Construction-Interest	13009-DAS27636-40896	46,620
School Construction-Principal SDE	13010-DAS27636-40901	<u>1,077,079</u>
Total Department of Administrative Services		<u>40,085,516</u>
Office of Policy and Management		
Municipal Revenue Sharing	11000-OPM20600-17102	11,883,205
Municipal Transition	11000-OPM20600-17103	12,177,213
Municipal Stabilization Grant	11000-OPM20600-17104	4,456,568
Municipal Restructuring	11000-OPM20900-17105	20,000,000
Grants To Towns	12009-OPM20600-17005	<u>6,263,314</u>
Total Office of Policy and Management		<u>54,780,300</u>
Total Exempt Programs		<u>296,082,280</u>
Total State Financial Assistance		\$ <u><u>442,477,949</u></u>

The accompanying notes are an integral part of this schedule

**CITY OF HARTFORD, CONNECTICUT
 NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Hartford, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the City of Hartford, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the City of Hartford, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hartford, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule.

NOTE 3 - LOCAL CAPITAL IMPROVEMENT PROGRAMS

The following is a list of expenditures for individual projects funded under the Local Capital Improvement Program for the fiscal year ended June 30, 2018:

<u>Project No.</u>	<u>Expenditures</u>
064-10-030	\$ 25,245
064-10-060	140,647
064-12-010	61,534
064-15-010	34,202
Total	\$ <u>261,628</u>

**CITY OF HARTFORD, CONNECTICUT
 NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 - LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2018:

Department of Energy and Environmental Protection:

Clean Water Funds:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Ending</u>
6/30/08	2%	\$ 1,921,859	\$ 1,046,796	\$ -	\$ 95,520	\$ 951,277

**Independent Auditors' 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***

To the Honorable Mayor and the Members of the Court of Common Council
City of Hartford, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements, and have issued our report thereon dated December 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hartford, Connecticut'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 Hartford, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut'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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartford, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The City of Hartford, Connecticut's Response to Findings

The City of Hartford, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Hartford, Connecticut'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 City of Hartford, Connecticut'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 City of Hartford, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 26, 2018

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? X yes _____ no

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Education:		
Priority School Districts	11000-SDE64370-17043-82052	\$ 4,453,233
Magnet Schools	11000-SDE64370-17057	59,683,994
Department of Office and Policy and Management:		
Reimburse Towns - Tax Loss on State Property	1100-OPM20600-17004	10,162,953
Debt Service Contract Assistance	Public Act 17-2	11,888,917
Dollar threshold used to distinguish between type A and type B programs:		\$ 2,927,913

II. FINANCIAL STATEMENT FINDINGS

2018-001 Revenue Collection Controls

Criteria Republic Parking System ticket controls directly related to revenue collection are inadequate to ensure accurate and complete reporting to the Hartford Parking Authority.

Condition	The internal auditor report for Republic Parking System, which assessed controls over various processes including those related to revenue collection, noted inconsistencies between ticket tracking and inventory written policies and current location practices.
Context	Operating revenue of \$8,815,578 is reported in the discretely presented component unit of the City of Hartford's Comprehensive Annual Financial Report.
Effect	The accuracy and completeness of revenue reports submitted by Republic Parking System to the Authority are unknown.
Cause	Republic Parking System was not enforcing their policies related to ticket management.
Recommendation	<p>Republic Parking System received an acceptable score on the overall internal audit assessment, however, there were deficiencies in internal controls specifically regarding ticket revenue that have a potential of negatively impacting the Hartford Parking Authority.</p> <p>We recommend that the Authority request additional auditing be performed on the Republic Parking System and their internal controls over ticket reporting be strengthened to ensure that ticket data reported to the Authority is complete and accurate.</p>
Views of Responsible Officials and Planned Corrective Actions	Hartford Parking Authority will monitor the changes and improvements regarding the internal ticket controls on a regular basis with Republic Parking System. Hartford Parking Authority will investigate the options available to obtain an external audit to be performed on the Republic Parking System.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.