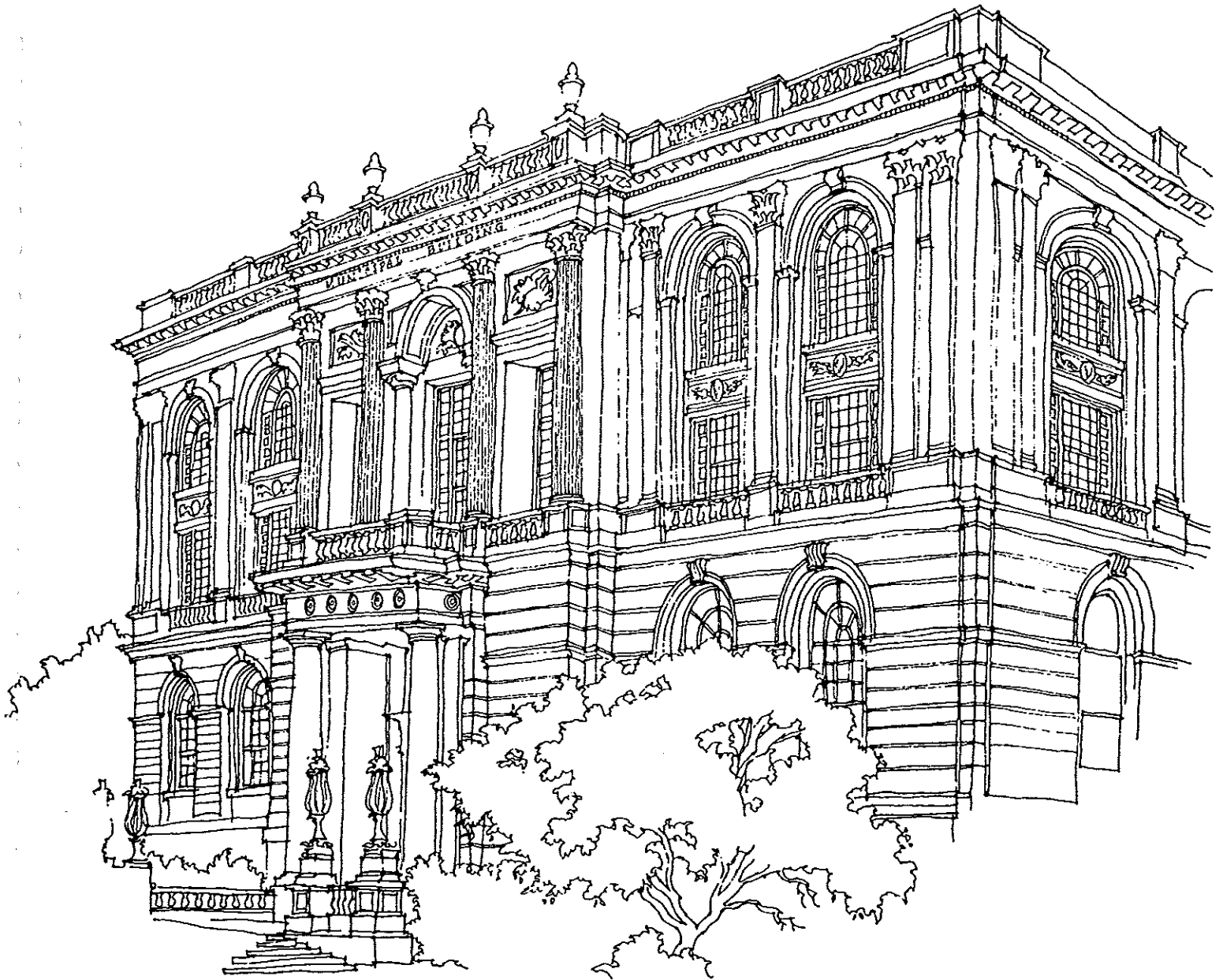


FEDERAL SINGLE AUDIT STATE SINGLE AUDIT DETAIL REPORTS



For the Fiscal Year, July 1, 2002 - June 30, 2003

CITY OF HARTFORD, CONNECTICUT

OFFICE OF THE
DIRECTOR OF FINANCE

CITY OF HARTFORD, CONNECTICUT

FEDERAL SINGLE AUDIT AND STATE SINGLE AUDIT REPORTS

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FEDERAL SINGLE AUDIT SECTION



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

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

In accordance with federal requirements, we present the following report which describes the results of our testing of federal awards.

Compliance

We have audited the compliance of the City of Hartford (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on 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'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City 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 internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

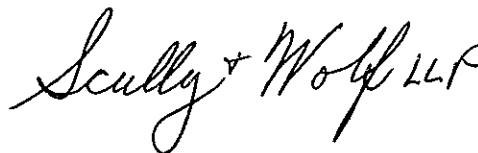
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated February 24, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, the Mayor and members of the Court of Common Council, the Board of Education, 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.

February 24, 2004

A handwritten signature in cursive script that reads "Scully & Wolf LLP".

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number/ Project Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| DEPARTMENT OF AGRICULTURE | | | |
| Passed through the Connecticut Department of Education: | | | |
| School Breakfast Program | 10.553 | 064-503-300010001 | \$ 1,501,203 |
| National School Lunch Program | 10.555 | 064-520-300010001 | 6,790,264 |
| Donated Commodities | 10.550 | | 623,561 |
| Child and Adult Care Food Program | 10.558 | 064-506-300010183 | 111,280 |
| Summer Food Service Program | 10.559 | | 307,719 |
| Summer Lunch Program | 10.559 | 064-513-200010183 | 179,318 |
| Passed through the Connecticut Department of Public Health: | | | |
| Women, Infant and Children | 10.557 | 2003-288, 2000-166 | 887,094 |
| Passed through the Connecticut Department of Social Services: | | | |
| Food Stamp Employment and Training | 10.551 | | <u>250,438</u> |
| Total Department of Agriculture | | | <u>\$10,650,877</u> |
| DEPARTMENT OF EDUCATION | | | |
| Direct program: | | | |
| Title VII – Bilingual Education Act – System-Wide | 84.291R | | \$ 947,234 |
| Federal Public Law 81-874 | 84.041 | | 114,206 |
| Passed through the Connecticut Department of Education: | | | |
| Title I ESEA - Part A Improving Basics | 84.010 | 064-861-200030101 | 513,571 |
| | | 064-861-300030101 | 18,345,744 |
| | | 064-861-300000130 | 692,330 |
| Title I ESEA - Children of Migrant Workers | 84.011 | 064-961-200030102 | 136,450 |
| | | 064-961-300000102 | 684,299 |
| Title I - Migrant Consortium Incentive | | 064-960-200030102 | 7,372 |
| Title VI - Innovative Education Strategies | 84.298 | 064-942-200030101 | 112,260 |
| | | 064-942-300030101 | 257,097 |
| Reading Excellence | 84.338 | 064-902-200001104 | 35,195 |
| | | 064-902-200001107 | 287,370 |
| | | 064-902-200002104 | 13,315 |
| | | 064-902-200002107 | 334,847 |
| | | 064-902-200003104 | 24,872 |
| | | 064-902-200003107 | 387,692 |
| | | 064-902-200004104 | 14,987 |
| | | 064-902-200004107 | 287,420 |
| | | 064-902-200005104 | 34,784 |
| | | 064-902-200005107 | 330,794 |
| | | 064-902-200006104 | 32,581 |
| Title VI - Class Size Reduction Program | 84.340 | 064-903-200030101 | 36,330 |
| IDEA Part B: | 84.027 | 064-962-200381101 | 500,614 |
| | | 064-962-200760149 | 34,933 |
| | | 064-962-300031101 | 3,599,948 |
| Carl Perkins Vocational & Applied Tech | 84.048 | 064-901-300130101 | 1,036,334 |
| Emergency Immigrant Education (EIEA - Title II-PL 98-377) | 84.162 | 064-978-200030101 | 34,599 |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number/ Project Number | Expenditures |
|---|------------------------------------|--|---------------------|
| Passed through the Connecticut Department of Education (cont): | | | |
| Title II - Eisenhower | 84.281 | 064-941-200031101 | \$ 93,349 |
| Title VI - Safe and Drug Free | 84.186 | 064-929-200031101 | 49,289 |
| | | 064-929-300030101 | 359,473 |
| Technology Literacy Challenge Fund | 84.318 | 064-918-300030101 | 322,370 |
| Title II Part A, Teacher Training | 84.367 | 064-924-300030101 | 3,273,694 |
| Title III Bilingual Language | 84.365 | 064-927-300030101 | 158,089 |
| | | 064-927-300031101 | 95,413 |
| Comprehensive School Reform Demonstration | 84.332 | 064-911-200000103 | 17,224 |
| | | 064-911-200007103 | 52,519 |
| | | 064-911-200008103 | 52,650 |
| | | 064-911-200009103 | 52,650 |
| | | 064-911-200010103 | 52,650 |
| | | 064-911-200011103 | 52,649 |
| | | 064-911-200012103 | 50,049 |
| | | 064-911-200013103 | 52,649 |
| | | 064-911-200014103 | 20,433 |
| | | 064-911-200015103 | 19,503 |
| | | 064-911-200016103 | 20,432 |
| | | 064-911-200017103 | 20,433 |
| | | 064-911-200018103 | 20,433 |
| | | 064-911-200019103 | 20,433 |
| | | 064-911-200020103 | 20,433 |
| | | 064-911-200021103 | 20,433 |
| | | 064-911-200022103 | 19,825 |
| | | 064-911-300000103 | 27,949 |
| | | 064-911-300001103 | 26,983 |
| | | 064-911-300002103 | 28,355 |
| | | 064-911-300003103 | 26,810 |
| | | 064-911-300004103 | 27,535 |
| | | 064-911-300005103 | 18,110 |
| | | 064-911-300006103 | 22,347 |
| | | 064-911-300007103 | 30,790 |
| | | 064-911-300008103 | 29,415 |
| Education of Homeless Children and Youth | 84.196 | 064-907-200000001 | 19,713 |
| | | 064-907-300000001 | 24,900 |
| Preschool Grants Program | 84.173 | 064-963-200381101 | 39,654 |
| | | 064-963-300031101 | 188,544 |
| Adult Education | 84.002 | 064-910-300350140 | 25,000 |
| | | 064-910-300360140 | 74,000 |
| LSTA - Outreach for Non English Speaking Children | 84.034 | | <u>24,782</u> |
| Total Department of Education | | | <u>\$34,389,140</u> |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number/ Project Number | Expenditures |
|---|------------------------------------|--|---------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Direct programs: | | | |
| Ryan White Aids Resources Title I | 93.914 | | \$4,989,001 |
| Metropolitan Medical Response System | 93.003 | | 116,225 |
| Asian Access Project | 93.230 | | 405,551 |
| Passed through the Connecticut Department of Public Health: | | | |
| Aids, Outreach, Education and Preventative Health | 93.940 | 2003-218 | 153,881 |
| Childhood Immunization Grants | 93.268 | 2002-080 | 98,719 |
| Preventive Health Services-Sexually Transmitted Disease Control | 93.977 | 2003-164 | 176,861 |
| Lead Poisoning Prevention Program | 93.197 | 2003-082 | 85,891 |
| Risk Factor Surveillance | 93.991 | 2003-108 | 51,144 |
| Passed through the Connecticut Department of Social Services via North Central Agency: | | | |
| Special Programs for Aging Title III (Transportation) | 93.045 | | <u>626,674</u> |
| Total Department of Health and Human Services | | | <u>\$6,703,947</u> |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct programs: | | | |
| Substantial Rehabilitation | 14.182 | | \$ 348,269 |
| Moderate Rehabilitation | 14.856 | | 1,661,114 |
| Section 8 Rental Voucher Program | 14.871 | | 30,947,101 |
| Home Investment Partnership Program | 14.239 | 1995 | 12 |
| | | 1996 | 14 |
| | | 1997 | 157 |
| | | 1998 | 2,933 |
| | | 2000 | 344,637 |
| | | 2001 | 316,269 |
| | | 2002 | 269,024 |
| | | 2003 | 822,355 |
| Community Development Entitlement (Block) Grant | 14.218 | 1998 | 28,625 |
| | | 1999 | 144,482 |
| | | 2000 | 97,750 |
| | | 2001 | 871,261 |
| | | 2002 | 1,048,485 |
| | | 2003 | 4,484,483 |
| Emergency Shelter Grant | 14.231 | | 256,938 |
| Housing Opportunities for Persons with Aids | 14.241 | | 1,524,198 |
| SANA Apartments | 14.199 | | 1,154,771 |
| Temple Street Redevelopment | 14.246 | | 60,248 |
| Chapple Gardens | 14.193 | | 25,934 |
| Passed through the Connecticut Department of Economic and Community Development: | | | |
| Lead Based Paint Control in Priority Housing Program | 14.900 | 1995-064-059-000-000092 | <u>1,273,876</u> |
| Total Department of Housing and Urban Development | | | <u>\$45,682,936</u> |

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number/ Project Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| DEPARTMENT OF JUSTICE | | | |
| Direct programs: | | | |
| Comprehensive Communities Program Phase 2-B | 16.580 | | \$ (19,267) |
| Weed and Seed Forfeiture | 16.595 | | 77,852 |
| Weed and Seed Program | 16.595 | 97 | 6,239 |
| | | 98 | 8,014 |
| | | 99 | 31,099 |
| | | 03 | 141,866 |
| Local Law Enforcement Block Grant | 16.592 | | 391,008 |
| COPS In Shops | 16.710 | | 556,437 |
| COPS In Schools | 16.710 | | 45,766 |
| COPS More Program | 16.710 | | 316,773 |
| School Based Partnership | 16.710 | | 27,853 |
| Passed through Connecticut Department of Public Safety: | | | |
| State Wide Narcotics Task Force | 16.579 | | 1,384,136 |
| Passed through the Office of Policy and Management: | | | |
| Comprehensive Approach to Underage Drinking | 16.542 | | 12,716 |
| PILOT ReIntegration Education Program | 16.579 | | 287,000 |
| Total Department of Justice | | | <u>\$3,267,492</u> |
| DEPARTMENT OF LABOR | | | |
| Direct program: | | | |
| Youth Opportunity Program | 17.263 | | \$115,914 |
| Passed through the National Council of Senior Citizens: | | | |
| Senior Community Service Employment Program | 17.235 | | 373,460 |
| Total Department of Labor | | | <u>\$489,374</u> |
| FEDERAL EMERGENCY MANAGEMENT AGENCY | | | |
| Direct program: | | | |
| Fire Fighting Equipment | 83.554 | | \$309,025 |
| Passed through Connecticut Department of Public Safety/Emergency Management: | | | |
| Civil Defense-State and Local Emergency Management Assistance | 83.503 | | 67,260 |
| Passed through the Office of Policy and Management: | | | |
| Disaster Assistance Program | 83.554 | | 127,096 |
| Total Federal Emergency Management Agency | | | <u>\$503,381</u> |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number/ Project Number | Expenditures |
|---|------------------------------------|--|----------------------|
| DEPARTMENT OF TRANSPORTATION | | | |
| Passed through Connecticut Department of Transportation: | | | |
| <u>Highway Planning and Construction:</u> | 20.205 | | |
| Woodland Street Reconstruction (63-540) | | STPH-1895(05) | \$ 361,097 |
| Walnut Street Intersection (63-530) | | | 99,987 |
| Design of Columbus Blvd Bridge Design (63-529) | | TEA-PEDS 4 | 4,236 |
| Construction of Columbus Blvd Pedestrian Bridge (63-529) | | | 174,292 |
| Hudson Street Reconstruction (63-531) | | | 270,546 |
| Upgrade of Hartford Traffic Signals (63-573) | | | 334,305 |
| Tourist Destination Sinage (63-575) | | | <u>188,192</u> |
| Total Department of Transportation | | | <u>\$1,432,655</u> |
| ENVIRONMENTAL PROTECTION AGENCY | | | |
| Direct programs: | | | |
| Brownfield Program | 66.811 | BP991161-01-0 | \$37,919 |
| Community Environmental Outreach Services | 66.606 | | <u>3,059</u> |
| Total Environmental Protection Agency | | | <u>\$40,978</u> |
| DEPARTMENT OF COMMERCE | | | |
| Economic Development Administration | | | |
| Direct program: | | | |
| Neighborhood Streetscape Improvements/Veeder Place | 11.304 | 01-11-03749 | <u>\$4,188</u> |
| DEPARTMENT OF THE INTERIOR | | | |
| Direct program: | | | |
| Keeney Park Improvements | 15.919 | UPARR-9-3 | <u>\$235,610</u> |
| TOTAL FEDERAL ASSISTANCE EXPENDITURES | | | <u>\$103,400,578</u> |

See Notes to Schedule

CITY OF HARTFORD, CONNECTICUT

FEDERAL AWARD PROGRAMS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

I. SUMMARY OF AUDIT RESULTS

- We audited the basic financial statements of the City of Hartford, Connecticut as of and for the year ended June 30, 2003 and issued our unqualified report thereon dated February 24, 2004.
- We have also issued our unqualified opinion dated, February 24, 2004, on the City's Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.
- The audit disclosed no instances of material noncompliance.
- The audit disclosed no reportable conditions in internal control over major programs.
- We have issued an unqualified opinion relating to compliance for major programs.
- The audit disclosed no audit findings.
- The following schedule reflects the major programs included in the audit:

| Federal Grantor and <u>Program</u> | Federal CFDA <u>Number</u> | <u>Expenditure</u> |
|---|---|---------------------------|
| U.S. Department of Agriculture: | | |
| Child Nutrition Cluster: | | |
| School Breakfast Program | 10.553 | \$1,501,203 |
| National School Lunch Program | 10.555 | \$6,790,264 |
| Summer Food Service Program | 10.559 | \$307,719 |
| Summer Lunch Program | 10.559 | \$179,318 |
| U.S. Department of Education: | | |
| Title II - Part A Teacher Training | 84.367 | \$3,273,694 |
| Title I ESEA - Part A Improving Basics | 84.010 | \$19,551,645 |
| U.S. Department of Housing and Urban Development: | | |
| Section 8 Rental Voucher Program | 14.871 | \$30,947,101 |
| Community Development Block Grant | 14.218 | \$6,675,086 |
| HOME Investment Partnership Program | 14.239 | \$1,755,401 |
| U.S. Department of Health and Human Services: | | |
| Ryan White AIDS Resources Title I | 93.914 | \$4,989,001 |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.**

- The dollar threshold used to distinguish Type A and Type B programs is \$3,000,000.
- The entity is not a low-risk auditee.

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED
UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated February 24, 2004, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated twelve reportable conditions, four of which are considered material weaknesses.

Reportable Conditions:

1. Housing and Development Loans – Loans Receivable Management
2. General Ledger Review
3. Cash Control Ledger – Smartstream Utilization
4. Accounting Staff Training
5. Financial Management System – General Ledger Accounting and Financial Reporting
6. Fixed Asset Management and Infrastructure Reporting System
7. Smartstream Payroll Conversion
8. Tax Department – System and Departmental Controls

Material Weaknesses:

1. Departmental Revenue – Accounts Receivable Management
2. Document Imaging System – Records Retention
3. Finance Department Structure
4. Bank Reconciliation

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

- No findings or questioned costs are reported relating to Federal awards.

CITY OF HARTFORD, CONNECTICUT

FEDERAL AWARD PROGRAMS

NOTES TO SCHEDULES FOR THE YEAR ENDED JUNE 30, 2003

Various agencies of the Federal Government have made financial assistance available to the City of Hartford. These grants fund several programs including housing, education, human services, transportation, and general government activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the Federal grant programs of the City of Hartford are maintained in separate funds. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- . Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factor for determining eligibility recognize grant revenue to the extent of expenditures.
- . Expenditures are recorded on the accrual basis. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as an expenditure.

U.S.D.A. Contributions

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$623,561 is reflected in the accompanying financial schedules and represents the market value of such commodities received during the period.

2. STATUS OF PRIOR YEAR FINDINGS

- 02-1 The prior year finding related to documenting Housing Quality Standards (HQS) inspections has been corrected. A standard HQS checklist was used during the year and the associated inspection documentation was filed in the project folder.
- 02-2 The Board of Education monitoring of Educational Grant budgets has improved. The number of grants not expended in accordance with the budget has decreased significantly since last year. There was one grant with expenditures that did not adhere to State Department of Education budget guidelines in the current year. The budget deviation was less than \$1,000.

3. HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOANS

The City has entered into a Federal HUD Section 108 Loan. The principal balance remaining is \$1,995,000. Principal of \$80,000 and interest in the amount of \$138,000 was paid in the 2002-03 fiscal year.

STATE SINGLE AUDIT SECTION



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

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

In accordance with State of Connecticut requirements, we present the following report which describes the results of our testing of State financial assistance.

Compliance

We have audited the compliance of the City of Hartford (the "City") with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2003. The major state programs are identified in the summary of auditors' 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 state programs is the responsibility of the City's management. Our responsibility is to express an opinion on 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 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'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with the State Single Audit Act and which is described in the accompanying schedule of findings and questioned costs as item 03-1.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated February 24, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor and members of the Court of Common Council, the Board of Education, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2004

A handwritten signature in cursive script that reads "Scully & Wolf LLP". The signature is written in dark ink and is positioned to the right of the date.

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grant Program Identification No.</u> | <u>Project Number</u> | <u>Expenditures</u> |
|---|---|-----------------------|---------------------|
| DEPARTMENT OF CHILDREN AND FAMILIES | | | |
| Parent Aide | 0-8102-607 | | <u>\$8,108</u> |
| DEPARTMENT OF EDUCATION | | | |
| Nonpublic Health Services | 0-7001-713 | 064-713-000020001 | \$ 64,285 |
| Magnet School Transportation | 0-7001-752 | 064-752-000010001 | 196,800 |
| General Improvements to School Buildings | 1873-7001-011 | 064-011-000000001 | 2,095,988 |
| Technology Infrastructure | 0-7001-013 | 064-013-000000101 | 40,496 |
| Technology Infrastructure | 0-7001-013 | 064-013-0000003101 | 892 |
| Family Resource Center | 0-7001-617 | 064-617-000000102 | 86,093 |
| Family Resource Center | 0-7001-617 | 064-617-000001102 | 86,093 |
| Family Resource Center | 0-7001-617 | 064-617-000002102 | 86,093 |
| Family Resource Center | 0-7001-617 | 064-617-000003102 | 86,093 |
| Family Resource Center | 0-7001-617 | 064-617-000004102 | 86,093 |
| Adult Education Co-op Eligibility Entity | 0-7001-710 | 064-710-000330140 | 5,847,847 |
| Adult Education Literacy Volunteers | 0-7001-710 | 064-710-000333140 | 81,467 |
| Adult Education Urban League | 0-7001-710 | 064-710-000331140 | 62,921 |
| Adult Education YMCA | 0-7001-710 | 064-710-000332140 | 23,159 |
| Bilingual Education | 0-7001-720 | 064-720-000000101 | 471,062 |
| Priority School District | 0-7001-723 | 064-723-000840101 | 2,078,125 |
| Young Parents Program | 0-7001-724 | 064-724-000011102 | 14,652 |
| After School Grant Program | 0-7001-723 | 064-723-000860101 | 465,271 |
| Youth Service Bureau | 0-7001-745 | 064-745-000030101 | 142,893 |
| Open Choice Program | 0-7001-747 | 064-747-000000189 | 60,072 |
| Lighthouse Schools | 0-7001-748 | 064-748-000000103 | 70,792 |
| Early Reading Success | 0-7001-723 | 064-723-000850101 | 2,954,523 |
| Primary Mental Health | 0-7001-029 | 064-029-000000042 | 14,400 |
| School Accountability | 0-7001-723 | 064-723-000870101 | 371,743 |
| School Breakfast Program | 0-7001-732 | 064-732-000000034 | 184,997 |
| Child Nutrition Program - State Match | 0-7001-608 | 064-608-000010181 | 175,873 |
| Pathways to Technology Interdistrict | 0-7001-748 | 064-748-000001103 | 72,913 |
| Breakthrough Magnet School | 0-7001-752 | 064-752-000011196 | 627,121 |
| Sports Science Academy | 0-7001-752 | 064-752-000012196 | 532,364 |
| Passed through the Capital Region Education Council: | | | |
| School Readiness and Child Day Care | 0-7001-723 | | <u>1,416,653</u> |
| Total Department of Education | | | <u>\$18,497,774</u> |
| BOARD OF EDUCATION AND SERVICES FOR THE BLIND | | | |
| Services to Persons with Impaired Vision | 0-7101-701 | | <u>\$430,467</u> |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | |
| Municipal Outdoor Recreation Fund: | 3871-3100-020 | | |
| Colt and Keeney Park Improvements | | | \$ 3,840 |
| Maria Sanchez School Environmental Center | | | 110,495 |
| Mary Hooker School Land Improvements | | | <u>60,174</u> |
| Total Department of Environmental Protection | | | <u>\$174,509</u> |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grant Program Identification No.</u> | <u>Project Number</u> | <u>Expenditures</u> |
|---|---|-------------------------|---------------------|
| DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT | | | |
| PILOT Mod. Rental (PHA) Housing | 0-1155-703 | 064-PILOT-31 | \$ 269,067 |
| Tax Abatement Program | 0-3500-038 | 064-TA-various | 556,513 |
| Regional Economic Development Project - Veeder Root | 3500-02-0217 | | 149,538 |
| | 3500-02-0216 | | 179,411 |
| Housing and Community Development Program | 1800-3500-008 | 1995-064-008-000-000010 | 1,853 |
| Hartford Stabilization and Revitalization Initiative - Phase II(Urban Act) | 3795-3500-02-0217 | 1997064027 | 799,633 |
| Grant-in-aid for Capital City projects (CCEDA) | 1971-3500-070 | | 2,665,729 |
| Santa Monica's Phase II | | | <u>91,037</u> |
| Total Dept. of Economic and Community Development | | | <u>\$4,712,781</u> |
| DEPARTMENT OF LABOR | | | |
| Community Employment Incentive Program Employability Grant | 0-2610-031 | CE2340003124855 | <u>\$52,284</u> |
| DEPARTMENT OF PUBLIC HEALTH | | | |
| Asthma Program | 0-4001-018 | 2002-254 | \$ 87,668 |
| Local and District Department of Health | 0-4001-702 | | 181,409 |
| School Based Health Clinics | 0-4001-705 | | 529,787 |
| Tuberculosis Control and Prevention | 0-4001-618 | 2003-164 | <u>46,504</u> |
| Total Department of Public Health | | | <u>\$845,368</u> |
| DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES | | | |
| Substance Abuse and Prevention Program | 0-4402-034-604 | | <u>\$4,716</u> |
| DEPARTMENT OF SOCIAL SERVICES | | | |
| Child Day Care | 0-6100-661 | | \$1,995,600 |
| Emergency Shelter Service | 0-6100-649 | | 540,982 |
| Summer Youth Transportation | 0-6100-708 | 064-BUS10/12 | 12,369 |
| Hartford Healthy Start | 0-6100-018 | | 92,539 |
| Medicaid | 0-6100-962 | | <u>1,599,482</u> |
| Total Department of Social Services | | | <u>\$4,240,972</u> |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grant Program Identification No.</u> | <u>Project Number</u> | <u>Expenditures</u> |
|--|---|-----------------------|---------------------|
| OFFICE OF POLICY AND MANAGEMENT | | | |
| Mashantucket Pequot/Mohegan Grant | 0-1114-9802-701 | | \$13,640,708 |
| Payment in Lieu of Taxes (PILOT) on State-owned Property | 0-1310-9801-701 | | 6,162,976 |
| Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities | 0-1310-704 | | 93,959 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals | 0-1310-9804-701 | | 18,245,608 |
| Property Tax Relief for Manufacturing Machinery and Equipment | 0-1310-711 | | 527,079 |
| Property Tax Relief for Totally Disabled | 0-1310-703 | | 6,063 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 0-1310-705 | | 300,658 |
| Property Tax Relief for Elderly Homeowners - Freeze Program | 0-1310-706 | | 23,469 |
| Property Tax Relief for Veterans | 0-1310-707 | | 161,723 |
| Drug Enforcement Program | 0-1310-710 | | 666,846 |
| Summer Recreation Program | 1310-912 | | 125,741 |
| Hartford Neighborhood Youth Centers - Central Cluster | 0-1310-712 | | 125,537 |
| Waste Water Treatment Facility Host Grant | 0-1310-716 | | 23,800 |
| School Attendance Project | 0-1310-042 | | 27,000 |
| Bomb Squad Equipment Purchase | 0-1310-610 | | 6,155 |
| Relocation Project Fund | 0-1310-709 | | 1,579,054 |
| Local Capital Improvement Program: | 0-1310-1870-010 | | |
| West Service Road Extension | | | 500,962 |
| STP Federal Road Match | | | 29,867 |
| Replacement of Doors and Windows at 525 Main Street | | | 47,040 |
| 2 Holcomb and 40 Jennings Road | | | 1,713 |
| Flood Control Facilities | | | 1,171 |
| High Street Pavement Rehabilitation | | | 114,989 |
| Traffic Circulation | | | 228,195 |
| Reconstruction | | | 60,735 |
| Municipal Building Improvements | | | 128,890 |
| Total Office of Policy and Management | | | <u>\$42,829,938</u> |
| DEPARTMENT OF REVENUE SERVICES/DIVISION OF SPECIAL REVENUE | | | |
| Payments to Municipalities | 1110-1204-999 | | <u>\$364,384</u> |
| CONNECTICUT STATE LIBRARY | | | |
| State Grants to Public Libraries | 0-7104-701 | | \$10,524 |
| Connecticard Payments | 0-7104-702 | | 15,612 |
| Historic Records Preservation | * | 064-PC-03 | 6,756 |
| Arts Presentation Grants | 0-7104-604 | | <u>2,664</u> |
| Total Connecticut State Library | | | <u>\$35,556</u> |

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grant Program Identification No.</u> | <u>Project Number</u> | <u>Expenditures</u> |
|---|---|-----------------------|----------------------|
| DEPARTMENT OF TRANSPORTATION | | | |
| Urban Systems Program/Transportation Fund: | | | |
| Reconstruction of Walnut | 3842-5100-011 | 63-477 | \$ 4,492 |
| Safety Improvements Washington and Ward | | | 494 |
| Reconstruction of Woodland | | 63-540 | 90,274 |
| Town Aid Road Grant Transportation Fund | 5000-714 | | 359,867 |
| Motorcycle Rider Education Grant | * | | 3,655 |
| Passed through the Greater Hartford Transit District: | | | |
| Dial-a-Ride | 1201-5700-027 | | <u>177,400</u> |
| Total Department of Transportation | | | <u>\$636,182</u> |
| DEPARTMENT OF PUBLIC SAFETY | | | |
| State Police: | | | |
| State Asset Forfeiture Revolving Fund | 1174-2000-999 | | \$462,289 |
| 911 Enhancement | 0-2000-371 | 96-150 | 437,889 |
| Bomb Squad Transport Vehicle | * | PA 79-607 | <u>87,215</u> |
| Total Department of Public Safety | | | <u>\$987,393</u> |
| STATE COMPTROLLER | | | |
| Boat Grant | * | | <u>\$12,768</u> |
| TOTAL STATE ASSISTANCE EXPENDITURES | | | <u>\$73,833,200</u> |
| EXEMPT PROGRAMS: | | | |
| DEPARTMENT OF EDUCATION | | | |
| Education Cost Sharing | 0-7001-719 | | \$161,884,316 |
| School Building Grant – Progress Payments | 3090-7001-010 | | 8,860,093 |
| Transportation of School Children | 0-7001-709 | | 1,994,375 |
| School Building Grant Interest Subsidy | 0-7001-703 | | 1,914,614 |
| School Building Grant Principal Subsidy | 0-7001-710 | | 4,414,638 |
| Special Education | 0-7001-733 | | <u>3,801,059</u> |
| Total Exempt | | | <u>\$182,869,095</u> |
| TOTAL | | | <u>\$256,702,295</u> |

*ID number not available

See Notes to Schedule

CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued -- unqualified:

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? 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
- Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs - unqualified:

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 Grant Program Identification Number | Expenditures |
|--|--|---------------------|
| Department of Education: | | |
| Priority School District | 0-7001-723 | \$2,078,125 |
| General Improvements to School Buildings | 1873-7001-011 | \$2,095,988 |
| Adult Education | 0-7001-710 | \$6,015,394 |
| Early Reading Success | 0-7001-723 | \$2,954,523 |
| Magnet Schools | 0-7001-752 | \$1,159,485 |
| Passed through the Capital Region Education Council: | | |
| School Readiness and Child Day Care | 0-7001-723 | \$1,416,653 |
| Department of Economic and Community Development: | | |
| Grant in Aid for Capital City Projects -- CCEDA | 1971-3500-070 | \$2,665,729 |

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.

| <u>State Grantor and Program</u> | <u>State Grant Program Identification Number</u> | <u>Expenditures</u> |
|--|--|---------------------|
| Department of Economic and Community Development (continued): Hartford Stabilization and Revitalization Initiative Phase II | 3795-3500-02-0217 | \$799,633 |
| Department of Social Services: | | |
| Child Day Care | 0-6100-661 | \$1,599,482 |
| Medicaid | 0-6100-962 | \$1,995,600 |
| Office of Policy and Management: | | |
| Mashantucket Pequot/Mohegan Grant | 0-1114-9802-701 | \$13,640,708 |
| Payment in Lieu of Taxes (PILOT) on State-owned Property | 0-1310-9801-701 | \$6,162,976 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals | 0-1310-9804-701 | \$18,245,608 |
| Local Capital Improvement Program | 0-1310-1870-010 | \$1,113,562 |
| Relocation Project Fund | * | \$1,579,054 |

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED
UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated February 24, 2004, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated twelve reportable conditions, four of which are considered material weaknesses.

Reportable Conditions:

1. Housing and Development Loans -- Loans Receivable Management
2. General Ledger Review
3. Cash Control Ledger -- Smartstream Utilization
4. Accounting Staff Training
5. Financial Management System -- General Ledger Accounting and Financial Reporting
6. Fixed Asset Management and Infrastructure Reporting System
7. Smartstream Payroll Conversion
8. Tax Department -- System and Departmental Controls

Material Weaknesses:

1. Departmental Revenue -- Accounts Receivable Management
2. Document Imaging System -- Records Retention
3. Finance Department Structure
4. Bank Reconciliation

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

FINDING 03-1

Questioned costs related to overexpended line item budgets for grants from the State of Connecticut Department of Education

| Program Title And <u>Project Number</u> | <u>Description</u> | <u>Questioned Costs</u> |
|--|---|------------------------------------|
| Breakthrough Magnet School 752-000011196 | Expenditures for Educational Aides (Line 112A) exceed the approved budget by ten percent. | <u>\$6,480</u> |
| Condition: | The previously noted grant was not expended in accordance with the approved budget. | |
| Criteria: | As outlined by the State of Connecticut Department of Education Bureau of Grant Services, budgeted line items greater than \$10,000 should not exceed ten percent of the approved budget without requesting formal budgetary revisions. | |
| Effect: | Costs have been charged in excess of approved amounts. Questioned costs will be reviewed by the State Department of Education for disallowance. | |
| Cause: | Budgets were not adequately monitored and budget revisions were not requested. | |
| Recommendation: | We recommend that budgets be reviewed and budget revisions be requested so that individual line items are not overexpended in accordance with State Department of Education guidelines. | |

CITY OF HARTFORD, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2003

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Hartford through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public works, social services, property tax relief, environmental protection, and public safety.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- . Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factor for determining eligibility recognize grant revenue to the extent of expenditures.
- . Expenditures are recorded on the accrual basis. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as an expenditure.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on Section 4-230-19 of the Single Audit Act. In accordance with this section, 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 of Expenditures of State Financial Assistance.
