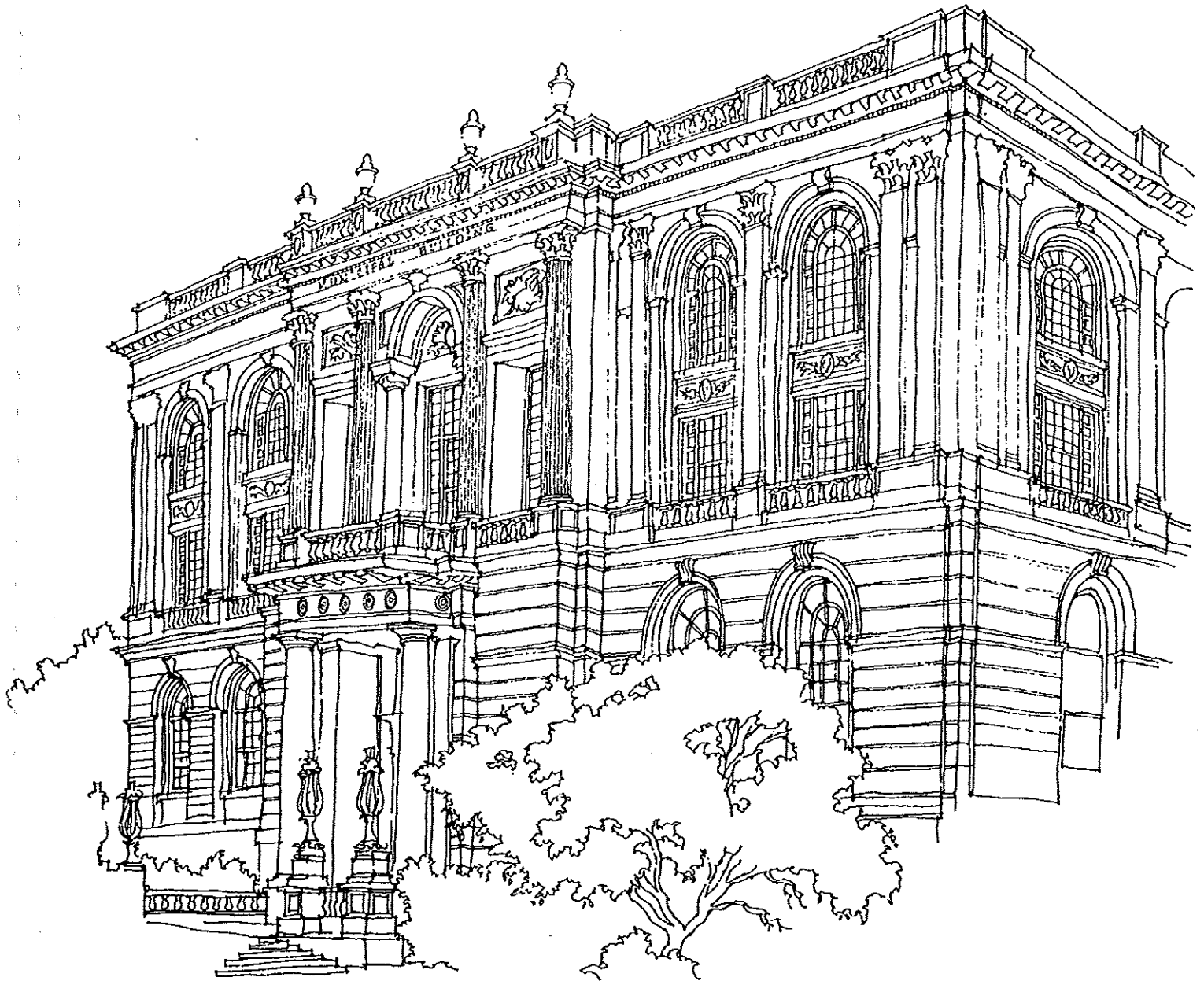


FEDERAL SINGLE AUDIT STATE SINGLE AUDIT DETAIL REPORTS



For The Fiscal Year, July 1, 2003 - June 30, 2004

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, 2004. 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, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2.

Internal Control Over Compliance

The management of the Town 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 reportable 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 caused by error or fraud 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2004, and have issued our report thereon dated December 29, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Except for the exclusion of the non-cash portion of the Special Supplemental Nutrition Program for Women, Infants, and Children program (CFSA #10.557) from 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 29, 2004

A handwritten signature in cursive script, reading "Scully & Wolf LLP".

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<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	064-503-400010001	\$ 1,552,303
National School Lunch Program	10.555	064-520-400010001	6,860,792
Donated Commodities	10.550		370,279
Child and Adult Care Food Program	10.558	064-506-400010183	103,232
Summer Food Service Program	10.559		355,699
Summer Lunch Program	10.559	064-513-400010183	158,209
Passed through the Connecticut Department of Public Health:			
Women, Infant and Children	10.557	2003-288	820,805
Women, Infant and Children Food Benefits Provided	10.557	2003-288	5,432,456
Passed through the Connecticut Department of Social Services:			
Food Stamp Employment and Training	10.551		<u>614,192</u>
Total Department of Agriculture			<u>16,267,967</u>
DEPARTMENT OF EDUCATION			
Direct programs:			
Title VII – Bilingual Education Act – System-Wide	84.291R		453,589
Federal Public Law 81-874	84.041		70,007
Colt Community Technology Center	84.341		143,256
Elementary School Counseling Program	84.215E		416,945
Drug and Violence Prevention Coordinators for Middle School	84.184K		62,246
Professional Development for Music Educators	84.351C		283,535
Community Technology Centers	84.341A		124,945
Teaching American History Grants	84.215X		400,136
Smaller Learning Communities	84.215L		421,595
Twenty-First Century Community Learning Center	84.287		334,047
Safe Schools Healthy Students	84.184L		1,154,996
Passed through the Connecticut Department of Education:			
Title I ESEA - Part A Improving Basics	84.010	064-861-400030101	17,796,098
		064-861-300030101	2,526,917
Title I ESEA - Part A School Improvements	84.010	064-861-400000130	633,723
		064-861-300000130	73,466
Title I ESEA - Children of Migrant Workers	84.011	064-961-400030102	588,199
		064-961-300000102	163,835
Title I - Migrant Consortium Incentive	84.011	064-960-300000102	3,312
Title V - Innovative Education Strategies	84.298	064-942-400030101	200,276
		064-942-300030101	41,980
Reading Excellence	84.159	064-902-200001104	43,039
		064-902-200001107	95,397
		064-902-200002104	86,604
		064-902-200002107	47,921
		064-902-200003104	66,085
		064-902-200003107	95,075
		064-902-200004104	76,194
		064-902-200004107	95,343
		064-902-200005104	65,213
		064-902-200005107	51,974
		064-902-200006104	56,681
		064-902-200006107	366,673
		064-902-200007107	382,765
		064-902-200008107	482,767

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<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>
Passed through the Connecticut Department of Education (cont):			
Reading Excellence (continued):	84.159	064-902-200009107	\$ 382,553
		064-902-200000107	381,867
State Program Improvement Grant	84.323	064-954-200000240	28,132
IDEA Part B:	84.027	064-962-400031101	4,436,524
		064-962-400760149	24,000
		064-962-300031101	605,661
		064-962-300000102	3,896
		064-962-300920149	49,077
Carl Perkins Vocational & Applied Tech	84.048	064-901-400130101	910,842
Title Part B – Reading First	84.253	064-923-300000103	921
Title VI - Safe and Drug Free	84.186	064-929-400030101	393,560
		064-929-300030101	79,387
Technology Literacy Challenge Fund	84.318	064-918-300030101	282,135
		064-918-400030101	434,885
		064-918-300001103	99,109
Title II Part A Teacher Training	84.367	064-924-300030101	442,895
		064-924-400030101	3,348,574
Title III Bilingual Language	84.365	064-927-400031101	221,653
		064-927-300031101	28,864
Title III Part A - English	84.365	064-927-400030101	228,307
		064-927-300030101	319,014
Comprehensive School Reform Demonstration	84.332	064-911-300000103	51,324
		064-911-300009103	53,635
		064-911-300010103	52,649
		064-911-300011103	52,647
		064-911-300012103	49,979
		064-911-300013103	52,647
		064-911-300014103	52,590
		064-911-300015103	52,646
		064-911-300016103	52,649
		064-911-300001103	53,635
		064-911-300002103	53,632
		064-911-300003103	53,624
		064-911-300004103	53,635
		064-911-300005103	53,634
		064-911-400006103	46,049
		064-911-400007103	47,316
		064-911-400008103	53,634
Education of Homeless Children and Youth	84.196	064-907-400000001	25,035
Preschool Grants Program	84.173	064-963-400031101	189,649
		064-963-300031101	30,155
Adult Education	84.002	064-910-400350140	25,000
		064-910-400360140	74,000
Twenty First Century Community Learning Center	84.287		<u>114,793</u>
Total Department of Education			<u>41,951,247</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<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 HEALTH AND HUMAN SERVICES			
Direct programs:			
Ryan White Aids Resources Title I	93.914		\$ 4,508,451
Metropolitan Medical Response System	93.003		164,731
Asian Access Project	93.230		12,409
Medical Reserve Corps Grant	93.008		16,000
Passed through the Connecticut Department of Public Health:			
Aids, Outreach, Education and Preventative Health	93.940	2004-128	174,544
Childhood Immunization Grants	93.268	2003-147	93,893
Preventive Health Services-Sexually Transmitted Disease Control	93.977	2003-164	172,559
Lead Poisoning Prevention Program	93.197	2003-082	85,803
Bioterrorism Preparedness	93.283	2004-1077	17,308
Passed through the Connecticut Department of Social Services via North Central Agency:			
Special Programs for Aging Title III (Transportation)	93.045		<u>526,744</u>
Total Department of Health and Human Services			<u>5,772,442</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Substantial Rehabilitation	14.182		357,847
Moderate Rehabilitation	14.856		1,915,608
Section 8 Rental Voucher Program	14.871		31,654,204
Home Investment Partnership Program	14.239	M-99-MC-090201	3,373
		M-00-MC-090201	31,053
		M-01-MC-090201	95,085
		M-02-MC-090201	427,050
		M-03-MC-090201	422,844
Community Development Entitlement (Block) Grant	14.218	05921-02014	981,376
		05921-02015	71,789
		05921-02016	202,943
		05921-02017	919,496
		05921-02018	1,148,399
		05921-02019	4,174,049
Emergency Shelter Grant	14.231		181,401
Housing Opportunities for Persons with Aids	14.241		1,079,872
SANA Apartments	14.199		4,984,204
Temple Street Redevelopment	14.246		14,587
Chapple Gardens	14.193		11,609
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	1,148,442
HOME Investment Partnership Program - St. Monica Phase II	14.239		<u>765,092</u>
Total Department of Housing and Urban Development			<u>50,590,323</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
DEPARTMENT OF JUSTICE			
Direct programs:			
Weed and Seed Forfeiture	16.595		\$ 29
Weed and Seed Program	16.595		161,247
Local Law Enforcement Block Grant	16.592		395,714
COPS Universal Hiring Program	16.710		225,570
COPS In Schools	16.710		163,898
COPS More Program 98	16.710		371,165
Hartford Gun Project	*	04-307P	21,384
Passed through Connecticut Department of Public Safety:			
State Wide Narcotics Task Force	16.579		1,501,747
Passed through the Connecticut Office of Policy and Management:			
PILOT Reintegration Education Program	16.579		<u>289,817</u>
Total Department of Justice			<u>3,130,571</u>
DEPARTMENT OF LABOR			
Direct program:			
Youth Opportunity Program	17.263		50,907
<i>Senior Services American Inc.</i>			
Passed through the National Council of Senior Citizens:			
Senior Community Service Employment Program	17.235		<u>342,661</u>
Total Department of Labor			<u>393,568</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through the Connecticut Office of Policy and Management:			
Disaster Assistance Program	97.036		115,921
Passed through the Connecticut Department of Public Safety:			
Homeland Security Grant Program	97.067		<u>7,133</u>
Total Department of Homeland Security			<u>123,054</u>
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)	635,740
Demolition of Mixmaster/Temple Street			4,750
Mark Twain Memorial (63-578)			410,968
Construction of Columbus Blvd Pedestrian Bridge (63-529)			1,612
Hudson Street Reconstruction (63-531)			120,972
Upgrade of Hartford Traffic Signals (63-573)			66,778
Tourist Destination Sinage (63-575)		TEA-STPH-1063(106)	174,720
Federal Highway Safety Program	20.600		<u>17,500</u>
Total Department of Transportation			<u>1,433,040</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Direct program:			
Brownfield Program	66.811		\$ 16,454
DEPARTMENT OF COMMERCE			
Economic Development Administration			
Direct program:			
Job Corps Center	11.307	01-01-07620	791,158
DEPARTMENT OF THE INTERIOR			
Direct program:			
Keeney Park Improvements	15.919	UPARR-9-3	31,101
TOTAL FEDERAL ASSISTANCE EXPENDITURES			\$120,500,925

*CFDA Number not available

See Notes to Schedule

CITY OF HARTFORD, CONNECTICUT

FEDERAL AWARD PROGRAMS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unqualified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Reportable conditions identified that are not considered to be material weaknesses? X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes X no
- Reportable conditions identified that are not considered to be a material weakness? yes X none reported

Type of auditors' report issued on compliance for major programs – unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes no

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

Federal Grantor and Program	Federal CFDA Number	Expenditures
U.S. Department of Agriculture:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$1,552,303
National School Lunch Program	10.555	\$6,860,792
Summer Food Service Program	10.559	\$355,699
Summer Lunch Program	10.559	\$158,209
Women, Infant and Children	10.557	\$6,253,261
U.S. Department of Education:		
Title II - Part A Teacher Training	84.367	\$3,791,469
Title I ESEA - Part A Improving Basics	84.010	\$21,030,204

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

Federal Grantor and <u>Program</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
U.S. Department of Education (cont.):		
Special Education Cluster:		
IDEA Part B	84.027	\$5,119,158
Preschool Grants Program	84.173	\$219,804
U.S. Department of Housing and Urban Development:		
Section 8 Rental Voucher Program	14.871	\$31,654,204
Community Development Block Grant	14.218	\$7,498,052
HOME Investment Partnership Program	14.239	\$1,744,497
SANA Apartments	14.199	\$4,984,204

- Dollar threshold used to distinguish between type A and type B programs - \$3,000,000.
- The City qualified as a low-risk auditee? _____ yes X no

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 29, 2004, 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated thirteen reportable conditions, five of which are considered material weaknesses.

Reportable conditions:

1. Bank reconciliation processes and procedures
2. GASB #34 valuation and reporting of infrastructure assets
3. Internal service fund deficits and case reserves
4. Tax Division
5. Finance Department – general ledger management
6. Finance Department – grants and special programs management
7. Finance Department – payroll management
8. Board of Education – Educational Grants Fund

Material weaknesses:

1. Finance Department structure
2. Payroll account bank reconciliation
3. Finance Department – fixed asset management
4. Finance Department – accounts receivable management
5. Board of Education compensated absences

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING #04-1 – Allowable Costs – Board of Education Indirect Cost Rate

Grantor: U.S. Department of Education

CFDA Number: IDEA Part B – 84.027
Title I ESEA Part A Improving Basics – 84.010
Title II Part A Teacher Training – 84.367

Pass-through Entity: State of Connecticut Department of Education

Condition: The Board of Education did not apply the correct indirect cost rate during the fiscal year. The approved 2003-2004 indirect cost rate was not utilized, however the most recent previously approved rate (2001-2002) was used instead.

Criteria: Indirect costs are determined by applying an indirect cost rate to total direct costs of the grant less any distorting or unallowable items. To maintain the integrity of indirect costing, the indirect cost rate must be applied in a consistent and rational manner.

Context: This applies to all grants administered by the State of Connecticut Department of Education for which indirect costs are budgeted.

Effect: The true costs of the program were not reflected as expenditures of the grant. The fund where the indirect cost base was originally charged, the General Fund, absorbed the difference between the rate used 3.01% and the most recent rate approved 5.34%.

Cause: Grant budgets had originally been established using the 2001-2002 rate. The 2002-2003 rate, although applied for, was never approved. The Board of Education received approval from the State Department of Education for the 2003-2004 rate on April 26, 2004. At that point, the Board of Education had a week to revise the budgets to reflect the applicable indirect costs based on the approved 2003-2004 rate. Consequently, the Board of Education did not to apply the 2003-2004 indirect cost rate.

Recommendation: We recommend that the approved rate applicable to the fiscal year be used to charge indirect costs to the various grant programs. If not approved, the proposed rate should be used. Adjustments would be required if the final approved rate differed from the proposed rate. Budgets should be amended according to State Department of Education guidelines to reflect true indirect costs.

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING #04-2 – Reporting and Allowable Costs

Grantor: U.S. Department of Education

CFDA Number: See below

Pass-through Entity: State of Connecticut Department of Education

Questioned costs related to overexpended line item budgets for Pass through Grants from the State of Connecticut Department of Education.

<u>Program Title and Project Number</u>	<u>Description</u>	<u>Questioned Costs</u>
Carl Perkins Vocational & Applied Tech CFDA: 84.048 Program No. 901-400130101	Expenditures for Other (Line 119) were charged to an unbudgeted line item.	\$171,600
Reading Excellence CFDA: 84.159 Program No. 902-200000107	Expenditures for Teachers (Line 111B) exceed the approved budget by ten percent.	\$2,678
Program No. 902-200002104	Expenditures for Instructional Supplies (Line 611) exceed the approved budget by ten percent.	\$2,494
Program No. 902-200007107	Expenditures for Travel (Line 580) exceed the approved budget (\$1,000) limit.	\$626
Program No. 902-200008107	Expenditures for Teachers (Line 111B) exceed the approved budget by ten percent.	\$3,026
Program No. 902-200009107	Expenditures for Teachers (Line 111B) exceed the approved budget by ten percent.	\$3,388
Comprehensive School Reform Demonstration CFDA: 84.332 Program No. 911-300000103	Expenditures for Instructional Supplies (Line 611) exceed the approved budget by ten percent.	\$1,392
Program No. 911-300003103	Expenditures for Teachers (Line 111B) exceed the approved budget (\$1,000) limit.	\$106
	Expenditures for Educational Aides (Line 112A) exceed the approved budget by ten percent.	\$666
	Expenditures for Other (Line 119) were charged to an unbudgeted line item.	\$1,902
Program No. 911-300005103	Expenditures for Other (Line 119) exceed the approved budget by ten percent.	\$8,299

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

<u>Program Title and Project Number</u>	<u>Description</u>	<u>Questioned Costs</u>
Program No. 911-300009103	Expenditures for Teachers (Line 111B) were charged to an unbudgeted line item.	\$1,097
	Expenditures for Field Trip (Line 324) were charged to an unbudgeted line item.	\$5,555
	Expenditures for Parent Activities (Line 325) were charged to an unbudgeted line item.	\$3,205
	Expenditures for Instructional Supplies (Line 611) were charged to an unbudgeted line item.	\$33,854
	Expenditures for Library Books (Line 642) were charged to an unbudgeted line item.	\$ 9,595
	Expenditures exceed the grant authorization.	\$48,463
Program No. 911-300011103	Expenditures for Teachers (Line 111B) exceed the approved budget by ten percent.	\$58
Program No. 911-300013103	Expenditures for Instructional Supplies (Line 611) exceed the approved budget by ten percent.	\$3,471
Condition:	The previously noted grants were not expended in accordance with the approved budget.	
Criteria:	As outlined by the State of Connecticut Department of Education Bureau of Grant Services, unbudgeted line items are allowed \$499 expenditures without requesting formal budgetary revisions. In addition, budgeted line items greater than \$10,000 should not exceed ten percent of the approved budget without requesting formal budgetary revisions. Budgeted line items less than \$10,000 should not exceed \$1,000 without requesting formal budgetary revisions.	
Context:	This applies to all grants administered by the State of Connecticut Department of Education.	
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

FEDERAL AWARD PROGRAMS

NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2004

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 \$370,279 is reflected in the accompanying financial schedules and represents the market value of such commodities received during the period.

The City also reports non-cash awards under the Special Supplemental Nutrition Program for Women, Infants, and Children. The amount included in the Schedule of Federal Awards represents payments made directly to suppliers by the State of Connecticut, as reported by the State Department of Public Health, for eligible participants of the program.

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

The City has entered into two Federal HUD Section 108 Loans:

	<u>June 30, 2003</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2004</u>
Burgdorf/Fleet Health Center, October 28, 1997.....	\$1,995,000		\$85,000	\$1,910,000
Adriaen's Landing Marriott Hotel, June 30, 2004.....		\$8,000,000*		8,000,000
Total Section 108 Loans	<u>\$1,995,000</u>	<u>\$8,000,000</u>	<u>\$85,000</u>	<u>\$9,910,000</u>

*The loan proceeds were received on June 30, 2004 and have not yet been expended.

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, 2004. 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, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items 04-1.

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 reportable 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 caused by error or fraud 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2004 and have issued our report thereon dated December 29, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 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.

December 29, 2004

A handwritten signature in cursive script that reads "Scully & Wolff LLP". The signature is written in black 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, 2004

<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			
Prevention for Treatment of Child Abuse	11000-DCF91110-16064		\$ 40,001
DEPARTMENT OF EDUCATION			
Nonpublic Health Services	11000-SDE64370-17034	064-713-000020001	54,628
Magnet School Transportation	11000-SDE64370-17057	064-752-000010001	87,552
Interdistrict Cooperative - Magnet	11000-SDE64370-17045	064-726-000000102	236,761
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000001103	42,279
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000011103	68,832
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000012103	21,727
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000013103	31,375
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000014103	20,242
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000015103	28,381
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000016103	30,111
Interdistrict Cooperative	11000-SDE64370-17045	064-726-000017103	30,664
Family Resource Center	11000-SDE64370-16110	064-617-000000102	77,975
Family Resource Center	11000-SDE64370-16110	064-617-000001102	77,975
Family Resource Center	11000-SDE64370-16110	064-617-000002102	77,975
Family Resource Center	11000-SDE64370-16110	064-617-000003102	77,974
Family Resource Center	11000-SDE64370-16110	064-617-000004102	77,975
Adult Education Co-op Eligibility Entity	11000-SDE64370-17030	064-710-000330140	3,159,777
Adult Education Literacy Volunteers	11000-SDE64370-17030	064-710-000333140	88,292
Adult Education Urban League	11000-SDE64370-17030	064-710-000331140	70,232
Adult Education YMCA	11000-SDE64370-17030	064-710-000332140	42,140
Bilingual Education	11000-SDE64370-17042	064-720-000000101	423,809
Priority School District	11000-SDE64370-17043-82052	064-723-000840101	2,078,125
Young Parents Program	11000-SDE64370-17044	064-724-000011102	13,448
After School Grant Program	11000-SDE64370-17043-82054	064-723-000860101	430,403
Youth Service Bureau	11000-SDE64370-17052	064-745-000030101	147,159
Open Choice Program	11000-SDE64370-17053	064-747-000000189	35,998
Early Reading Success	11000-SDE64370-17043-82053	064-723-000850101	2,896,692
Primary Mental Health	11000-SDE64370-12198	064-029-000000042	13,200
School Accountability	11000-SDE64370-17043-82055	064-723-000870101	350,980
School Breakfast Program	11000-SDE64370-17046	064-732-000000034	188,044
Child Nutrition Program - State Match	11000-SDE64370-16072	064-608-000010181	177,489
Breakthrough Magnet School	11000-SDE64370-17057	064-752-000099196	734,523
Sports Science Academy	11000-SDE64370-17057	064-752-000098196	966,935
Passed through the Capital Region Education Council:			
School Readiness and Child Day Care	11000-SDE64370-17043-82056		1,414,639
Total Department of Education			14,274,311
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Municipal Outdoor Recreation Fund:	12052-DEP44420-40519		
Colt and Keeney Park Improvements			2,175
Maria Sanchez School Environmental Center			87,705
Mary Hooker School Land Improvements			9,545
Larvicide Program	*		1,420
Total Department of Environmental Protection			100,845
BOARD OF EDUCATION AND SERVICES FOR THE BLIND			
Educational Aid for Blind and Visually Impaired	11000-ESB65020-12060		387,934

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004

<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>State Grant Program Identification No.</u>	<u>Project Number</u>	<u>Expenditures</u>
BUREAU OF ADULT EDUCATION			
Web Based Adult Diploma Program	12060-BAA77200-20137		\$ 19,306
DEPARTMENT OF HIGHER EDUCATION			
Gear-up	12060-DHE66543-20398		246,236
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			
PILOT Mod. Rental (PHA) Housing	11000-ECD46400-17012	064-PILOT-31	274,770
Tax Abatement Program	11000-ECD46400-17008	064-TA-various	591,901
Regional Economic Development Project - Veeder Place	13019-ECD46200-41240		120,034
Hartford Stabilization and Revitalization Initiative - Phase II(Urban Act)	13019-ECD46200-41240	1997064027	357,517
Grant-in-aid for Capital City projects (CCEDA)	*		1,070,138
Job Corps Center	13019-ECD46200-41240		2,124
Total Department of Economic and Community Development			2,416,484
DEPARTMENT OF PUBLIC HEALTH			
Asthma Program	11000-DPH48500-12126	2002-254	5,275
Local and District Department of Health	11000-DPH48500-17009		65,425
School Based Health Clinics	11000-DPH48500-17019		529,781
Tuberculosis Control and Prevention	11000-DPH48500-16112	2003-164	39,480
Total Department of Public Health			639,961
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES			
Substance Abuse and Prevention Program	11000-MHA53000-16003		9,145
DEPARTMENT OF SOCIAL SERVICES			
Child Day Care	11000-DSS60752-17022		1,851,273
Emergency Shelter Service	11000-DSS60733-17038		418,896
Hartford Healthy Start	11000-DSS60517-12127		271,313
Medicaid	11000-DSS60000-16020		2,195,745
Total Department of Social Services			4,737,227
OFFICE OF POLICY AND MANAGEMENT			
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016		66,658
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031		627,579
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018		301,680
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021		19,594
Property Tax Relief for Veterans	11000-OPM20600-17024		43,818
Drug Enforcement Program	11000-OPM20600-17028		54,396
Neighborhood Cleanup Day	11000-OPM20350-10020	FWCT-04-01	2,018
Justice Assistance Grant	11000-OPM20350-12251	JAGP2004	242,285
School Attendance Project	12060-OPM20350-20751		30,000
Relocation Project Fund	*		410,952

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004

<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 (cont.)			
Local Capital Improvement Program:	11000-OPM20600-40254		
West Service Road Extension			\$ 256,967
STP Federal Road Match			5,657
Automatic Fuel Control			30,445
Woodland Street Bridge Rehabilitation			1,990
2 Holcomb and 40 Jennings Road			1,638
Library Renovations			21,607
Library Branch Facility Study			37,275
Traffic Circulation			185,946
Reconstruction City Sidewalks			43,233
Restoration Broad and Vine Streets			83,140
Jennings Road Roof Replacement			<u>7,887</u>
Total Office of Policy and Management			<u>2,474,765</u>
JUDICIAL DEPARTMENT			
General Assistance	11000-JUD95162-40001		<u>6,508</u>
DEPARTMENT OF REVENUE SERVICES/DIVISION OF SPECIAL REVENUE			
Payments to Municipalities	34004-DRS18307-40001		<u>386,582</u>
CONNECTICUT STATE LIBRARY			
State Grants to Public Libraries	11000-CSL66051-17003		10,589
Connecticard Payments	11000-CSL66051-17010		10,302
Historic Records Preservation	12060-CSL66094-35150		<u>17,000</u>
Total Connecticut State Library			<u>37,891</u>
DEPARTMENT OF TRANSPORTATION			
Urban Systems Program/Transportation Fund:	13033-DOT57141-41392		
Reconstruction of Woodland		63-540	158,935
Town Aid Road Grant Transportation Fund	12001-DOT57131-17036		278,911
Passed through the Greater Hartford Transit District:			
Dial-a-Ride	12000-DOT57000-12186		<u>100,796</u>
Total Department of Transportation			<u>538,642</u>
COMMISSION ON ARTS, TOURISM, CULTURE, HISTORY AND FILM			
Basic Cultural Resources Grant	12060-CAT45200-16005		<u>6,625</u>
DEPARTMENT OF PUBLIC SAFETY			
State Police:			
State Asset Forfeiture Revolving Fund	12060-DPS32155-35142		86,321
911 Enhancement	12060-DPS32740-35190		471,181
Local Officer Incentive Program	12060-DPS32539-21589		9,000
Local Officer Inventive Program	12060-DPS32539-90361		<u>3,000</u>
Total Department of Public Safety			<u>569,502</u>
OFFICE OF THE STATE COMPTROLLER			
Boat Grant	12027-OSC15910-40211		12,768
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005		10,537,835
Payment in Lieu of Taxes (PILOT) on State- owned Property	11000-OSC15910-17004		5,733,730
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006		<u>16,974,701</u>
Total Office of the State Comptroller			<u>33,259,034</u>
TOTAL STATE ASSISTANCE EXPENDITURES			<u>60,150,999</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2004

<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>State Grant Program Identification No.</u>	<u>Project Number</u>	<u>Expenditures</u>
EXEMPT PROGRAMS:			
DEPARTMENT OF EDUCATION			
Education Cost Sharing	11000-SDE64370-17041		\$163,350,962
School Building Grant - Progress Payments	13010-SDE64370-40901		17,262,414
Transportation of School Children - Public	11000-SDE64370-17027		1,824,020
Transportation of School Children - Nonpublic	11000-SDE64370-17049		13,518
School Building Grant Interest Subsidy	13009-SDE64370-40896		1,534,458
School Building Grant Principal Subsidy	13010-SDE64370-40901		3,908,429
Special Education	11000-SDE64370-17047		<u>4,043,677</u>
Total Exempt			<u>191,937,478</u>
TOTAL			<u>\$252,088,477</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, 2004**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unqualified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Reportable conditions identified that are not considered to be a material weakness? X yes none reported
- Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs:

- Material weaknesses identified? yes X no
- Reportable conditions identified that are not considered to be material weaknesses? yes X none reported

Type of auditors' 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 CORE-CT Number	<u>Expenditures</u>
Department of Education:		
Priority School District	11000-SDE64370-14043-82052	\$2,078,125
Adult Education	11000-SDE64370-17030	\$3,360,441
Early Reading Success	11000-SDE64370-17043-82053	\$2,896,692
Magnet Schools	11000-SDE64370-17057	\$1,789,010
Passed through the Capital Region Education Council:		
School Readiness and Child Day Care	11000-SDE64370-17043-82056	\$1,414,639

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

<u>State Grantor and Program</u>	<u>State CORE-CT Number</u>	<u>Expenditures</u>
Department of Economic and Community Development:		
Grant in Aid for Capital City Projects – CCEDA	*	\$1,070,138
Department of Social Services:		
Child Day Care	11000-DSS60752-17022	\$1,851,273
Medicaid	11000-DSS60000-16020	\$2,195,745
Office of the State Comptroller:		
Mashantucket Pequot/Mohegan Grant	12009-OSC15910-17005	\$10,537,835
Payment in Lieu of Taxes (PILOT) on State-owned Property	11000-OSC15910-17004	\$5,733,730
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	\$16,974,701
Local Capital Improvement Program	11000-OPM20600-40254	\$675,785
Office of Policy and Management:		
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	\$627,579

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 29, 2004, 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated thirteen reportable conditions, five of which are considered material weaknesses.

Reportable conditions:

1. Bank reconciliation processes and procedures
2. GASB #34 valuation and reporting of infrastructure assets
3. Internal service fund deficits and case reserves
4. Tax Division
5. Finance Department – general ledger management
6. Finance Department – grants and special programs management
7. Finance Department – payroll management
8. Board of Education – Educational Grants Fund

Material weaknesses:

1. Finance Department structure
2. Payroll account bank reconciliation
3. Finance Department – fixed asset management
4. Finance Department – accounts receivable management
5. Board of Education compensated absences

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

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

FINDING #04-1

Reporting – Form M-65a

Grantor: State of Connecticut Office of Policy and Management (OPM)

State Program Name: Property Tax Relief for Manufacturing Machinery and Equipment

State Program

Identification Number: SPID #11000-OPM26000-17031

Criteria or Specific Requirement

The City must submit form M-65a to OPM to receive an eighty percent reimbursement for lost tax revenue on exempt manufacturing machinery and equipment. Form M-65a is based on information completed by each business and summarizes exempt equipment purchased in the last five grand list years.

Condition

The City inaccurately reported information on form M-65a to OPM. Detail information submitted by businesses did not always agree to the summary forms submitted by them. These errors were not identified by the Assessor's Department when transferring the information to OPM Form M-65a.

Context

Sixty-two businesses located in Hartford applied to receive this exemption. Of the twenty applications we tested, two were reported inaccurately to OPM. The City overstated its exempt assessments by 98,418, which resulted in an overstatement of assistance of \$4,792.

Effect

OPM may request a refund of the overpayment.

Cause

The inaccuracies were caused by oversights in the Assessor's Department when transferring amounts submitted by the businesses to Form M-65a.

Recommendation

We recommend that procedures be developed encompassing the review of Form M-65a prior to submission to the State. These procedures would include someone other than the form's preparer verifying the amounts on the M-65a detail.

CITY OF HARTFORD, CONNECTICUT

STATE FINANCIAL ASSISTANCE PROGRAMS

**NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2004**

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.
