

FEDERAL SINGLE AUDIT STATE SINGLE AUDIT DETAIL REPORTS



For the Fiscal Year, July 1, 2004 - June 30, 2005

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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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, 2005. 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, 2005. 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 05-1, 05-2 and 05-3.

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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1, 05-2 and 05-3.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are 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, 2005, and have issued our report thereon dated December 23, 2005. 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 (CFDA #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 23, 2005



**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Connecticut Department of Education:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 1,662,181
National School Lunch Program	10.555	12060-SDE64370-20560	6,936,288
Donated Commodities	10.550		688,055
Summer Food Service Program for Children	10.559	12060-SDE64370-20540	317,053
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	157,444
Passed through the Connecticut Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children - Food Benefits	10.557	2003-288	6,636,210
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2003-288	918,280
Passed through the Connecticut Department of Social Services:			
Food Stamps	10.551		<u>186,198</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>17,501,709</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid	84.041		3,191
Safe and Drug-Free Schools and Communities - National Program	84.184		2,434,804
Drug and Violence Prevention Coordinators for Middle Schools	84.184K		64,068
Magnet Schools Assistance	84.165		1,621,297
Elementary School Counseling Program	84.215E		90,261
Smaller Learning Communities	84.215L		356,424
Teaching American History Grants	84.215X		571,961
Title VII - Bilingual Education Act - System Wide	84.291R		795,917
Community Technology Centers	84.341A		310,882
Professional Development for Music Educators	84.351C		162,885
Passed through the Connecticut Department of Education:			
Adult Education-State Grant Program	84.002	12060-20784-2005-84002-170016-SDE00005	41,146
Adult Education-State Grant Program	84.002	12060-20784-2005-84002-170017-SDE00005	18,895
Adult Education-State Grant Program	84.002	12060-20784-2005-84002-170015-SDE00006	19,850
Migrant Education - State Grant Program	84.011	12060-20972-2004-82079-170003	164,183
Migrant Education - State Grant Program	84.011	12060-20972-2005-82079-170003	504,468
IDEA Part B - Individuals with Disabilities, Section 611	84.027	12060-20977-2004-82032-170002	594,718
IDEA Part B - Individuals with Disabilities, Section 611	84.027	12060-20977-2005-82032-170002	4,964,704
IDEA Sliver	84.027	12060-20977-2005-82034	20,000
IDEA Sliver	84.027	12060-20977-2005-82039	25,000
Vocational Education - Basic Grants to States	84.048	12060-20742-2005-84010-170002	922,530
Reading Excellence	84.338	12060-20749-2002-82079-170058	14,041

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF EDUCATION (cont.)			
Passed through the Connecticut Department of Education:			
Reading Excellence	84.338	12060-20749-2002-82079-170058-SDE00010	\$ 20,322
Reading Excellence	84.338	12060-20749-2002-82079-170058-SDE00011	19,274
Reading Excellence	84.338	12060-20749-2002-82079-170058-SDE00012	20,293
Reading Excellence	84.338	12060-20749-2002-82079-170058-SDE00013	22,380
IDEA Preschool, Section 619	84.173	12060-20983-2004-82032-170002	28,423
IDEA Preschool, Section 619	84.173	12060-20983-2005-82032-170002	180,324
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-20873-2004-84131-170002	60,025
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-20873-2005-84131-170002	389,686
Education of Homeless and Youth	84.196	12060-20770-2004-82079	5,195
Education of Homeless and Youth	84.196	12060-20770-2005-82079	30,230
Reading First State Grants	84.357	12060-20854-2003-82079-170003	367,861
Reading First State Grants	84.357	12060-20854-2004-82079-170003	346,137
Reading First State Grants	84.357	12060-20854-2003-82079-170003-SDE00005	377,073
Reading First State Grants	84.357	12060-20854-2004-82079-170003-SDE00005	329,634
Reading First State Grants	84.357	12060-20854-2003-82079-170003-SDE00006	376,103
Reading First State Grants	84.357	12060-20854-2004-82079-170003-SDE00006	355,790
Twenty-First Century Community Learning Centers	84.287	12060-20863-2004-84131-170003-SDE00005	203,940
State Grants for Innovative Programs	84.298	12060-20909-2004-84131-170002	68,069
State Grants for Innovative Programs	84.298	12060-20909-2005-84131-170002	173,941
Education Technology State Grants	84.318	12060-20826-2004-82079-170003-SDE00005	8,057
Education Technology State Grants	84.318	12060-20826-2005-82079-170003	20,919
Education Technology State Grants	84.318	12060-20826-2003-82079-170003-SDE00005	20,297
Education Technology State Grants	84.318	12060-20826-2004-82079-170002	57,227
Education Technology State Grants	84.318	12060-20826-2005-82079-170002	457,010
State Program Improvement Grant	84.323	12060-20949-2005-82029	33,135
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003	63,360
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00005	37,136
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00006	41,562
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00007	51,975
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00008	70,418
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00009	64,442
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00010	47,597
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00011	46,767
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00012	23,042
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00013	41,590
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00117	53,618

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF EDUCATION (cont.)			
Passed through the Connecticut Department of Education (cont.):			
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00118	\$ 31,253
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00119	50,134
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00120	53,635
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00121	55,427
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00122	46,710
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00123	22,139
Comprehensive School Reform Demonstration	84.332	12060-20790-2004-82079-170003-SDE00130	58,393
English Language Acquisition Grants	84.365	12060-20868-2004-82076-170002	27,924
English Language Acquisition Grants	84.365	12060-20868-2005-82076-170002	140,101
English Language Acquisition Grants	84.365	12060-20868-2004-82075-170002	277,355
English Language Acquisition Grants	84.365	12060-20868-2005-82075-170002	442,951
Mathematics and Science Partnerships	84.366	12060-21592-2005-84131-170003-SDE00006	3,111
Improving Teacher Quality State Grants	84.367	12060-20858-2004-84131-170002	217,529
Improving Teacher Quality State Grants	84.367	12060-20858-2005-84131-170002	2,284,129
Title I Grants to Local Educational Agencies	84.010	12060-20679-2004-82070-170002-SDE00005	2,802,761
Title I Grants to Local Educational Agencies	84.010	12060-20679-2005-82070-170002	16,325,146
Title I Grants to Local Educational Agencies	84.010	12060-20679-2004-82071-170002	109,463
Title I Grants to Local Educational Agencies	84.010	12060-20679-2005-82071-170002	<u>269,938</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>41,432,176</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
HIV Emergency Relief Project Grants	93.914		4,257,922
Public Health and Social Services Emergency Fund	93.003		82,332
Medical Reserve Corps Small Grant Program	93.008		30,447
Passed through the Connecticut Department of Public Health:			
Childhood Lead Poisoning Prevention Projects	93.197	2005-92	41,363
Immunization Grants	93.268	2003-147	66,404
Immunization Grants - Vaccines	93.268		78,372
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	2004-1077	84,067
HIV Prevention Activities - Health Department Based	93.940	2004-218	128,052
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	2005-139	61,182
Preventive Health and Health Services Block Grant	93.991		37,499

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont.)			
Passed through the North Central Area Agency on Aging, Inc.: Special Programs for the Aging - Title III, Part B -- Grants for Supportive Services and Senior Centers	93.044		\$ <u>50,396</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,918,036</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Section 8 New Construction and Substantial Rehabilitation	14.182		337,233
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		1,785,069
Section 8 Housing Choice Vouchers	14.871		32,004,650
HOME Investment Partnerships Program	14.239	M-99-MC-090201	281,277
HOME Investment Partnerships Program	14.239	M-02-MC-090201	394
HOME Investment Partnerships Program	14.239	M-03-MC-090201	144,839
HOME Investment Partnerships Program	14.239	M-04-MC-090201	83,863
Community Development Block Grants/Entitlement Grants	14.218	B-98-MC-09-0006	42,136
Community Development Block Grants/Entitlement Grants	14.218	B-99-MC-09-0006	7,833
Community Development Block Grants/Entitlement Grants	14.218	B-00-MC-09-0006	183,006
Community Development Block Grants/Entitlement Grants	14.218	B-01-MC-09-0006	35,454
Community Development Block Grants/Entitlement Grants	14.218	B-02-MC-09-0006	423,885
Community Development Block Grants/Entitlement Grants	14.218	B-03-MC-09-0006	840,268
Community Development Block Grants/Entitlement Grants	14.218	B-04-MC-09-0006	4,097,533
Emergency Shelter Grants Program	14.231		175,401
Housing Opportunities for Persons with AIDS	14.241		982,345
Multifamily Property Disposition - SANA Apartments	14.199		1,544,672
CDBG - Brownfields Economic Development Initiative	14.246	B-00-ED-09-0029	300,000
CDBG - Section 108 Loan Guarantees - Neighborhood Mall	14.248	B-03-MC-09-0006	1,467,753
CDBG - Section 108 Loan Guarantees - Adriaen's Landing Hotel	14.248	B-00-MC-09-0006	8,000,000
Passed through the Connecticut Department of Economic and Community Development:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	12060-ECD46050-20452	144,239
HOME Investment Partnerships Program - St. Monica Phase II	14.239		<u>53,062</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>52,934,912</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Alcohol, Tobacco and Firearms - Training Assistance	16.012		14,556
Community Capacity Development Office - Weed and Seed Program	16.595		151,927
Local Law Enforcement Block Grants Program	16.592		50,931
Public Safety Partnership and Community Policing Grants (MORE 98)	16.710		89,637
Public Safety Partnership and Community Policing Grants (In Schools)	16.710		187,574
Public Safety Partnership and Community Policing Grants (UHP)	16.710		709,272

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF JUSTICE (cont.)			
Passed through the Connecticut Office of Policy and Management:			
Byrne Formula Grant Program	16.579		\$ 82,792
Passed through the Connecticut Department of Public Safety:			
Byrne Formula Grant Program - State Wide Narcotics Task Force	16.579		<u>1,881,764</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>3,168,453</u>
U.S. DEPARTMENT OF LABOR			
Passed through the Senior Services America, Inc.:			
Senior Community Service Employment Program	17.235		<u>390,056</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Connecticut Department of Transportation:			
State and Community Highway Safety:			
Operation Safe Streets	20.600	12062-DOT57116-20559	42,795
DUI Enforcement Vehicle Program	20.600	12062-DOT57116-20559	122,170
Highway Planning and Construction:			
Tourist Destination Signage (63-575)	20.205	TEA-STPH-1063(106)	32,488
Trinity College Area Improvement	20.205		984
Demolition of Mixmaster/Temple Street	20.205		256,294
Mark Twain Memorial(63-578)	20.205	12062-DOT57141-21177	<u>33,236</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>487,967</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
Community Outreach Program	66.606		192
Asthma Initiative	66.606		<u>6,000</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>6,192</u>
U.S. DEPARTMENT OF COMMERCE			
Direct Program:			
Economic Adjustment Assistance	11.307	01-01-07620	<u>400,943</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Program:			
Keney Park Improvements	15.919	UPARR-9-3	<u>167,538</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Assistance to Firefighters Grant	97.044		\$ 23,794
Passed through the Connecticut Military Department:			
Emergency Management Assistance	97.004	12060-MIL36172-21092	4,781
Passed through the United Way of the Capital Area:			
Emergency Food and Shelter National Board Program	97.024		<u>51,472</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>80,047</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Passed through the Connecticut State Library:			
State Library Program	45.310		<u>12,290</u>
TOTAL FEDERAL ASSISTANCE EXPENDITURES			<u>\$121,500,319</u>

See Notes to Schedule

CITY OF HARTFORD, CONNECTICUT

FEDERAL AWARD PROGRAMS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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? X yes 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 Education:		
Special Education Cluster:		
IDEA Part B - Individuals with Disabilities	84.027	\$5,604,422
IDEA Preschool, Section 619	84.173	\$208,747
Reading First State Grants	84.357	\$2,152,598
Improving Teacher Quality State Grants	84.367	\$2,501,658
Title I Grants to Local Educational Agencies	84.010	\$19,507,308
U.S. Department of Housing and Urban Development:		
Section 8 Project-Based Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	\$337,233
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	\$1,785,069
Section 8 Housing Choice Vouchers	14.871	\$32,004,650

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

Federal Grantor and Program	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development (continued):		
Community Development Block Grants/ Entitlement Grants	14.218	\$5,630,115
CDBG - Section 108 Loan Guarantees	14.248	\$9,467,753
<ul style="list-style-type: none"> Dollar threshold used to distinguish between type A and type B programs - \$3,000,000. The City qualified as a low-risk auditee? _____ yes <u> X </u> no 		

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 23, 2005, 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 seven reportable conditions, two of which are considered material weaknesses.

Reportable conditions:

1. Finance Department structure*
2. Bank reconciliation processes and procedures
3. Tax Division
4. Finance Department – general ledger management
5. Finance Department – grants and special programs management
6. Finance Department – accounts receivable management*
7. Board of Education – Educational Grants Fund

*Considered a material weakness

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 05-1

Reporting

Grantor: U.S. Department of Housing and Urban Development
CFDA Number: 14.218
Program: Community Development Block Grant

Criteria or Specific Requirement

The Department of Housing and Urban Development (HUD) requires the submission of the annual performance and evaluation report (CAPER) within ninety days after the end of the grantee's program year using the HUD Integrated Disbursement and Information System (IDIS). As a component of the annual report submission, the grantee should ensure that amounts reported on the Activity Summary (CO4PR03) and Financial Summary (CO4PR26) are adequately documented and free of system generated error messages.

Condition

The City does not provide a reconciliation of the amounts reported on the CAPER to the City's Financial Management System or maintain a subsidiary accounting of how the amounts on the CAPER are derived. The City does not have procedures in place to review system generated errors reported on all HUD Integrated Disbursement and Information System (IDIS) reports.

Context

Expenditure amounts reported on the Financial Summary report could not be reconciled to the City's Financial Management System or other supporting subsidiary ledger documentation. The review of the Activity Summary Report identified the existence of several system generated error messages affecting numerous activities.

Effect

No direct effect can be determined.

Cause

Internal City procedures do not require the reconciliation of HUD reports to the City's Financial Management System or maintenance of subsidiary ledger documentation. Periodic reviews and resolution of system generated errors are not adequately performed.

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

Recommendation

We recommend that the City develop and implement procedures to ensure that financial reports submitted to HUD are either reconciled to the City's financial management system or supported by a subsidiary accounting ledger. Processes should be improved to review report errors on all HUD Integrated Disbursement and Information System (IDIS) reports for appropriate resolution.

FINDING #05-2

Davis-Bacon Act

Grantor: U.S. Department of Housing and Urban Development
CFDA Number: 14.218
Program: Community Development Block Grant

Criteria or Specific Requirement

The City is required to collect certified payrolls from contractors and subcontractors working on projects subject to the Davis-Bacon Act (Act). The City must verify that the payrolls are properly submitted and document that employees were paid in accordance with prevailing wages. The City must also conduct field interviews to verify the accuracy of certified payroll records.

Condition

The City does not have adequate procedures in place to ensure that a sufficient number of interviews (HUD 11's) are conducted on projects subject to the Act. In addition, the City does not have procedures in place to ensure that self-employed sub contractors do not certify their own payrolls for compliance with prevailing wages.

Context

Of the projects reviewed, there were nine instances of noncompliance identified where on-site interviews were not performed. Additionally, there were two instances identified where self-employed subcontractors submitted their own certified payrolls.

Effect

No effect can be determined.

Cause

The City's internal monitoring procedures did not adequately address the requirements related to the sufficiency of on-site interviews and certification of self-employed subcontractors.

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

Recommendation

We recommend that the City implement the following recommendations proposed by the U.S. Department of Housing and Urban Development as noted in a Federal Labor Standards Compliance Review dated August 11, 2005:

- *For all current and future projects, implementation of pro-active procedures to ensure that a sufficient number of workers are periodically interviewed on each project.*
- *For all current and future projects, implementation of pro-active procedures to ensure that self-employed subcontractors who work by themselves without their crew are reported on a higher-tier contractor's certified payrolls.*

FINDING #05-3

Subrecipient Monitoring

Grantor: U.S. Department of Housing and Urban Development
CFDA Number: 14.218
Program: Community Development Block Grant

Criteria or Specific Requirement

The pass-through entity is responsible for the monitoring of subrecipient's activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements and to ensure that required audits are performed and prompt corrective action is taken on any audit findings.

Condition

The City did not adequately monitor subrecipient activities to provide reasonable assurance that Federal awards were administered in compliance with Federal requirements.

Context

Of the subrecipients selected for review, we noted exceptions whereby the internal monitoring procedures either were not performed or documented.

Effect

No effect can be determined.

Cause

The City did not have procedures in place to ensure that the monitoring activities of subrecipients are adequately performed and documented.

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

Recommendation

We recommend that the City improve its internal monitoring procedures to ensure that all subrecipients are properly monitored and that the monitoring activities performed are adequately documented.

CITY OF HARTFORD, CONNECTICUT

FEDERAL AWARD PROGRAMS

**NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2005**

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 \$688,055 is reflected in the accompanying financial schedules and represents the market value of such commodities received during the period.

WIC – Non-cash Benefits

The City also reports non-cash awards under the Special Supplemental Nutrition Program for Women, Infants, and Children. The amount of \$6,636,210 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. OFFICE OF INSPECTOR GENERAL - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT – COMMUNITY DEVELOPMENT BLOCK GRANT AUDIT

The Office of Inspector General issued Audit Report Number 2006-BO-1001 on October 7, 2005 pertaining to its review of the City's Community Development Block Grant activities. The report identified \$1,039,296 of ineligible community development block grant activities in five (5) of the seventeen (17) activities reviewed and identified the failure to return income to the program. The audit covered the period from July 1, 2002 through June 30, 2004. The audit was expanded as necessary as it related to ineligible activities funded during the audit period.

The City has submitted a letter to the Field Office Director of the U.S. Department of Housing and Urban Development – Office of Community Planning and Development dated November 23, 2005 related to the recommendations for corrective actions in response to the audit. The letter details corrective actions being taken by the City and funding options being considered to replenish the CDBG program for the ineligible costs.

3. STATUS OF PRIOR YEAR FINDINGS

- 04-1 The prior year finding related to application of an improper indirect cost rate for educational grants. The proper approved indirect cost rate was utilized during the year.
- 04-2 The prior year finding related to educational grant expenditures exceeding their approved budget by more than ten percent or being charged to unbudgeted line items. No instances of similar improper charges during the year were noted.

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

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

	<u>June 30, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2005</u>
Burgdorf/Fleet Health Center, October 28, 1997.....	\$1,910,000		\$90,000	\$ 1,820,000
Adriaen's Landing Marriott Hotel, June 30, 2004.....	8,000,000			8,000,000
Neighborhood Mall, June 30, 2005		\$1,500,000		1,500,000
Total Section 108 Loans	<u>\$9,910,000</u>	<u>\$1,500,000</u>	<u>\$90,000</u>	<u>\$11,320,000</u>



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, 2005. 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, 2005.

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, 2005 and have issued our report thereon dated December 23, 2005. 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 23, 2005

A handwritten signature in black ink, reading "Scully & Wolf LLP". The signature is written in a cursive, flowing style.

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/Pass Through Grantor/Program Title	State Grant Program Identification No.	Project Number	Expenditure
DEPARTMENT OF CHILDREN AND FAMILIES			
Parent Aide	11000-DCF91110-16064		\$ 24,294
DEPARTMENT OF EDUCATION			
School Breakfast Program	11000-SDE64370-17046	732-000000034	173,672
Child Nutrition Program-State Match	11000-SDE64370-16072	608-000010181	170,341
Family Resource Center	11000-SDE64370-16110	82079-170003	95,261
Family Resource Center	11000-SDE64370-16110	82079-170003-00006	102,000
Family Resource Center	11000-SDE64370-16110	82079-170003-00007	102,000
Family Resource Center	11000-SDE64370-16110	82079-170003-00008	102,000
Family Resource Center	11000-SDE64370-16110	82079-170003-00009	95,261
State Adult Ed-Provider	11000-SDE64370-17030	84002-170013	5,558,023
Adult Ed-COOP	11000-SDE64370-17030	84004-170013	58,305
Adult Ed-COOP	11000-SDE64370-17030	84004-170013-00006	44,701
Adult Ed-LVA	11000-SDE64370-17030	84004-170013-00007	91,344
Bilingual Education	11000-SDE64370-17042	82079-170002	455,164
Interdistrict Cooperative-Equus Academy	11000-SDE64370-17045	82065-00005	38,908
Choice Interdistrict Program	11000-SDE64370-17045	82065-00006	21,586
Fisher Interdistrict Grant	11000-SDE64370-17045	82065-00007	66,781
Fox Middle Interdistrict Grant Program	11000-SDE64370-17045	82065-00008	73,635
Hooker Elementary Interdistrict Grant	11000-SDE64370-17045	82065-00009	64,714
Sanchez Interdistrict Cooperative	11000-SDE64370-17045	82065-00010	66,358
Frank Simpson Waverly Interdistrict	11000-SDE64370-17045	82066-00005	76,647
Interdistrict Co-op Equus Yearlong	11000-SDE64370-17045	82066-00006	88,885
Noah Webster Magnet Interdistrict	11000-SDE64370-17057	82066-00007	70,663
Priority Schools	11000-SDE64370-17043	82052-170002	3,064,747
Young Parents Program	11000-SDE64370-17044	82079-170003	15,765
Extended School Hours	11000-SDE64370-17043	82054-170002	421,253
Youth Service Bureau	11000-SDE64370-17052		157,645
Open Choice	11000-SDE64370-17053	82060	12,000
State Funds for Technology Infrastructure	12052-SDE64370-40312	82079-170003	20,464
General Improvements to School Buildings	12052-SDE64370-40316	82079	69,937
Early Reading Success	11000-SDE64370-17043	82053-170002	3,536,812
Primary Mental Health	11000-SDE64370-12198	82079	12,204
School Accountability-Summer	11000-SDE64370-17043	82055-170002	462,620
Magnet School Operating	11000-SDE64370-17057	82062-170031-00099	880,410
Magnet School Operating	11000-SDE64370-17057	82062-170031-00113	399,632
Magnet School Supplemental	11000-SDE64370-17057	82062-170037-00005	1,196,117
Magnet School Operating	11000-SDE64370-17057	82062-170031-00125	322,134
Magnet School Operating	11000-SDE64370-17057	82062-170031-00126	345,916
Magnet School Operating	11000-SDE64370-17057	82062-170031-00112	355,922
Magnet School Operating	11000-SDE64370-17057	82062-170031-00125	625,695
Magnet School Operating	11000-SDE64370-17057	82062-170031-00098	1,261,694

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Identification No.	Project Number	Expenditure
DEPARTMENT OF EDUCATION (cont.)			
Passed through the Capital Region Education Council:			
School Readiness and Child Daycare	11000-SDE64370-17043		\$ <u>2,116,200</u>
TOTAL DEPARTMENT OF EDUCATION			<u>22,893,416</u>
BOARD OF EDUCATION AND SERVICES FOR THE BLIND			
Vision Impaired Children	11000-ESB65020-12060		<u>301,020</u>
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Municipal Outdoor Recreation Fund:			
Colts and Keney Park Improvements	12052-DEP44420-40296		662
Goodwin Park Playground	12052-DEP44420-40296		36,498
Pope Park Master Plan	12052-DEP44420-40296		<u>34,807</u>
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>71,967</u>
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			
PILOT Moderate Rental (PHA) Housing	11000-ECD46400-17012	064-PILOT-31	304,793
Tax Abatement Program	11000-ECD46400-17008		584,907
Regional Economic Development Project	13019-ECD46200-41240		100,938
Veeder Place	13019-ECD46200-41240		46,968
Urban Act Program	13019-ECD46200-41240	1997064027	305,534
Grant-in-aid for Capital City projects (CCEDA)	12059-ECD46050-40577		84,657
Demolition and Redevelopment(CCEDA)	12059-ECD46050-40577		2,418,768
Saint Monica's Housing	*		53,062
Job Corps Center	13019-ECD46200-41240		<u>3,401,664</u>
TOTAL DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			<u>7,301,291</u>
DEPARTMENT OF PUBLIC HEALTH			
Immunization Outreach	11000-DPH48500-10020		38,751
Venereal Disease Control	11000-DPH48500-17013		107,997
AIDS-Prevention Education Services	11000-DPH48500-12236		76,616
Childhood Lead Poisoning Prevention	11000-DPH48500-12227		40,879
Local and District Department of Health-Per Capita	11000-DPH48500-17009		133,188
School Based Health Clinics	11000-DPH48500-17019		529,787
Tuberculosis Control and Prevention	11000-DPH48500-16112		<u>47,430</u>
TOTAL DEPARTMENT OF PUBLIC HEALTH			<u>974,648</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/Pass Through Grantor/Program Title	State Grant Program Identification No.	Project Number	Expenditure
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES			
Substance Abuse and Prevention Program	11000-MHA53000-16003		\$ 7,230
DEPARTMENT OF SOCIAL SERVICES			
Emergency Shelter Service	11000-DSS60733-16149 & 17038		523,678
Healthy Start	11000-DSS60510 & 7-16105		223,341
Medicaid	11000-DSS60000-16020		1,810,381
Day Care Program	11000-DSS60752-17022		<u>1,788,273</u>
TOTAL DEPARTMENT OF SOCIAL SERVICES			<u>4,345,673</u>
OFFICE OF POLICY AND MANAGEMENT			
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016		58,187
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031		843,234
Property Tax Relief for Elderly Homeowners	11000-OPM20600-17018		307,957
Property Tax Relief for Elderly Homeowners Freeze Program	11000-OPM20600-17021		13,410
Property Tax Relief Disability Exemption	11000-OPM20600-17011		2,033
Waste Water Treatment Facility	11000-OPM20600-17039		20,000
Drug Enforcement Program	11000-OPM20600-17028		130,676
Relocation Project Fund	11000-OPM20900-17026		212,686
Justice Assistant Grant	11000-OPM20350-12251	JAGP2004	703,372
Local Capital Improvement Program (LOCIP):	12050-OPM20600-40254		
West Service Road Extension			64,369
STP Federal Road Match			73,619
Automatic Fuel Control		Project 561	62,055
Library Renovations			23,828
Library Branch Facility Study			12,425
Restoration Broad and Vine Streets		Project 553	34,395
Traffic Circulation		Project 554	81,201
Reconstruction, City Sidewalks		Project 555	104,448
Truck Wash Facility		Project 247	4,421
Sand/Salt Storage Building		Project 248	2,000
Public Works Maps and Storage Building.		Project 255	20,697
City Hall Reconfiguration		Project 258	42,907
City Hall Floor Improvements		Project 260	1,271
Jennings Road, Roof Replacement		Project 251	<u>379</u>
TOTAL OFFICE OF POLICY AND MANAGEMENT			<u>2,819,570</u>

**CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Identification No.	Project Number	Expenditure
DEPARTMENT OF REVENUE SERVICES/DIVISION OF SPECIAL REVENUE			
Payments to Municipalities	34004-DRS18307-40001		<u>\$ 330,705</u>
CONNECTICUT STATE LIBRARY			
Connecticard Payments	11000-CSL66051-17010		14,503
Preservation of Historical Documents	12060-CSL66094-35150		<u>17,000</u>
TOTAL CONNECTICUT STATE LIBRARY			<u>31,503</u>
DEPARTMENT OF TRANSPORTATION			
Town Aid Road Grant Transportation Fund	12001-DOT57141-12283		444,430
Passed through Greater Hartford Transit District: Dial a Ride	12000-DOT57000-12186		<u>134,000</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>578,430</u>
DEPARTMENT OF PUBLIC SAFETY			
State Police:			
State Asset Forfeiture Revolving Fund	12060-DPS32539-35142		154,763
911 Enhancement	12060-DPS32740-35190		<u>236,300</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY			<u>391,063</u>
OFFICE OF THE STATE COMPTROLLER			
Boat Grant	12027-OSC15910-40211		12,768
Mashantucket Pequot Grant	12009-OSC15910-17005		10,489,649
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004		6,812,847
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006		<u>18,332,441</u>
TOTAL OFFICE OF THE STATE COMPTROLLER			<u>35,647,705</u>
JUDICIAL DEPARTMENT			
Hartford Building Bridges Project	11000-JUD95171-10020		187,500
General Assistance	11000-JUD95162-40001		<u>63,870</u>
TOTAL JUDICIAL DEPARTMENT			<u>251,370</u>
CHILDREN'S TRUST FUND COUNCIL			
Children's Trust Fund	11000-CTF94000-12042		<u>70,239</u>
TOTAL STATE ASSISTANCE EXPENDITURES			<u>76,040,124</u>

CITY OF HARTFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/Pass Through Grantor/Program Title	State Grant Program Identification No.	Project Number	Expenditure
EXEMPT PROGRAMS			
DEPARTMENT OF EDUCATION			
Education Cost Sharing	11000-SDE63370-17042		\$164,040,794
School Building Grant - Progress Payment	13010-SDE64370-40901		68,585,545
Transportation of School Children	11000-SDE64370-17027		1,948,707
School Building Grant Interest Subsidy	13009-SDE64370-40896		1,983,565
School Building Grant Principal Subsidy	13010-SDE64370-40901		<u>4,027,119</u>
TOTAL EXEMPT			<u>240,585,730</u>
GRAND TOTAL			<u>\$316,625,854</u>

*State Grant Program Identification Number not available.

See Notes to Schedule

CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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?

 yes X 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	\$3,064,747
Adult Education	11000-SDE64370-17030	\$5,752,373
Early Reading Success	11000-SDE64370-17043-82053	\$3,536,812
Magnet Schools	11000-SDE64370-17057	\$5,387,520
Passed through the Capital Region		
Education Council:		
School Readiness and Child		
Day Care	11000-SDE64370-17043-82056	\$2,116,200
Department of Economic and		
Community Development:		
Grant in Aid for Capital City		
Projects - CCEDA	12059-ECD46050-40577	\$2,503,425
Urban Act Program	13019-ECD46200-41240	\$3,855,104

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

State Grantor and Program	State CORE-CT Number	<u>Expenditures</u>
Department of Social Services:		
Child Day Care	11000-DSS60752-17022	\$1,788,273
Medicaid	11000-DSS60000-16020	\$1,810,381
Office of the State Comptroller:		
Mashantucket Pequot/Mohegan Grant	12009-OSC15910-17005	\$10,489,649
Payment in Lieu of Taxes (PILOT) on State-owned Property	11000-OSC15910-17004	\$6,812,847
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	\$18,332,441
Office of Policy and Management:		
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	\$843,234

The dollar threshold used to determine major programs was \$760,401.

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 23, 2005, 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 seven reportable conditions, two of which are considered material weaknesses.

Reportable conditions:

1. Finance Department structure*
2. Bank reconciliation processes and procedures
3. Tax Division
4. Finance Department – general ledger management
5. Finance Department – grants and special programs management
6. Finance Department – accounts receivable management*
7. Board of Education – Educational Grants Fund

*Considered a material weakness

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State financial assistance.

CITY OF HARTFORD, CONNECTICUT

STATE FINANCIAL ASSISTANCE PROGRAMS

**NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2005**

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.
