

# FEDERAL SINGLE AUDIT STATE SINGLE AUDIT DETAIL REPORTS



For The Fiscal Year, July 1, 2006 - June 30, 2007

## CITY OF HARTFORD, CONNECTICUT

OFFICE OF THE  
DIRECTOR OF FINANCE

**CITY OF HARTFORD, CONNECTICUT**  
**FEDERAL SINGLE AUDIT AND STATE SINGLE AUDIT REPORTS**

**JUNE 30, 2007**

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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program, on Internal Control over Compliance  
in Accordance with OMB Circular A-133 and on the Schedule of  
Expenditures of Federal Awards**

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

Compliance

We have audited the compliance of the City of Hartford, Connecticut, 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, 2007. The City of Hartford, Connecticut's 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 of Hartford, Connecticut's management. Our responsibility is to express an opinion on the City of Hartford, Connecticut's 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 of Hartford, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, Connecticut, 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, 2007. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-01.

Internal Control over Compliance

The management of the City of Hartford, Connecticut, 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 City of Hartford, Connecticut's internal control over compliance with the

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2007 and have issued our report thereon dated December 28, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut'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 noncash 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 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.

*Blum, Shapiro & Company, P.C.*

December 28, 2007

**CITY OF HARTFORD, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b>                        | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|---------------------------------------------------------------------------------------|------------------------------------|---------------------|
| <b>United States Department of Agriculture</b>                                        |                                    |                     |
| <i>Passed Through the State of Connecticut Department of Administrative Services:</i> |                                    |                     |
| Food Donation                                                                         | 10.550                             | \$ 670,588          |
| <i>Passed Through the State of Connecticut Department of Education:</i>               |                                    |                     |
| Child Nutrition Cluster:                                                              |                                    |                     |
| School Breakfast Program                                                              | 10.553                             | 1,816,551           |
| National School Lunch Program-Food Service                                            | 10.555                             | 7,605,436           |
| Summer Food Service Program                                                           | 10.559                             | 267,041             |
| Child and Adult Care Food Program                                                     | 10.558                             | 118,680             |
| Fresh Fruit and Vegetable Program                                                     | 10.582                             | 16,420              |
| <i>Passed Through the State of Connecticut Department of Public Health:</i>           |                                    |                     |
| Women, Infants and Children/Food Benefits                                             | 10.557                             | 7,478,195           |
| Women, Infants and Children                                                           | 10.557                             | 877,756             |
| Total Department of Agriculture                                                       |                                    | <u>18,850,667</u>   |
| <b>United States Department of Education</b>                                          |                                    |                     |
| <i>Direct Programs:</i>                                                               |                                    |                     |
| Impact Aid                                                                            | 84.041                             | 50,139              |
| Federal Safe and Drug Free Schools                                                    | 84.184                             | 2,230,946           |
| Drug and Violence Prevention Coordinators for Middle Schools                          | 84.184K                            | 186,256             |
| Magnet School Assistance                                                              | 84.165                             | 3,255,826           |
| Smaller Learning Communities                                                          | 84.215L                            | 496,540             |
| Teaching American History Grants                                                      | 84.215X                            | 838,983             |
| Title VII - Bilingual Education Act - System Wide                                     | 84.291R                            | 57,343              |
| <i>Passed Through the State of Connecticut Department of Education:</i>               |                                    |                     |
| Adult Education-State Grant Program                                                   | 84.002                             | 88,745              |
| Migrant Education-State Grant Program                                                 | 84.011                             | 275,905             |
| IDEA Part B-Individuals with Disabilities, Section 611                                | 84.027                             | 6,215,554           |
| IDEA Preschool, Section 619                                                           | 84.173                             | 239,379             |
| Vocational Education Basic Grants                                                     | 84.048                             | 904,189             |
| Safe and Drug-Free Schools and Communities-State Grants                               | 84.186                             | 342,594             |
| Education of Homeless and Youth                                                       | 84.196                             | 50,310              |
| Reading First State Grant                                                             | 84.357                             | 331,687             |
| Reading First State Grant                                                             | 84.357                             | 345,871             |
| Reading First State Grant                                                             | 84.357                             | 322,262             |
| Reading First State Grant                                                             | 84.357                             | 90,919              |

(Continued on next page)

**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b>                         | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|----------------------------------------------------------------------------------------|------------------------------------|---------------------|
| Reading First State Grant                                                              | 84.357                             | \$ 36,630           |
| Reading First State Grant                                                              | 84.357                             | 36,990              |
| Twenty-First Century Community Learning Center                                         | 84.287                             | 143,006             |
| State Grants for Innovative Programs                                                   | 84.298                             | 80,907              |
| Education Technology State Grants                                                      | 84.318                             | 72,019              |
| Education Technology State Grants                                                      | 84.318                             | 143,432             |
| State Program Improvement Grant                                                        | 84.323                             | 462,355             |
| Comprehensive School Reform Demonstration                                              | 84.332                             | 536,226             |
| English Language Acquisition Grants                                                    | 84.365                             | 956,751             |
| Mathematics and Science Partnerships                                                   | 84.366                             | 18,814              |
| Improving Teacher Quality State Program                                                | 84.367                             | 4,066,231           |
| Title I Grants to Local Educational Agencies                                           | 84.010                             | <u>20,904,628</u>   |
| Total Department of Education                                                          |                                    | <u>43,781,437</u>   |
| <b>United States Department of Health And Human Services</b>                           |                                    |                     |
| <i>Direct from Public Health Services, Bureau of Health Resources:</i>                 |                                    |                     |
| HIV Emergency Relief Project Grants                                                    | 93.914                             | 3,967,257           |
| Medical Reserve Corp. Grant                                                            | 93.008                             | 63,530              |
| <i>Passed Through the State of Connecticut Department of Public Health:</i>            |                                    |                     |
| Center for Disease Control and Prevention - Investigations<br>and Technical Assistance | 93.283                             | 68,688              |
| HIV Prevention Activities - Health Department Based                                    | 93.940                             | 84,456              |
| Metro-Hartford HIV Prevention Coalition                                                | 93.243                             | 148,240             |
| Sexually Transmitted Diseases Control Grants                                           | 93.977                             | 90,576              |
| Childhood Lead Poisoning Prevention Program                                            | 93.197                             | 110,552             |
| Preventive Health and Health Services Block Grant                                      | 93.991                             | 40,927              |
| Bioterrorism Training and Curriculum Development Program                               | 93.996                             | 63,794              |
| Maternal and Child Health Federal Consolidated Programs                                | 93.110                             | 36,562              |
| Maternal and Child Health Services Block Grants                                        | 93.994                             | 125,000             |
| Immunization Grants                                                                    | 93.268                             | 79,255              |
| Immunization Grants - Cash Value of Vaccines Provided                                  | 93.268                             | 62,241              |
| <i>Passed Through the Department of Social Services:</i>                               |                                    |                     |
| Social Services Block Grant:                                                           |                                    |                     |
| SSBG Independent Transit Living Services                                               | 93.667                             | 11,953              |
| SSBG Day Care                                                                          | 93.667                             | <u>1,086,674</u>    |
| Total Department of Health and Human Services                                          |                                    | <u>6,039,705</u>    |

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**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b>                                                                              | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------|
| <b>United States Department of Housing and Urban Development</b>                                                                            |                                    |                     |
| <i>Direct Programs:</i>                                                                                                                     |                                    |                     |
| Section 8 New Construction and Substantial Rehabilitation<br>Lower Income Housing Assistance Program - Section 8<br>Moderate Rehabilitation | 14.182                             | \$ 303,785          |
| Section 8 Housing Choice Vouchers                                                                                                           | 14.856                             | 1,653,131           |
| Home Investment Partnership Program                                                                                                         | 14.871                             | 36,489,720          |
| Community Development Block Grants/Entitlement Grants                                                                                       | 14.239                             | 2,867,812           |
| Emergency Shelter Grants Program                                                                                                            | 14.218                             | 5,995,496           |
| Housing Opportunities for Persons with Aids                                                                                                 | 14.231                             | 153,925             |
| CDBG - Section 108 Loan Guarantees - Neighborhood Mall                                                                                      | 14.241                             | 1,126,353           |
| Park Streetscape Phase II                                                                                                                   | 14.248                             | 84,878              |
| Parkville Municipal Development                                                                                                             | 14.244                             | 605,995             |
| Parkville Neighborhood Loan Guarantee                                                                                                       | 14.244                             | 70,000              |
|                                                                                                                                             |                                    | 21,000              |
| Total Department of Housing and Urban Development                                                                                           |                                    | 49,372,095          |
| <b>United States Department of Justice</b>                                                                                                  |                                    |                     |
| <i>Direct Programs:</i>                                                                                                                     |                                    |                     |
| Byrne Formula Grant                                                                                                                         | 16.579                             | 21,818              |
| FBI Safe Streets                                                                                                                            | 16.595                             | 31,882              |
| Hartford Resident Office DEA                                                                                                                | 16.595                             | 14,512              |
| Weed & Seed Upper Albany & Clay Arsenal                                                                                                     | 16.595                             | 69,754              |
| Public Safety Partnership and Community Policing Grants (MORE 98)                                                                           | 16.710                             | 700,737             |
| Anti-Gang Initiative                                                                                                                        | 16.744                             | 161,728             |
| Total Department of Justice                                                                                                                 |                                    | 1,000,431           |
| <b>United States Department of Transportation</b>                                                                                           |                                    |                     |
| <i>Passed Through the State of Connecticut Department of Transportation:</i>                                                                |                                    |                     |
| State and Community Highway Safety:                                                                                                         |                                    |                     |
| Alcohol Traffic Safety and Drunk Driving Prevention Grants                                                                                  | 20.601                             | 36,825              |
| DUI Enforcement Vehicle Program                                                                                                             | 20.600                             | 62,730              |
| Highway Planning and Construction:                                                                                                          |                                    |                     |
| Tourist Destination Signage (63-575)                                                                                                        | 20.205                             | 248                 |
| Trinity College Area Improvement                                                                                                            | 20.205                             | 1,814,914           |
| Demolition of Mixmaster/Temple Street                                                                                                       | 20.205                             | 511,827             |

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**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b>                                               | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------|
| River Walk North                                                                                             | 20.205                             | \$ 1,179,700        |
| Huyshope Avenue Street Scape                                                                                 | 20.205                             | <u>819,628</u>      |
| Total Department of Transportation                                                                           |                                    | <u>4,425,872</u>    |
| <b>United States Department of Commerce,<br/>Economic Development Administration</b>                         |                                    |                     |
| <i>Direct Programs:</i>                                                                                      |                                    |                     |
| Economic Adjustment Assistance                                                                               | 11.307                             | 11,993              |
| Economic Development - Technical Assistance                                                                  | 11.303                             | <u>177,050</u>      |
| Total Department of Commerce                                                                                 |                                    | <u>189,043</u>      |
| <b>United States Department of Homeland Security</b>                                                         |                                    |                     |
| <i>Direct Program:</i>                                                                                       |                                    |                     |
| Assistance to Firefighters Grants                                                                            | 97.044                             | 68,446              |
| <i>Passed Through the State of Connecticut Department of Emergency<br/>Management and Homeland Security:</i> |                                    |                     |
| Emergency Management Performance Grants                                                                      | 97.042                             | 77,365              |
| Disaster Grants - Public Assistance                                                                          | 97.036                             | 201,571             |
| Law Enforcement Terrorism Prevention Program                                                                 | 97.074                             | 20,000              |
| <i>Passed Through the State Military Department:</i>                                                         |                                    |                     |
| Emergency Management Assistance                                                                              | 97.004                             | 2,556               |
| <i>Passed Through the United Way of the Capital Area:</i>                                                    |                                    |                     |
| Emergency Food and Shelter National Board Program                                                            | 97.024                             | <u>29,566</u>       |
| Total Department of Homeland Security                                                                        |                                    | <u>399,504</u>      |
| <b>United States Department of State</b>                                                                     |                                    |                     |
| <i>Passed Through the State Department of Environmental Protection:</i>                                      |                                    |                     |
| College and University Affiliations Program                                                                  | 19.406                             | <u>355,820</u>      |

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**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>Federal Grantor/Pass-Through Grantor/<br/>Program Title</b>                      | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b>          |
|-------------------------------------------------------------------------------------|------------------------------------|------------------------------|
| <b>Environmental Protection Agency</b>                                              |                                    |                              |
| <i>Passed Through the State Department of Environmental Protection:</i>             |                                    |                              |
| Leaking Underground Storage Tank Trust Fund Program                                 | 66.805                             | \$ <u>231,981</u>            |
| <b>Election Assistance Commission</b>                                               |                                    |                              |
| <i>Passed Through the State of Connecticut Secretary of the State:</i>              |                                    |                              |
| Help America Vote Act Requirements Payments                                         | 90.401                             | <u>18,988</u>                |
| <b>United States Department of Energy</b>                                           |                                    |                              |
| <i>Passed Through the State of Connecticut Office of Policy<br/>and Management:</i> |                                    |                              |
| State Energy Program                                                                | 81.041                             | <u>25,000</u>                |
| <b>Total Federal Awards Expended</b>                                                |                                    | \$ <u><u>124,690,543</u></u> |

**CITY OF HARTFORD, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the City of Hartford, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of Accounting** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hartford, Connecticut, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - **Noncash Awards:**

Donated commodities in the amount of \$670,588 are included in the Department of Agriculture's Food Donation Program, CFDA #10.550. The amount represents the market value of commodities received.

The City also reports noncash awards under the Special Supplemental Nutrition Program for Women, Infants, and Children Program. The amount of \$7,478,195 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.

Note 3 - **Summary of Prior Year Findings**

06-1 The prior year finding was related to a decrease in the level of 2005-2006 expenditures relative to 2004-2005 for activities related to communicable disease/HIV counseling, testing and prevention. The City met level of effort requirements in the current year as such expenditures for 2006-2007 increased over the prior year.

- 06-2 The prior year finding related to the Davis-Bacon Act and concerned the reporting of wages by self-employed contractors. Some instances of self-employed contractors improperly submitting their own certified payrolls were noted. These instances were in the beginning of 2006-2007. Evidence indicated that the errors had been corrected during 2006-2007 and that the City of Hartford had made personnel changes impacting Davis-Bacon.
- 06-3 The prior year finding was related to the Title I comparability form being improperly prepared. Enrollment figures were not supported by documentation, and numerous calculation errors were noted in the report. The finding is updated and reported as finding 07-01.
- 06-4 The prior year finding was related to the City of Hartford's failure to perform annual income eligibility redetermination for all families receiving federally-funded daycare services. Internal procedures were strengthened to ensure that redeterminations were performed for all families. Annual redeterminations were performed for all 2006-2007 daycare recipients reviewed.

Note 4 - **Housing and Urban Development (HUD) Section 108 Loans**

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

|                                                    | <u>June 30, 2006</u> | <u>Issued</u> | <u>Retired</u>      | <u>June 30, 2007</u> |
|----------------------------------------------------|----------------------|---------------|---------------------|----------------------|
| Burgdorf/Fleet Health Center,<br>October 28, 1997  | \$ 1,720,000         |               | \$ 105,000          | \$ 1,615,000         |
| Adriaen's Landing Marriott<br>Hotel, June 30, 2004 | 8,000,000            |               | 8,000,000           | -                    |
| Neighborhood Mall, June 30,<br>June 27, 2005       | <u>1,500,000</u>     |               |                     | <u>1,500,000</u>     |
| Total Section 108 Loans                            | \$ <u>11,220,000</u> | \$ <u>-</u>   | \$ <u>8,105,000</u> | \$ <u>3,115,000</u>  |

**CITY OF HARTFORD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) 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 weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes        none reported

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

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

  X   yes        no

Identification of major programs:

| <u>CFDA #</u>        | <u>Name of Federal Program or Cluster</u>             |
|----------------------|-------------------------------------------------------|
| 10.553/10.555/10.559 | Child Nutrition Cluster                               |
| 10.557               | Women, Infants and Children                           |
| 84.010               | Title I Grants to Local Educational Agencies          |
| 84.048               | Vocational Education Basic Grants                     |
| 93.914               | HIV Emergency Relief Project Grants                   |
| 93.667               | Social Services Block Grant                           |
| 14.871               | Section 8 Housing Choice Vouchers                     |
| 14.218               | Community Development Block Grants/Entitlement Grants |
| 14.241               | Housing Opportunities for Persons with Aids           |
| 14.239               | Home Investment Partnership Program                   |

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee?        yes   X   no

## **II. Financial Statement Findings**

- We issued reports, dated December 28, 2007, on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Governmental Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting included four significant deficiencies, two of which are considered material weaknesses:
  1. Tax Division\*
  2. Financial Management System and General Ledger\*
  3. Accounts Receivable Management
  4. Student Activity Funds

\* Considered a material weakness

## **III. Federal Award Findings and Questioned Costs**

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>07-01</b>            | Special Tests and Provisions<br>Grantor: U.S. Department of Education<br>CFDA Number: 84.010<br>Program: Title I Grants to Local Education Agencies (LEAs)                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Criteria</b>         | An LEA receiving Title I funds is required to complete a comparability form every two years as part of its consolidated application to the Connecticut State Department of Education (SDE). This form is completed to meet the federal requirement that state and local funds used in participating Title I schools are comparable to funds used in non-Title I schools.                                                                                                                                                                            |
| <b>Condition</b>        | Enrollment data for each school in Hartford was not supported. This data was part of the comparability calculation. Calculations pertaining to the average number of students per full-time equivalent (FTE) within each grade span were incorrect.                                                                                                                                                                                                                                                                                                 |
| <b>Questioned Costs</b> | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Context</b>          | Enrollment figures for each public school in Hartford did not agree to documentation provided. Upon further investigation, it was determined that the documentation used to prepare the report may have been lost due to staff turnover. The average number of students per FTE in each grade span is calculated based on the sum of students enrolled and number of FTE for all schools which service that same grade span. Numerous errors were noted regarding the calculations of average enrollment, average FTE and average students per FTE. |

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Effect</b>         | No effect can be determined.                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Cause</b>          | Information utilized for the preparation of the form was provided by individuals who are no longer employed by the City of Hartford. The individuals who were involved in the preparation of the form did not retain this information, and it could not be located when requested for Federal Single Audit purposes. A thorough review of the form was not completed; therefore, calculation errors were not noted. |
| <b>Recommendation</b> | We recommend that Hartford provide further training to staff involved with the preparation of the comparability form. The report should be reviewed by someone other than the preparer prior to submission. We also recommend that City personnel retain all documentation used to prepare the report.                                                                                                              |



**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program, on Internal Control over  
Compliance in Accordance with the State Single Audit Act  
and on the Schedule of Expenditures of State Financial Assistance**

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

Compliance

We have audited the compliance of the City of Hartford, Connecticut, 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, 2007. 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 of Hartford, Connecticut'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 of Hartford, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, Connecticut, 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, 2007.

Internal Control over Compliance

The management of the City of Hartford, Connecticut, 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 City of Hartford, Connecticut's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2007 and have issued our report thereon dated December 28, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut'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 for the information and use of management, the Mayor and Members of the Court of Common Council, the Office of Policy and Management, the Board of Education and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Blum, Shapiro & Company, P.C.*

December 28, 2007



**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>State Grantor/Program Title</b>                      | <b>State Grant Program<br/>Core-CT Number</b> | <b>Expenditures</b> |
|---------------------------------------------------------|-----------------------------------------------|---------------------|
| <b>Department of Education</b>                          |                                               |                     |
| School Breakfast Program                                | 11000-SDE64370-17046                          | \$ 188,696          |
| Child Nutrition Program-State Match                     | 11000-SDE64370-16072                          | 165,634             |
| Family Resource Center                                  | 11000-SDE64370-16110                          | 511,250             |
| State Adult Ed-Provider                                 | 11000-SDE64370-17030                          | 3,400,389           |
| Adult Education-COOP                                    | 11000-SDE64370-17030                          | 75,835              |
| Adult Education-COOP                                    | 11000-SDE64370-17030                          | 54,359              |
| Adult Education-LVA                                     | 11000-SDE64370-17030                          | 101,161             |
| Young Adult Learners                                    | 11000-SDE64000-17091                          | 70,000              |
| Health Services                                         | 11000-SDE64000-17034                          | 53,894              |
| Bilingual Education                                     | 11000-SDE64370-17042                          | 402,856             |
| Interdistrict Cooperative                               | 11000-SDE64370-17045                          | 1,102,379           |
| Priority Schools                                        | 11000-SDE64370-17043                          | 6,625,101           |
| Early Reading Success                                   | 11000-SDE64370-17043                          | 3,062,025           |
| School Accountability-Summer                            | 11000-SDE64370-17043                          | 463,648             |
| Extended School Hours Program Grant                     | 11000-SDE64370-17043                          | 402,237             |
| Young Parents Program                                   | 11000-SDE64370-17044                          | 16,381              |
| Youth Service Bureau                                    | 11000-SDE64370-17052                          | 463,432             |
| Open Choice                                             | 11000-SDE64370-17053                          | 2,000               |
| State Funds for Technology Infrastructure               | 12052-SDE64370-40312                          | 57,978              |
| Primary Mental Health                                   | 11000-SDE64370-12198                          | 10,058              |
| Magnet Schools                                          | 11000-SDE64370-17057                          | 17,141,485          |
| Summer Lunch Program                                    |                                               | 216,904             |
| School Readiness Child Care Program                     | 11000-SDE64370-17043                          | 9,170,812           |
| Total Department of Education                           |                                               | <u>43,758,514</u>   |
| <b>Board of Education and Services for the Blind</b>    |                                               |                     |
| Vision Impaired Children                                | 11000-ESB65020-12060                          | <u>390,270</u>      |
| <b>Department of Environmental Protection</b>           |                                               |                     |
| Municipal Outdoor Recreation Fund:                      |                                               |                     |
| City's Tower Brook Conduit                              | 12052-DEP44420-40296                          | <u>8,999</u>        |
| <b>Department of Economic and Community Development</b> |                                               |                     |
| Pilot Mod. Rental (PHA) Housing                         | 11000-ECD46400-17012                          | 259,389             |
| Tax Abatement Program                                   | 11000-ECD46400-17008                          | 493,930             |
| Regional Economic Development Project -<br>Veeder Place | 13019-ECD46200-41240                          | 205,253             |
| Urban Act Program                                       | 13019-ECD46350-41240                          | 178,177             |
| Grant-in-aid for Capital City projects (CCEDA)          | 12059-ECD46050-40577                          | 13,200              |
| Community Conservation and Development<br>(CCEDA)       | 12059-ECD46050-41239                          | 1,221,644           |

(Continued on next page)

**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF STATE  
FINANCIAL ASSISTANCE (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <u>State Grantor/Program Title</u>                                                                                 | <u>State Grant Program<br/>Core-CT Number</u> | <u>Expenditures</u> |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------|
| Property Management CCEDA Phase II                                                                                 | 13019-ECD46350-41240                          | \$ 109,517          |
| Admin. Fee - DECD Legal CCEDA Phase II                                                                             |                                               | 600,000             |
| Economic Assistance Bond Fund                                                                                      | 12034-ECD46200-40221                          | <u>105,000</u>      |
| Total Department of Economic and<br>Community Development                                                          |                                               | <u>3,186,110</u>    |
| <b>Department of Public Health</b>                                                                                 |                                               |                     |
| Immunization Outreach                                                                                              | 11000-DPH48500-10020                          | 35,741              |
| Cancer Planning and Prevention                                                                                     | 11000-DPH48500-10020                          | 4,532               |
| Venereal Disease Control                                                                                           | 11000-DPH48500-17013                          | 45,606              |
| AIDS - Prevention Education Services                                                                               | 11000-DPH48500-12236                          | 69,752              |
| Lead Poisoning Prevention Program                                                                                  | 11000-DPH48500-12227                          | 48,868              |
| Local and District Department of Health - Per<br>Capita                                                            | 11000-DPH48500-17009                          | 119,330             |
| School Based Health Clinics                                                                                        | 11000-DPH48500-17019                          | 482,765             |
| Tuberculosis Control and Prevention                                                                                | 11000-DPH48500-16112                          | <u>49,127</u>       |
| Total Department of Public Health                                                                                  |                                               | <u>855,721</u>      |
| <b>Department of Social Services</b>                                                                               |                                               |                     |
| Emergency Shelter Service                                                                                          | 11000-DSS60733-16149 & 17038                  | 530,577             |
| Healthy Start                                                                                                      | 11000-DSS60521-16105                          | 525,770             |
| Neighborhood Facilities                                                                                            | 13019-DSS6000-41242                           | 60,000              |
| Housing and Homeless Services                                                                                      | 11000-DSS60000-17038                          | 447,180             |
| Medicaid                                                                                                           | 11000-DSS60000-16020                          | 1,502,656           |
| Child Day Care Loc Governments                                                                                     | 11000-DSS60794-17022                          | 943,857             |
| Day Care Projects                                                                                                  | 11000-DSS60794-12224                          | <u>7,215</u>        |
| Total Department of Social Services                                                                                |                                               | <u>4,017,255</u>    |
| <b>Office of Policy and Management</b>                                                                             |                                               |                     |
| Payment in Lieu of Taxes (PILOT) on Exempt<br>Property of Manufacturing Facilities in<br>Distressed Municipalities | 11000-OPM20600-17016                          | 84,867              |
| Property Tax Relief for Manufacturing<br>Machinery and Equipment                                                   | 11000-OPM20600-17031                          | 1,114,902           |
| Property Tax Relief for Elderly Homeowners                                                                         | 11000-OPM20600-17018                          | 307,832             |
| Property Tax Relief for Veterans                                                                                   | 11000-OPM20600-17024                          | 64,258              |
| Property Tax Relief for Elderly Homeowners<br>Freeze Program                                                       | 11000-OPM20600-17021                          | 9,881               |
| Property Tax Relief Disability Exemption                                                                           | 11000-OPM20600-17011                          | 4,854               |
| Property Tax Relief                                                                                                | 11000-OPM20600-17086                          | <u>4,923,291</u>    |

(Continued on next page)

**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF STATE  
FINANCIAL ASSISTANCE (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>State Grantor/Program Title</b>                                    | <b>State Grant Program<br/>Core-CT Number</b> | <b>Expenditures</b> |
|-----------------------------------------------------------------------|-----------------------------------------------|---------------------|
| Local Capital Improvement Program: (LOCIP)                            | 12050-OPM20600-40254                          |                     |
| STP Federal Road Match                                                |                                               | \$ 13,957           |
| Restoration Broad and Vine Streets                                    |                                               | 32,067              |
| Truck Wash Facility                                                   |                                               | 500                 |
| Sand/Salt Storage Building                                            |                                               | 23,250              |
| Jennings Road, Roof Replacement                                       |                                               | 32,441              |
| Street Resurfacing                                                    |                                               | 348,000             |
| HVAC Improvement                                                      |                                               | 1,769,385           |
| Swimming Pool Renovation                                              |                                               | 94,030              |
| Fire Department - Vehicle Storage                                     |                                               | 1,380               |
| Fire Department - Burn Building                                       |                                               | 192,950             |
| Conservation and Development                                          |                                               | 60,473              |
| Decorative Lights                                                     |                                               | 22,600              |
|                                                                       |                                               | <hr/>               |
| Total Office of Policy and Management                                 |                                               | 9,100,918           |
|                                                                       |                                               | <hr/>               |
| <b>Department of Revenue Services/Division of<br/>Special Revenue</b> |                                               |                     |
| Payments to Municipalities                                            | 34004-DRS18307-40001                          | 332,786             |
|                                                                       |                                               | <hr/>               |
| <b>Connecticut State Library</b>                                      |                                               |                     |
| Connecticard Payments                                                 | 11000-CSL66051-17010                          | 22,331              |
| State of CT Library Grant                                             |                                               | 10,579              |
| Preservation of Historical Documents                                  | 12060-CSL66094-35150                          | 75,809              |
|                                                                       |                                               | <hr/>               |
| Total Connecticut State Library                                       |                                               | 108,719             |
|                                                                       |                                               | <hr/>               |
| <b>Department of Transportation</b>                                   |                                               |                     |
| Town Aid Road Grant Transportation Fund                               | 12001-DOT57141-12283                          | 615,157             |
| DUI Holiday                                                           |                                               | 33,805              |
|                                                                       |                                               | <hr/>               |
| Total Department of Transportation                                    |                                               | 648,962             |
|                                                                       |                                               | <hr/>               |
| <b>Department of Public Safety</b>                                    |                                               |                     |
| State Police:                                                         |                                               |                     |
| State Asset Forfeiture Revolving Fund                                 | 12060-DPS32539-35142                          | 173,786             |
| 911 Enhancement                                                       | 12060-DPS32740-35190                          | 111,604             |
| Fire Orientation and Firefighter Safety                               |                                               | 103,702             |
| COPS In School Award Grant                                            |                                               | 12,287              |
| Hartford Gun Project-Overtime Reimbursement                           |                                               | 54,391              |
|                                                                       |                                               | <hr/>               |
| Total Department of Public Safety                                     |                                               | 455,770             |
|                                                                       |                                               | <hr/>               |

(Continued on next page)

**CITY OF HARTFORD, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF STATE  
FINANCIAL ASSISTANCE (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

| <b>State Grantor/Program Title</b>                                            | <b>State Grant Program<br/>Core-CT Number</b> | <b>Expenditures</b>          |
|-------------------------------------------------------------------------------|-----------------------------------------------|------------------------------|
| <b>Office of the State Comptroller</b>                                        |                                               |                              |
| Boat Grant                                                                    | 12027-OSC15910-40211                          | \$ 12,768                    |
| Mashantucket Pequot Grant                                                     | 12009-OSC15910-17005                          | 9,900,322                    |
| Payment in Lieu of Taxes (PILOT) on State-<br>Owned Property                  | 11000-OSC15910-17004                          | 9,408,572                    |
| Payment in Lieu of Taxes (PILOT) on Private<br>Colleges and General Hospitals | 11000-OSC15910-17006                          | <u>21,160,011</u>            |
| Total Office of the State Comptroller                                         |                                               | <u>40,481,673</u>            |
| <b>Judicial Department</b>                                                    |                                               |                              |
| Hartford Building Bridges Project                                             | 11000-JUD96114-12043                          | <u>548,538</u>               |
| <b>Children's Trust Fund</b>                                                  |                                               |                              |
| Children's Trust Fund                                                         | 11000-CTF94000-12042                          | 87,310                       |
| Nurturing Families Network Grant                                              | 11000-CTF94000-12042                          | <u>111,584</u>               |
| Total Children's Trust Fund                                                   |                                               | <u>198,894</u>               |
| <b>Department of Children and Families</b>                                    |                                               |                              |
| Prevention and Treatment of Child Abuse                                       | 11000-DCF91110-16064                          | <u>25,912</u>                |
| <b>Total State Financial Assistance Before<br/>Exempt Programs</b>            |                                               | <u>104,119,041</u>           |
| <b>Exempt Programs</b>                                                        |                                               |                              |
| <b>Department of Education</b>                                                |                                               |                              |
| Education Cost Sharing                                                        | 11000-SDE64370-17041                          | 169,077,604                  |
| School Building Grant - Progress Payment                                      | 13010-SDE64370-40901                          | 74,798,273                   |
| School Building Grant Principal Subsidy                                       | 13010-SDE64370-40901                          | 3,600,194                    |
| Transportation of School Children                                             | 11000-SDE64370-17027                          | 3,124,926                    |
| School Building Grant Interest Subsidy                                        | 13009-SDE64370-40896                          | <u>1,050,211</u>             |
| Total Exempt Programs                                                         |                                               | <u>251,651,208</u>           |
| <b>Total State Financial Assistance</b>                                       |                                               | <u><u>\$ 355,770,249</u></u> |

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

#### FOR THE YEAR ENDED JUNE 30, 2007

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

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the City of Hartford, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. 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 of Hartford, Connecticut's annual audit report are prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, if measurable.

The schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Sections 4-236-22), 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.

Note 2 - **Status of Prior Year Findings:**

06-1 The prior year finding was related to the presence of ineligible property listed on the October 1, 2004 M65 form that was submitted to the State of Connecticut Office of Policy and Management (OPM). A more thorough review of the October 1, 2005 M-65a form was completed by the client this year. No instances of ineligible property on the form were noted this year.

**CITY OF HARTFORD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes        none reported

Noncompliance material to financial statements noted?

       Yes   X   no

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

       yes   X   no

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

| <u>State Grantor and Program</u>                              | <u>State Core-CT Number</u> | <u>Expenditures</u> |
|---------------------------------------------------------------|-----------------------------|---------------------|
| Department of Education:                                      |                             |                     |
| Adult Education                                               | 11000-SDE64370-17030        | \$ 3,631,744        |
| Interdistrict Cooperative                                     | 11000-SDE64370-17045        | 1,102,379           |
| Priority Schools                                              | 11000-SDE64370-17043        | 6,625,101           |
| Early Reading Success                                         | 11000-SDE64370-17043        | 3,062,025           |
| Magnet Schools                                                | 11000-SDE64370-17057        | 17,141,485          |
| School Readiness Child Care Program                           | 11000-SDE64370-17043        | 9,170,812           |
| Department of Social Services:                                |                             |                     |
| Medicaid                                                      |                             | 1,502,656           |
| Office of Policy and Management:                              |                             |                     |
| Property Tax Relief for Manufacturing Machinery and Equipment | 11000-OPM20600-17031        | 1,114,902           |
| Property Tax Relief                                           | 11000-OPM20600-17086        | 4,923,291           |
| Local Capital Improvement Program                             | 12050-OPM20600-40254        | 2,591,033           |

|                                                                            |                      |            |
|----------------------------------------------------------------------------|----------------------|------------|
| Department of Economic and Community Development:                          |                      |            |
| Grant-in-aid for Capital Projects (CCEDA)                                  | 12059-ECD46050-40577 | 13,200     |
| Community Conservation and Development (CCEDA)                             | 12059-ECD46050-41239 | 1,221,644  |
| Property Management CCEDA Phase II                                         | 13019-ECD46350-41240 | 109,517    |
| Admin. Fee - DECD Legal CCEDA Phase II                                     |                      | 600,000    |
| Office of the State Comptroller:                                           |                      |            |
| Mashantucket Pequot Grant                                                  | 12009-OSC15910-17005 | 9,900,322  |
| Payment in Lieu of Taxes (PILOT) on State-Owned Property                   | 11000-OSC15910-17004 | 9,408,572  |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals | 11000-OSC15910-17006 | 21,160,011 |

## **II. Financial Statement Findings**

- We issued reports, dated December 28, 2007, on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Governmental Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting included four significant deficiencies, two of which are considered material weaknesses:
  1. Tax Division\*
  2. Financial Management System and General Ledger\*
  3. Accounts Receivable Management
  4. Student Activity Funds

\* Considered a material weakness

## **III. State Financial Assistance Findings and Questioned Costs**

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



**Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the City of Hartford, Connecticut's basic financial statements, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Hartford, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies related to the Tax Division, Financial Management System and General Ledger, Accounts Receivable Management and Student Activity Funds to be significant deficiencies in internal control over financial reporting.



## **TAX DIVISION**

*Condition:* In the spring of 2006, the Tax Division implemented new software for the tax collection system. The City's Tax Division continued to be adversely affected by the system conversion during the past year. Operational policies and procedures using the new software have been developed and are in various stages of implementation. Areas that should be covered by operational policies and procedures include: the analysis and reconciliation of tax collections, adjustments, refunds, gross receivables, credit balances and other components, and using system reports. A monthly Tax Collector's Report is not generated to document and reconcile the change in receivable balances. Additionally, a monthly reconciliation process has not been developed to reconcile tax and general ledger control balances to provide the opportunity to research and resolve noted differences. A customized system-generated Tax Collector's Report was installed in July 2007. Programming modifications are still needed to enable the Tax Division to effectively capture all reporting components to summarize the change in receivable balances for the current reporting period. We also noted that the Tax Division was unable to timely post a significant tax lien sale transaction that occurred just prior to June 30, 2007.

The June 30, 2007 Tax Collector's Report was not completed in a timely manner, and several modifications were required to produce an accurate reporting of the change in the receivable balance during the fiscal year. The Tax Collector's Report ending receivable balance excludes credit balances in excess of \$2 million. The Tax Division does not have an understanding of how credit balance activity is accounted for within the tax system.

*Recommendation:* We recommend that the Finance Department, in conjunction with Tax Division personnel, continue the assessment of the new tax system to document the essential processing and reporting tools that have not been provided or implemented. A coordinated effort should be established with the software provider to address these issues, particularly the completion of a system generated tax collector's report.

Internal policies and procedures should be implemented for all key areas as noted above. Appropriate resources should be in place to cover all elements of the processing activities and controls, particularly given the impact of the system conversion. The implementation of key business processes is necessary to provide adequate internal control within the Tax Division.

## **FINANCIAL MANAGEMENT SYSTEM AND GENERAL LEDGER**

*Condition:* The current structure and use of the financial management system does not provide for maximum utilization of controls within the system. Additionally, the accounting and reporting structure does not adequately support analysis and reporting of financial activity at the project/program level. Control deficiencies arise from the use of alternative processes and procedures outside the general ledger. The recording of these activities is not always performed timely. The following is a sample of noted deficiencies within the City's general ledger control environment:

- Financial statement receivables and deferred revenues, for various major funds, are developed for reporting in the comprehensive annual financial report (CAFR) only after completing an extensive compilation of project and program activity at year end using spreadsheets maintained outside the general ledger. These spreadsheets continue to report receivable and deferred revenue amounts at the project/program level that are not clearing and likely incorrect. The analysis of the project/program balances, in some instances, is only performed when the project is identified for close-out based on a period of years of

inactivity. The current financial management system has not been structured to support full project accounting or related project analysis.

- Situations exist, primarily in funds used to account for loan activities, where revenues and expenditures are posted to asset, liability and equity accounts instead of subsidiary controlled revenue and expenditure accounts. The recording of transactions in this manner prevents using the financial management system for the direct reporting of revenues and expenditures for the fiscal year, as well as enhancing internal analysis of those activities.
- Investment and interfund transfer activities of the City's pension and other trust funds were not timely and accurately recorded in the City's general ledger. Procedures that provide for the monthly identification and posting of account transfers and investment activity to the general ledger have not been implemented. Account balances are not reconciled monthly to allow for timely research and resolution of noted differences.
- The General Fund cash account structure does not mirror the accounts maintained by the Treasurer's Office. Multiple book balances from the Treasurer's records must be consolidated in order to reconcile with the general ledger. In addition to Treasury bank reconciliations, the Finance Department tracks additional reconciling items to reconcile the bank and book balances for the applicable accounts.
- The current process for closing projects and programs (special revenue and capital project funds) upon completion results in the reversal of life-to-date revenues and expenditures in the year of closing. As a result, the agreement of current year reported activity requires an off-system computation to agree to the general ledger reported activity.

*Recommendation:* Procedures should be developed and implemented which provide for the monthly posting and reconciliation of all pension and other trust fund account activity on the City's ledger. General ledger activity for investment income and related gains and losses should be supported by monthly institutional statements.

The City's planned implementation of the MUNIS general ledger module, in July 2008, as part of the City's overall replacement of its current financial management system, provides an opportunity to implement significant improvements to processes that, in many instances, have been in place for decades. The development and implementation of changes to existing business processes should be designed to maximize use of built-in controls and module integration within the system.

Strategic general ledger changes, including the development of a new chart of accounts, should serve as the foundation of the new financial management system. Developing a project accounting structure will allow for full utilization of the financial management system for project/program management and financial statement analysis and preparation.

If properly planned and implemented, the new financial management system will enable the City to function within the framework of 21st century technology and business practices. Understanding the need to control the migration of data to the new systems, and to the structure of the new reporting and control environment, is essential for a successful conversion. Maximizing system capabilities, controlling data, effective training and ensuring that system-generated reports provide users with meaningful, timely and reliable reports will ensure the success of the implementation.

## ACCOUNTS RECEIVABLE MANAGEMENT

Condition: Various City departments provide goods or services that require bills to be issued and subsequently involve the recording and collection of receivables (e.g., special police services and health services). Accounts receivable policies and procedures developed and formalized during 2006 have not been fully implemented. Procedures should be in place to effectively perform the revenue billing, recording, collection, posting and reconciliation function.

The City does not currently maintain general ledger control over accounts receivable related to miscellaneous revenue billings. Receivables are recorded at year-end based upon information received from the department that is providing the goods or services.

Recommendation: Preparations for full implementation of a MUNIS General Billings/Miscellaneous Receipts module are ongoing. We recommend transitioning all miscellaneous billings onto the new module to allow the City to apply uniform controls over the accounting and reporting of the miscellaneous billing/collection process.

Procedures should be developed and implemented to provide guidance in the effective utilization of the new module. Areas that should be covered by the policies and procedures include: billings, collections and posting of collections, recording and approval of adjustments, and the reconciliation of change in the accounts receivable balances. Centralization of the billing and collection functions should be evaluated to improve the overall control environment. General ledger control and reconciliation with subsidiary receivable balances and collections should be established as part of the module implementation process.

Procedures should also be implemented for the analysis of system reports that can be used for the timely follow-up and collection of delinquent accounts in accordance with uniform procedures issued on July 1, 2006.

## STUDENT ACTIVITY FUNDS

Condition: Cash transactions and balances related to student activity funds are reported in the City's comprehensive annual financial report as an Agency fund. It is necessary for each school to prepare an annual report of transactions at the end of each year for inclusion in the annual report. We noted several deficiencies related to records, reporting and fund management for the activity funds throughout the school system. There continues to be uncertainty among the schools as to the student activity policies and procedures that are acceptable system-wide. There is a lack of segregation of duties in the accounting function at some locations, especially the elementary schools. Several schools did not timely report their annual information and others schools did not respond at all. Inaccuracies were noted in the reported amounts from several schools. Several schools were unable to provide year-end reconciliations for their student activity accounts.

Recommendation: We recommend the development of an ongoing training program to be provided to individuals responsible for the operation of the student activity programs and the maintenance of the accounting records. Many of the individuals responsible for the record keeping for these programs do not have any accounting or bookkeeping experience. A simple, well documented system and training program should be provided. Significant turnover in the administrative staff, at many schools, has required that these records be maintained by persons with little or no prior experience, which emphasizes the need for an annual training program. We continue to recommend that significant improvements be made in the area of student activity funds segregation of duties, accountability, training and monitoring.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the Tax Division and Financial Management System and General Ledger conditions to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartford, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Hartford, Connecticut, in a separate letter dated December 28, 2007.

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

*Blum, Shapiro & Company, P.C.*

December 28, 2007