

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Year Ended June 30, 2013

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hartford, Connecticut's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements. We issued our report thereon dated January 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut
January 30, 2014

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Entity- Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut			
Department of Administrative Services:			
WIC Farmer's Market Nutrition Program	10.572	12060-DAG42710-20736	\$ 4,937
Passed through the State of Connecticut			
Department of Education:			
Child Nutrition Cluster:			
Food Donation - Non-cash	10.555	N/A	275,433
School Breakfast Program	10.553	12060-SDE64370-20508	1,415,417
National School Lunch Program	10.555	12060-SDE64370-20560	8,163,426
Summer Food Program	10.559	12060-SDE64370-20540	195,120
Summer Food Service Program for Children	10.559	12060-SDE64370-20540	16,646
Total Child Nutrition Cluster			10,066,042
ELC Food Grant CACFP	10.558	N/A	38,446
ELC Food Grant CACFP	10.558	N/A	128,538
Home Care CACFP	10.558	N/A	109,862
Home Care CACFP	10.558	N/A	249,320
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	644,836
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	175,628
			11,412,672
Passed through the State of Connecticut			
Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children 10/10-9/11	10.557	SID20892 DPH LOG2008-0172-3	922,751
Special Supplemental Nutrition Program for Women, Infants and Children 10/11-9/12	10.557	SID20892 DPH LOG2008-0172-4	350,047
WIC Food Benefits 2012-Non cash	10.557	Non-contract	5,707,604
Total WIC Cluster			6,980,402
Total U.S. Department of Agriculture			18,398,011
U.S. Department of Education			
Direct Programs:			
LSTA - Collaboration Literacy	N/A	N/A	131
Smaller Learning Communities	84.215L	N/A	75,272
Choosing to Succeed	84.360A	S360A1000068	2,793,424
			2,868,827
Passed through the State of Connecticut			
Department of Education:			
Title I Cluster:			
Title I Programs - Local Educational Agencies	84.010A	12060-SDE64370-20679	13,540,551
Total Title I Cluster			13,540,551
Carl Perkins Vocational and Technical Education - Basic Grants to State	84.048A	12060-SDE64370-20742	512,627

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CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Entity- Identifying Number	Federal Expenditures
Special Education Cluster:			
IDEA, Part B Section 619	84.173A	12060-SDE64370-20983	208,932
IDEA, Part B Section 611	84.027A	12060-SDE64370-20977	5,843,733
Total Special Education Cluster			<u>6,052,665</u>
ARRA School Improvement Grant	84.377	12060-SDE64370-29064	1,617,406
Support for Pregnant and Parenting Teens	N/A	12060-SDE64370-22439	299,799
Title III, Part A - English Language	84.365A	12060-SDE64370-20868	623,201
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	19,012
Title II, Improving Teacher Quality	84.367A	12060-SDE64370-20858	2,342,712
Education Jobs Fund	84.410	12060-SDE64370-22405	<u>2,974,787</u>
Total U.S. Department of Education			<u>30,851,587</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Ryan White Part A 3/12-2/13	93.914	N/A	2,356,250
Ryan White Part A 3/13-2/14	93.914	N/A	1,007,139
Healthy Hartford Campaign Account	93.365	HHSP233200900522P	2,730
Teen Pregnancy & STD/HIV Prevention 9/12-9/13	93.297	N/A	608,400
Teen Pregnancy & STD/HIV Prevention 9/11-9/12	93.297	N/A	<u>316,334</u>
			<u>4,290,853</u>
Passed through the State of Connecticut			
Department of Public Health:			
Public Health Preparedness	93.069	SID22333 DPH LOG2012-1077/PHP	68,245
Vaccines - Non Cash	93.268	NON-CONTRACT	25,165
Immunization Action Plan 1/12 - 12/12	93.268	SID20911 LOG2012-0124	118,178
Federal Healthy Start	93.926	SID22348&DPH LOG2010-0188-1	167,300
HIV Prevention	93.940	SID22511&12236	32,024
Sexually Transmitted Diseases	93.991	SID20980 LOG2010-0012-3/STD&TB	80,840
Ryan White - MHIS Careware	93.914	Pass thru	6,000
Ryan White - MHIS Careware	93.914	Pass thru CHCAC	4,250
School-Based Health Clinics	93.994	DPH LOG 2011-0112	<u>916,691</u>
			<u>1,418,693</u>
Passed through the Massachusetts			
Department of Public Health:			
Center for Disease Control Grant	93.991	VC6000202053	<u>30,000</u>
Total U.S. Department of Health and Human Services			<u>5,739,546</u>

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CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Assistance Number	Pass-Through Grantor Entity- Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Direct Programs:			
Citizenship Instruction	97.010	DUNS # 114932424	67,858
FEMA Passed through the United Way:			
Emergency Shelter McKinney-Utility	97.024	N/A	36,146
Total U.S. Department of Homeland Security			104,004
U.S. Department of Housing and Urban Development			
Direct Programs:			
Lead Hazard Reduction Demonstration	14.905	N/A	1,393,207
Emergency Shelter Grants Program (ESG)	14.231	N/A	244,834
Home Investment Partnership Program	14.239	N/A	2,285,365
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	N/A	1,111,810
Section 8 Housing Choice Vouchers	14.871	N/A	46,359,330
Section 8 Mod Rehab	14.856	N/A	2,148,722
			53,543,268
CDBG - Entitlement Cluster:			
Community Development Block Grant/Entitlement	14.218	N/A	3,768,264
ARRA CDBG Recovery Program (CDBG-R) B-09-MY-09-0006	14.253	N/A	27,395
Neighborhood Stabilization-Admin	14.218	N/A	68,081
Neighborhood Stabilization-Acquisition	14.218	N/A	118,131
Total CDBG - Entitlement Cluster			3,981,871
Passed through the State of Connecticut Department of Economic Development:			
Neighborhood Stabilization-Acquisition	14.228	N/A	230,270
Neighborhood Stabilization-Redevelopment	14.228	N/A	520,000
Neighborhood Stabilization-Admin	14.228	N/A	17,498
			767,768
Total U.S. Department of Housing and Urban Development			58,292,907
U.S. Department of Transportation			
Passed through the State of Connecticut Department of Transportation:			
FTA-Federal Transit Administration	20.514	N/A	101,329
Highway Planning and Construction	20.205	12062-DOT57141-22108	204,600
Hartford Birds Habitat	15.563	N/A	33,268
Total U.S. Department of Transportation			339,197

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Assistance Number	Pass-Through Grantor Entity- Identifying Number	Federal Expenditures
U.S. Department of Energy			
Direct Programs:			
ARRA EECBG Single Stream Recycling	81.128	N/A	429,940
U.S. Department of Environmental Protection			
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	PRG-BF, DOC ID96135301	16,522
Federal Emergency Management Agency			
Direct Programs:			
Assist to Firefighter Fire Prevention	97.044	N/A	28,871
Hartford Bomb Squad	97.067	N/A	952,829
Storm Nemo/Charlotte	97.036	N/A	1,475,012
Total Federal Emergency Management Agency			2,456,712
U.S. Department of Justice			
Direct Programs:			
OJJDP Mentoring	16.541	N/A	204,990
ARRA JAG Grant	16.710	N/A	705,746
FBI Safe Street	16.111	N/A	58,563
Hartford Resident Office DEA	16.111	N/A	34,323
Cops Hiring Grant	16.710	N/A	547,152
Cops Hiring Grant	16.710	N/A	746,437
FY'12 Edward Byrne Memorial	16.738	N/A	200,793
Weed and Seed	16.595	N/A	97,069
Intellectual Property	16.752	N/A	30,220
FY'10 JAG Grant	16.710	NA	60,069
Truancey R. Program Earmark Grt.	16.541	N/A	8,183
Starr (Striving Recidivism Grant)	16.812	N/A	105,868
Starr (Striving Recidivism Grant)	16.812	N/A	569,715
ATF Task Force OCDETF Reimb	16.111	N/A	83,924
CTVFTF Grant	N/A	N/A	15,532
FY'06 COPS Techonology Grant	16.710	N/A	1,277,719
FY'09 COPS Techonology Grant	16.710	N/A	48,878
FY'08 COPS Techonology Grant	16.710	N/A	701,238
Fed Seized & Forfieted Property Fund	16.922	N/A	67,284
Total U.S. Department of Justice			5,563,703
U.S. Institute of Museum & Library Services			
Direct Programs:			
IMLS 2012 Sparks Ignition Grant	45.312	N/A	2,509
National Leadership Program 10/10-9/11	45.312	LG-07-10-0239-10	26,789
National Leadership Program 10/11-9/12	45.312	LG-07-10-0239-10	273,509
Total U.S. Institute of Museum & Library Services			302,807
Total Federal Awards Expended			\$ 122,494,936

N/A – Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

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 and social services, transportation, public safety and general government activities.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Hartford, Connecticut (the "City") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Principles

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 for grants which are accounted for in the governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Non-Cash Awards

U.S.D.A. Contributions – Noncash

The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$275,433 represents the market value of such commodities used during the period. This amount is included with the Child Nutrition Cluster.

WIC Food Payments - Noncash

The United States Department of Agriculture makes noncash distributions of food vouchers for WIC. The amount of \$5,707,604 represents the market value of such vouchers used during this period.

Vaccines – Noncash

The United States Department of Public Health makes noncash distributions of vaccines. The amount of \$25,165 represents the market value of such vaccines used during this period.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal Control over Financial Reporting

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified? _____ X Yes _____ None reported
- Noncompliance material to financial statements? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified? _____ Yes _____ X None reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes _____ X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
14.218/14.253/14.254	CDBG Entitlement Cluster
14.871/14.879/14.880	Section 8 Housing Choice Vouchers Cluster
14.856	Section 8 Mod Rehab
14.241	HOPWA
14.228	Neighborhood Stabilization
16.710	COPS Hiring Grants
84.027/84.173	IDEA Cluster
93.914	Ryan White Part A
93.297	Teen Pregnancy & STD/HIV Prevention

Dollar threshold used to distinguish between type A and type B programs

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

SDIC13-1 Cash

Criteria:

The City's current policy for issuing vendor checks does not have procedures regarding timing at year end.

Condition:

The City issued checks the day after they were approved to be paid. The City included these checks on its outstanding check list and as a reconciling item on the bank reconciliation.

Context:

During our cash reconciliation testing, we noted that the City had recorded approximately \$4.2 million of checks on their bank reconciliation as outstanding, when in fact the checks were issued on July 1, 2013, after year end.

Effect:

Cash and accounts payable were understated by \$4.2 million. This error caused interim financial statements to be inaccurate.

Cause:

The City's current policy for issuing vendor checks does not contain procedures for yearend timing issues.

Recommendation:

We recommend that the City update their policy for issuing checks on the same date as the warrant is approved in order to provide accurate financial statements.

Management Response:

The Treasurer's Office will update their existing policy to address when the issuance date and the warrant date cross fiscal years that both dates should equal the date of the warrant.

SDIC13-2 Wire Transfers

Criteria:

The City Treasury department should follow policy so that only approved vendors are able to receive payment via wire transfers.

Condition:

The City Treasury department wired funds to an unapproved vendor.

Context:

During our subsequent testing, we noted a wire to an unapproved vendor. There were also no invoices from this vendor to support the transaction. This amounted in approximately \$868,000 of unapproved vendor wire transfers.

Effect:

Misappropriation of funds to vendors could occur.

Cause:

The Treasury department did not follow the City's internal control policy for wiring money to approved vendors.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

Recommendation:

We recommend that the Treasury department comply with the City's internal control policy for wiring money to vendors.

Management Response:

The Treasurer's Office implemented a new procedure regarding wire payments, including notification of all wire payments to the Finance Department, in addition to monthly reconciliation of outgoing wire payments by the Finance Department from the bank statement back to accounts payable records. The Treasurer's Office has updated their current policies to reflect this change to their wire procedures.

SDIC13-3 Payroll Taxes

Criteria:

The City should have a policy for submitting required payroll filings to the IRS on a timely basis.

Condition:

The City failed to submit certain payroll filings to the IRS on the required dates.

Context:

The City is subject to penalties for not submitting certain of its payroll filings in accordance with IRS regulations.

Effect:

The City is subject to various IRS penalties for failure to file by the required dates.

Cause:

The City did not have proper controls in place for submitting all IRS filings on a timely basis.

Recommendation:

We recommend that the City put controls in place for submitting all IRS filings on a timely basis.

Management Response:

The payroll division experienced heavy turnover in fiscal year 2013 creating operational difficulties. Staffing has since stabilized and the division has been filing all appropriate reports by the required dates. The new supervisor has also added these required filings to the annual payroll calendar.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

There were no findings in the prior year for the federal single audit.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items as SDIC13-1 to SDIC13-3 to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

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

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "McGladrey LLP".

New Haven, Connecticut
January 30, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the City of Hartford, Connecticut's (the "City") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2013. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements. We issued our report thereon dated January 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut
January 30, 2014

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
OFFICE OF POLICY AND MANAGEMENT:		
Property Tax Disability Exemption	11000-OPM20600-17011	\$ 9,321
Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	840,690
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	335,013
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	83,711
Local Capital Improvement Program	12050-OPM20600-40254	1,559,123
PILOT on State Owned Property	11000-OPM20600-17004	13,570,279
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	25,708,152
Total Office of Policy and Management		42,108,289
DEPARTMENT OF EDUCATION:		
Child Nutrition Program-State Match	11000-SDE64370-16211	151,092
Family Resource Center	11000-SDE64370-16110	631,278
Adult Education	11000-SDE64000-17030	1,908,623
Health Services	11000-SDE64370-17034	91,809
Bilingual Education	11000-SDE64370-17042	288,105
Priority School Districts	11000-SDE64370-17043-82052	6,165,984
Extended School Hours	11000-SDE64000-17043-82054	389,260
Summer School Accountability Grant	11000-SDE64000-17043	462,412
Interdistrict Cooperative Grant	11000-SDE64370-17045	125,590
Youth Services Bureau	11000-SDE64000-17052	160,722
Youth Services Bureau-Enhancement	11000-SDE64370-16201	9,777
Open Choice	11000-SDE64370-17053	297,162
Magnet Schools	11000-SDE64370-17057	46,811,115
Magnet Great Path Academy	11000-SDE64370-12457	2,842,739
Magnet School Academic Support	11000-SDE64370-12457	381,085
Low Performing Schools	12052-SDE64370-43539	313,455
Wrap Around Grant	11000-SDE64370-17043	100,000
Parent Academy	11000-SDE64370-12545	78,853
Alliance - Governors Turnaround	11000-SDE64700-17041	2,986,822
Commissioner's Network	11000-SDE64370-12457	1,559,692
Sheff Settlement - Great Path	11000-SDE64370-12457	69,147
Sheff Settlement - Incubation Funds	11000-SDE64370-12052	1,022,925
ELC Child Care	11000-SDE64370-17043-82056	1,418,530
ELC School Readiness Burns	11000-SDE64370-17043-82056	57,031
ELC School Readiness	11000-SDE64370-17043-82056	928,177
Quality Enhancement Grant	11000-SDE64370-17097	150,123
School Readiness	11000-SDE64370-17043-82056	11,064,840
SERC Parent Leadership	N/A	24,389
Charter School Jumokey Academy	N/A	6,007,800
Charter School Achievement First	N/A	8,190,600
Child Nutrition Lunch Program	N/A	211,767
Program Improvement Project 7/10-6/11	N/A	558
Program Improvement Project 7/11-6/12	SID#20784	1,196
Program Improvement Project 7/12-6/13	SID#20784	35,000
Total Department of Education		94,937,658
DEPARTMENT OF TRANSPORTATION:		
Town Aid Road Grants	12001-DOT57131-17036	602,523
Bus Operations	12001-DOT57931-12175	77,620
FY'12 Comprehensive DUI Enforcement	N/A	56,495
Comprehensive DUI Enforcement	N/A	70,644
Comprehensive DUI Enforcement	N/A	73
Click it or Ticket it	N/A	16,897
TOD Transit Oriented Design Pilot	N/A	41,273
Total Department of Transportation		865,525

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2013

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
EDUCATION AND SERVICES FOR THE BLIND:		
Services for the Blind	11000-ESB65020-12060	182,393
JUDICIAL DEPARTMENT:		
Juvenile Review Board	11000-JUD91178-16043	305,000
Local Prevention Council Grant	N/A	7,130
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	88,439
Total Judicial Department		400,569
CONNECTICUT STATE LIBRARY:		
LSTA Voter Engagement	N/A	34,497
LSTA Cooking It Up	N/A	918
LSTA Family Welcome Initiative	N/A	5,018
LSTA Digital Preservation	N/A	15,084
CT State Library Grant	N/A	7,903
Historic Documents Preservation Grant	12060-CSL66094-35150	9,500
Total Connecticut State Library		72,920
DEPARTMENT OF SOCIAL SERVICES:		
Nurturing Families Network 1/1/12-12/31/14	SID12042 & CONTRACT12DSS8301EG	203,114
Emergency Shelter Grant McKinney CITY	N/A	8,429
Emergency Shelter Grant McKinney 10/1/12-6/30/13	SID17038 & CONTRACT064ESS25/10DSS3701	462,849
Healthy Start 7/1/12-6/30/13	SID16105 & CONTRACT064-HUO-06/05DSS1001EG-A6	304,264
Total Department of Social Services		978,656
DEPARTMENT OF CHILDREN AND FAMILIES:		
DCF - Family Enrichment Services	SID16064 CONTRACT12-DCF-0120AA	27,041
DEPARTMENT OF REVENUE SERVICES		
Non-Budgeted Operating Appropriation	34004-DCP18306-40001	267,690
DEPARTMENT OF ENVIRONMENTAL PROTECTION:		
Local Flood and Erosion Project	VARIOUS	79,520
DEPARTMENT OF PUBLIC HEALTH:		
Childhood Lead Poisoning Prevention	11000-DPH48664-10020	87,645
Comprehensive Cancer Planning	SID#21530 & CONTRACT 2012-0021-1 CFDA #93.991	28,549
Tuberculosis Control and Prevention	11000-DPH48666-16112	44,435
Women's Healthy Heart	12060-DPH48857-30445	40,000
Per capita 7/1/2012-6/30/2013	11000-DPH48500-17009	107,630
Sexually Transmitted Disease Control	11000-DPH48665-17013	36,451
Ryan White MHIS Careware		7,000
Total Department of Public Health		351,710
DEPARTMENT OF PUBLIC SAFETY:		
State Asset Forfeiture Revolving Fund	12060-DPS32155-35142	155,936
Healthy Food Grant	11000-SDE64370-16212	103,240
PSN Anti Gang Fund	N/A	582
FY'12 JAG pass thru	N/A	45,000
Enhanced 911 Subsidy	N/A	131,811
Public Safety Telecommunication Services Reimbursement	N/A	5,468
Reimbursement for ICAC	N/A	1,481
Reimbursement for CTIC Participation	N/A	45,000
State Wide Vice and Narcotics	N/A	3,140
State Wide Narcotics TF	N/A	23,321
Emergency Management Performance Grant	N/A	124,061
Emergency Management Performance Grant	N/A	153,378
911 Subsidy Grant	N/A	607,415
		1,399,833

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2013

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:		
Tax Abatement Program	11000-ECD46400-17008	360,830
Payment in Lieu of Taxes (PILOT)	11000-ECD46400-17012-039	440,382
Swift Factory Brownfield's Project	SID# 12052-46000-43236	57,144
Arts Catalyze Placemaking Program	N/A	24,109
Arts Grant: Burns Latino Studies Academy	2013 ACPI-20619	3,975
Downtown Housing Study	41233	657
CCEDA II Home Ownership Appraisal GAP	12059-ECD46400-40577	326,207
TOTAL DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		1,213,304
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		142,885,108
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION:		
Department of Education Public School Transportation	11000-SDE64000-17027	1,841,152
Education Cost Sharing	11000-SDE64000-17041	187,912,089
Excess Cost - Student Based	11000-SDE64000-17047	8,921,218
School Construction - Interest	13009-SDE64000-40896	469,721
School Construction - Progress Payment	13009-SDE64000-40901	81,905,618
School Construction - Principal	11000-SDE64000-17049	1,785,119
		282,834,917
OFFICE OF POLICY AND MANAGEMENT		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	6,690,065
Municipal Video Competition	12060-OPM20600-35362	4,177,219
Municipal Revenue Sharing	11000-OPM20600-35362	1,140,741
		12,008,025
Total Exempt Programs		294,842,942
TOTAL STATE FINANCIAL ASSISTANCE		\$ 437,728,050

See Notes to Schedule.

N/A=Not Available

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE For the Year Ended June 30, 2013

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Hartford, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public safety, social services, public health, road construction, school construction, community development and general government.

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 governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

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

Note 2. Loan Programs

In accordance with Section 426-23(a)4(f) of the regulations to the State Single Audit Act, the notes to the Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

Department of Environmental Protection

Clean Water Funds 21014-OTT4230-4001

Balance				Balance	
July 1, 2012		Issued		Retired	June 30, 2013
\$ 1,495,815	\$	-	\$	85,468	\$ 1,410,347

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

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

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

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Education:		
Magnet School-Operating	11000-SDE64370-17057	\$ 46,811,115
Charter Schools	N/A	14,198,400
Alliance Grants	11000-SDE64700-17041	2,986,822
Adult Education	11000-SDE64000-17030	1,908,623
Commissioner's Network	11000-SDE64370-12457	1,559,692
Office of Policy and Management:		
PILOT on State Owned Property	11000-OPM20600-17004	13,570,279
Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	840,690
Department of Public Safety		
911 Subsidy Grant	N/A	607,415
Department of Economic and Community Development:		
CCEDA II Home Ownership Appraisal GAP	12059-ECD46400-40577	326,207
• Dollar threshold used to distinguish between type A and type B programs		<u>\$ 2,857,702</u>

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

See SDIC13-1 through SDIC13-3 on pages 9-10.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS - STATE
For the Year Ended June 30, 2013**

There were no prior year audit findings.