

CITY OF WATERBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2007

CITY OF WATERBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2007

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**Report of Independent Accountants 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**

To the Honorable Mayor and
Board of Aldermen
City of Waterbury, Connecticut

Compliance

We have audited the compliance of the City of Waterbury, 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 City of Waterbury, Connecticut's 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 Waterbury, Connecticut's management. Our responsibility is to express an opinion on the City of Waterbury, 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 the State Single Audit Act. 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 Waterbury, 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 Waterbury, Connecticut's compliance with those requirements.

In our opinion, the City of Waterbury, 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. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2.

Internal Control over Compliance

The management of the City of Waterbury, 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 Waterbury, Connecticut's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the State Single Audit Act. Accordingly, we do not express an opinion on the effectiveness of the City of Waterbury, 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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 major program that is more than inconsequential will not be prevented or detected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies.

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 major program will not be prevented or detected. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2007 and have issued our report thereon dated December 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterbury, 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 solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, the Office of Policy and Management 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 26, 2007

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Board of Education and Services for the Blind		
Education Aid Blind/Visually Impaired Children	11000-ESB65020-12060	\$ <u>340,927</u>
Office of the State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	4,439,606
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	8,802,093
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	4,713,130
Boat Grant	12027-OSC15910-40211	<u>14,127</u>
Total Office of the State Comptroller		<u>17,968,956</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008	<u>193,831</u>
Department of Education		
Primary Mental Health	11000-SDE64000-12198	15,035
Child Nutrition Program - (School Lunch State Match)	11000-SDE64000-16072	100,160
Family Resource Centers	11000-SDE64000-16110	204,500
Adult Education	11000-SDE64000-17030	1,882,920
Health Services	11000-SDE64000-17034	550,485
Bilingual Education	11000-SDE64000-17042	203,686
Priority School Districts	11000-SDE64000-17043-82052	2,537,639
Early Reading Success Grant Program For Priority School Districts	11000-SDE64000-17043-82053	2,633,904
Extended School Hours Program Grant	11000-SDE64000-17043-82054	302,246
Summer School Accountability Grant	11000-SDE64000-17043-82055	359,019
Young Parents Program	11000-SDE64000-17044	16,370

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CITY OF WATERBURY, 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 Core-CT Number</u>	<u>Expenditures</u>
Interdistrict Cooperative Grant	11000-SDE64000-17045	\$ 66,835
School Breakfast	11000-SDE64000-17046	106,847
Magnet Schools	11000-SDE64000-17057	6,605,763
After School Program	11000-SDE64000-17084	132,760
Primary Mental Health	12060-SDE64000-90493	21,733
Technology Software Curriculum	11000-SDE64000-10020	4,488
Young Adult Learner	11000-SDE64000-17091	58,421
State Funds for Technology Infrastructure	12053-SDE64000-42860	<u>84,750</u>
Total Department of Education		<u>15,887,561</u>
Department of Environmental Protection		
Open Space Grant Agreements	13019-DEP44420-41239	<u>1,541,636</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	11,373
Historic Document Preservation Grant	12060-CSL66094-35150	<u>17,000</u>
Total Connecticut State Library		<u>28,373</u>
Office of Policy and Management		
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	39,135
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	296,032
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	837,071
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	19,230
Property Tax Relief for Veterans	11000-OPM20600-17024	181,451

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CITY OF WATERBURY, 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 Core-CT Number</u>	<u>Expenditures</u>
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	\$ 1,928,780
Local Capital Improvement Program	12050-OPM20600-40254	2,089,767
Property Tax Relief	11000-OPM20600-17086	<u>2,754,161</u>
Total Office of Policy and Management		<u>8,145,627</u>
Department of Public Health		
Lead Poisoning Prevention Program	11000-DPH48700-12227	47,612
AIDS Services	11000-DPH48800-12236	263,762
Infant Nutrition Initiative	12060-DPH48800-30038	1,588
Local and District Departments of Health	11000-DPH48500-17009	116,928
Sexually Transmitted Disease Control	11000-DPH48600-17013	23,219
Asthma Grants	11000-DPH48800-12126	5,137
Asthma Grants	12060-DPH48800-35305	5,723
Healthy Choices for Women and Children	11000-DPH48800-12126	160,279
Immunization Grants	11000-DPH48600-10020	34,117
EMS Equipment Grant	11000-DPH48500-10020	<u>1,902</u>
Total Department of Public Health		<u>660,267</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32740-35190	64,751
Local Officer Incentive Program	11000-DPS32539-17089	16,800
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	<u>202,983</u>
Total Department of Public Safety		<u>284,534</u>

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CITY OF WATERBURY, 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 Core-CT Number</u>	<u>Expenditures</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	\$ 1,132,425
Neighborhood Facilities (NF)	13019-DSS60000-41242	<u>729,969</u>
Total Department of Social Services		<u>1,862,394</u>
Department of Transportation		
Town Aid Roads Grants Transportation Fund	12001-DOT57000-17036	<u>103,140</u>
Division of Special Revenue		
Payments to Municipalities - Parimutuals	34004-DSR18307-40001	<u>143,293</u>
Total State Financial Assistance Before Exempt Programs		<u>47,160,539</u>
Exempt Programs		
Department of Education		
Public School Transportation	11000-SDE64000-17027	2,387,275
Educational Cost Sharing	11000-SDE64000-17041	97,810,897
Excess Costs Student Based and Equity	11000-SDE64000-17047	2,806,316
Excess Costs Student Based and Equity	11000-SDE64000-17048	397,474
Nonpublic School Transportation	11000-SDE64000-17049	345,389
School Construction Projects - Progress Payments	13010-SDE64000-40901-82006	5,301,655
School Construction Projects - Interest	13009-SDE64000-40896-82004	2,829
School Construction Projects - Principal	13010-SDE64000-40901-82003	<u>82,815</u>
Total Exempt Programs		<u>109,134,650</u>
Total State Financial Assistance		<u>\$ 156,295,189</u>

CITY OF WATERBURY, 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 Waterbury, 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, environmental protection, public safety, human services and transportation.

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

The accounting policies of the City of Waterbury, 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 Waterbury, 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 - **Loan Programs:**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of 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, 2007 (dollars presented in thousands):

Department of Transportation:

Local Bridge Program (21010-DOT57000-42310):

	<u>Washington Ave Bridge</u>
Issue Date	7/1/98
Interest Rate	6.0%
Original Amount	\$ <u>3,795</u>
Balance - Beginning of Year	\$ 94
Repayments	<u>(47)</u>
Balance - End of Year	\$ <u>47</u>

Department of Environmental Protection:

Clean Water Funds (21015-OTT14230-42318):

Permanently Financed Loans:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance - Beginning of Year</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance - End of Year</u>
CWF Note (201-P)	08/30/95	2.0	\$ 4,008	\$ 1,634	\$	\$ 357	\$ 1,277
CWF Note (201-D)	07/31/97	2.0	6,448	3,540		737	2,803
CWF Note (201-C1)	12/31/00	2.0	69,647	52,667		3,294	49,373
CWF Note (344-C)	10/30/02	2.0	11,547	9,418		512	8,906
CWF Note (351-C)	11/30/03	2.0	2,424	2,146		108	2,038
CWF Note (351-C1)	05/30/04	2.0	2,953	2,670		135	2,535
CWF Note (201-CD1)	06/30/04	2.0	1,138	1,015		63	952
CWF Note (351-CD1)	11/30/05	2.0	544	544		42	502
CWF Note (201-CD2)	06/29/07	2.0	226	<u> </u>	<u>226</u>	<u> </u>	<u>226</u>
Total Clean Water Fund			\$ 73,634	\$ <u>73,634</u>	\$ <u>226</u>	\$ <u>5,248</u>	\$ <u>68,612</u>



Report of Independent Accountants 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
Board of Aldermen
City of Waterbury, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the City of Waterbury, Connecticut's basic financial statements, and have issued our report thereon dated December 26, 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 Waterbury, 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 Waterbury, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Waterbury, 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 City'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. The following deficiencies relating to Compensated Absences, Enterprise Aged Receivables, Student Activities

and the ED001 Special Education Data Application Adjustment Form are considered significant deficiencies in internal control over financial reporting:

Compensated Absences

Individual departments, based on their interpretation of contract provisions, are responsible for the accounting and control of accrued used/unused absences and the calculation of payments to employees upon their retirement. This decentralized process limits the extent of controls over tracking and awarding accrued time and allows for varied interpretations of contract provisions. Departmental procedures for tracking accrued time are not consistent. Additionally, certain departments are unable to adequately provide the information used in the annual calculation of the City's accrued absences liability estimate for the comprehensive annual financial report.

The City's HR/Payroll management system provides for the automated tracking of earned time and the ability to report an employee's compensated absence balance. The City is in the process of upgrading the current version of its financial management systems. As part of this process, the City should fully implement the earned time tracking feature. The HR/Payroll management system should be used to track time earned/used for all City employees and to provide the sole source reporting of accrued time. Controls associated with the recording, reporting and monitoring of balances would be significantly improved by making this transition.

The current method, whereby each department is responsible for these records, should be discontinued. The City's HR/Payroll departments should centrally administer the process of calculating the annual liability for accrued compensated absences, including the interpretation of payment provisions and the review of attendance records for accuracy. Special attention should be given to the proper tracking of "frozen bank" allotments provided for in certain union contracts.

Aged Receivables - Enterprise Funds

As of June 30, 2007, the Water Pollution Control Enterprise Fund delinquent receivables totaled \$11.3 million; an estimated amount of \$6.8 million, or 60%, of this amount has been reserved for doubtful accounts. The Water Enterprise Fund delinquent receivables totaled \$9.5 million; an estimated amount of \$5.2 million, or 55%, of this amount has been reserved for doubtful collections. In both enterprise funds, the majority of delinquent receivables are at least one year old. Aged reporting of the receivables combines all delinquent receivables over one year into one category. Establishing a more accurate estimate of the amounts deemed uncollectible is extremely difficult due to the aged receivable file reporting limitations, the number of significantly aged accounts and the failure to effectively analyze and identify uncollectible accounts.

Accounts deemed uncollectible should be removed from the active receivable file in accordance with a documented collection policy. Internal procedures and aged receivable reporting tools should be improved and expanded to control the aged receivable file. Percentages and other factors used in the annual calculation of the estimated allowance for doubtful collections should be documented.

Student Activities

Cash transactions and balances related to student activity funds are reported in the City's annual financial report as an agency fund. It is necessary for each school to prepare an annual report of transactions, on a timely basis at the end of each year, for incorporation in the annual

report. We continue to note significant deficiencies in the schools' custodial responsibility over the administration, record keeping and reporting for student activity funds.

- Activity accounts are not effectively monitored by the Board of Education Business Office during the year or at year-end.
- There continues to be uncertainty among the schools as to the student activity policies and procedures that are acceptable system-wide. The standardization of accounting records to the various schools has not been completed.
- Ten schools failed to either send in or implement Quicken as required by the City of Waterbury's Student Activity procedures.
- Bank reconciliations were not performed at all three schools selected for on-site testing. Additionally, we made two attempts to perform audit procedures at the West Side Middle School. In both instances we were unable to perform procedures due to the bookkeeper's inability to create Quicken reports or provide us with any activity detail for the fiscal year.
- There is a lack of segregation of duties in the accounting function at some locations, especially the elementary schools.

The Board of Education distributed Student Activity Fund policies and procedures on November 3, 2006. During the past year, the Board of Education has continued to implement uniform accounting packages at various schools.

We recommend that the Board of Education provide an ongoing training program to the account custodians to ensure that policies and procedures are implemented and use of the accounting package is continuous. We also recommend that the Board of Education Business Office implement a reporting and review process whereby account custodians are required to provide standardized reports and account reconciliations to the Business Office for review.

The Board of Education Business Office should expand on-site reviews of the accounting records and supporting documentation maintained by the account custodians with established policies and procedures. Departmental accounts outside that of the Principals Discretionary should be closed in order to minimize the potential of unallowable expenditures.

ED001 Special Education Data Application and Collection-Grants Data Adjustment Form

Our review of the ED001 Special Education Data Application and Collection-Grants Data Adjustment Form (SEDAC-G ADJ) per the State Department of Education review package noted that transportation costs were not reported for any students. This form is the basis for State reimbursement of special education costs for State agency placements and high costs students. The transportation costs not reported amounted to approximately \$500,000 which could have equated to a similar amount of revenue loss. The controls related to the filing of this form need to be improved. We have proposed adjustments to the Grants Data Adjustment Form and it is expected that there will be no permanent loss of revenue to the City. The revenue adjustment should be made by the State Department of Education as part of the ECS grant calculation in 2007-08. The Board of Education Business Office should develop a monitoring plan to ensure forms are reviewed before being submitted. We recommend that

controls be implemented to ensure the accuracy of this report and management's identification of the anticipated revenue generated by the report filing.

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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waterbury, 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 Waterbury, Connecticut, in a separate letter dated December 26, 2007.

This report is intended solely for the information and use of the City's management, the Honorable Mayor, the Board of Aldermen, the Board of Education, the Office of Policy and Management 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 26, 2007

CITY OF WATERBURY, 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? _____ yes X 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? 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 4-236-24 of the Regulations to the State Single Audit Act?

 X yes _____ no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of the State Comptroller:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	\$ 4,439,606
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	8,802,093
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	4,713,130
Department of Education:		
Adult Education	11000-SDE64000-17030	1,882,920
Health Services	11000-SDE64000-17034	550,485
Priority School Districts	11000-SDE64000-17043-82052	2,537,639
Early Reading Success Grant Program For Priority School Districts	11000-SDE64000-17043-82053	2,633,904
Magnet Schools	11000-SDE64000-17057	6,605,763

Department of Environmental Protection:		
Open Space Grant Agreements	13019-DEP44420-41239	1,541,636
Office of Policy and Management:		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	837,071
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	1,928,780
Local Capital Improvement Program	12050-OPM20600-40254	2,089,767
Property Tax Relief	11000-OPM-20600-17086	2,754,161
Department of Social Services:		
Medicaid	11000-DSS60000-16020	1,132,425
Neighborhood Facilities (NF)	13019-DSS60000-41242	729,969

II. Financial Statement Findings

1. We have included our issued reports, dated December 26, 2007, on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
2. Our report on compliance indicated no reportable instances of noncompliance.
3. Our report on internal control over financial reporting indicated four significant deficiencies relating to compensated absences, enterprise aged receivables, student activities and the ED001 Special Education Data Application Adjustment Form.

III. State Financial Assistance Findings and Questioned Costs

2007-1	Special Tests and Provisions
	Grantor: Department of Social Services (DSS) State Program Name: Medicaid State CORE-CT Number: 11000-DSS60180-16020
Criteria	Timestudy reports provide DSS personnel with data used to allocate special education costs, which are reported in the local education agency's End of Year School Report (ED001), between various categories on the School Based Child Health Cost Report.
Condition	Timestudy reports submitted to the Department of Social Services were not properly summarized from the individual teacher/specialists time surveys.
Context	Errors in the accumulation of timestudy results were noted on the Medicaid Timestudy. As a result, the Board of Education did not provide accurate information to the grantor agency.
Effect	No effect can be determined.
Cause	The employee responsible for completing the timestudy report incorrectly summarized the totals of individual time surveys.

Existing Board of Education procedures were not followed as the timestudy report was not properly reviewed by another individual prior to its submission.

Recommendation We recommend that the Board of Education follow established written procedures to ensure that the timestudy report preparation processes are followed to provide accurate reporting of the timestudy data and necessary follow-up reviews.

2007-2

Eligibility

Grantor: Office of Policy and Management

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

State CORE-CT Number: 11000-OPM20600-17031

Criteria Claims submitted by a municipality must be for applicants who filed applications (Form M-65) for machinery and equipment acquired after October 1, 2000 which are 5 and 7 year property as defined in Section 168(e) of the IRS Code.

Condition IRS Codes were not included on the Form M-65 equipment listing submissions by local manufacturers to the Assessor's Department. The Assessor's Department did not identify/resolve this issue in their review process prior to the submission of the Form M-65a to the State Office of policy and Management.

Context Six out of fifteen applicants sampled reported equipment with no IRS Code, which is a required component of the Form M-65 filing. The lack of IRS Codes hinders the ability to determine the eligibility of machinery and equipment.

Effect No effect can be determined.

Cause The equipment listings submitted as part of the Form M-65 were not adequately reviewed by the Assessor's Department.

Recommendation We recommend that Form M-65 applications be properly reviewed by the Assessor's Department to determine the appropriateness of the exemptions claimed by applicants under the grant program prior to filing with the State Office of Policy and Management.