

**CITY OF WATERBURY, CONNECTICUT**

**FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2008**

**CITY OF WATERBURY, CONNECTICUT**

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**JUNE 30, 2008**

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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**

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 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, 2008. The City of Waterbury, 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 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 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 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 federal programs for the year ended June 30, 2008.

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 federal programs. In planning and performing our audit, we considered the City of Waterbury, 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 Waterbury, 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 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.

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.

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 Federal Awards

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, 2008 and have issued our report thereon dated December 15, 2008. 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 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, Infant and Children program (CFDA #10.557) and the Immunization Vaccine program (CFDA #93.268) from the basic financial statements, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, 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 15, 2008

**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
<b>United States Department of Agriculture</b>			
<i>Passed Through the State of Connecticut Department of Administrative Services:</i>			
Food Donation	10.550		\$ 466,241
<i>Passed Through the State of Connecticut Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 769,861
National School Lunch Program	10.555	12060-SDE64370-20560	4,800,371
Summer Food Service Program for Children	10.559	12060-SDE64370-20508	<u>175,328</u>
			5,745,560
WIC Farmers' Market Nutrition Program	10.572	12060-DAG42710-20736	1,867
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	7,190
<i>Passed Through the State of Connecticut Department of Public Health:</i>			
Special Supplemental Nutrition Program for Women, Infants and Children Food Benefits	10.557	12060-DPH48872-20892	<u>7,134,878</u>
Total United States Department of Agriculture			<u>13,355,736</u>
<b>United States Department of Commerce</b>			
<b>Economic Development Administration</b>			
<i>Direct Programs:</i>			
Public Works and Economic Development Cluster:			
Economic Adjustment Assistance	11.307		<u>36,321</u>
<b>United States Department of Education</b>			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Adult Education	84.002	12060-SDE64370-20784	105,852
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	7,290,725

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**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	12060-SDE64370-20977	\$ 4,154,888
Special Education - Preschool Grants	84.173	12060-SDE64370-20983	<u>128,769</u>
			\$ 4,283,657
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	380,388
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-SDE64370-20873	23,011
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	12,285
Twenty-First Century Community Learning Centers	84.287	12060-SDE64370-20863	318,448
State Grants for Innovative Programs	84.298	12060-SDE64370-20909	57,731
Education Technology State Grants	84.318	12060-SDE64370-20826	36,686
Comprehensive School Reform Demonstration	84.332	12060-SDE64370-20790	25,954
Reading First State Grants	84.357	12060-SDE64370-20854	520,807
English Language Acquisition Grants	84.365	12060-SDE64370-20868	245,513
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858	981,790
School Improvement	84.377	12060-SDE64370-22223	<u>49,297</u>
Total United States Department of Education			<u>14,332,144</u>
<b>United States Department of Health and Human Services</b>			
<i>Passed Through the Western Connecticut Area on Aging, Inc.</i>			
Aging Cluster:			
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		26,007
<i>Passed Through the State of Connecticut Department of Public Health:</i>			
Immunization Grants	93.268	12060-DPH48664-20911	120,074

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**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number/ Project Number</b>	<b>Expenditures</b>
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	12060-DPH48557-21096	\$ 91,446
HIV Care Formula Grants	93.917	12060-DPH48854-20985	228,414
HIV Prevention Activities - Health Department Based	93.940	12060-DPH48852-20920	203,932
Preventive Health and Health Services Block Grant	93.991	12060-DPH48571-21530	20,410
<i>Passed Through the State of Connecticut Department of Social Services:</i>			
Social Services Block Grant	93.667	12060-DSS60803-20713	<u>56,285</u>
Total United States Department of Health and Human Services			<u>746,568</u>
<b>United States Department of Homeland Security</b> <i>Passed Through the State of Connecticut Department of Emergency Management and Homeland Security:</i>			
Homeland Security Cluster:			
Homeland Security Grant Program	97.067	12060-EHS99530-21877	101,917
<i>Direct Program:</i>			
Assistance to Firefighters Grant	97.044		<u>283,297</u>
Total United States Department of Homeland Security			<u>385,214</u>
<b>United States Department of Housing and Urban Development</b> <i>Direct Programs:</i>			
CDBG - Entitlement and Small Cities Cluster:			
Community Development Block Grant/Entitlement	14.218		1,673,296
Emergency Shelter Grants Program	14.231		84,337
Home Investment Partnership Program	14.239		834,465

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**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
Lead-Based Paint Hazard Control in Privately- Owned Housing	14.900		\$ <u>1,576,844</u>
Total United States Department of Housing and Urban Development			<u>4,168,942</u>
<b>United States Department of the Interior</b>			
<i>Direct Programs:</i>			
Save America's Treasures	15.929		<u>197,058</u>
<b>United States Department of Justice</b>			
<i>Direct Programs:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		146,991
Public Safety Partnership and Community Policing Grants COPS	16.710		14,370
<i>Passed Through the State of Connecticut Department of Public Safety:</i>			
Anti-Gang Initiative	16.774		<u>12,460</u>
Total United States Department of Justice			<u>173,821</u>
<b>United States Department of Transportation</b>			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	12062-DOT57171-22108	6,396
Highway Safety Cluster: State and Community Highway Safety	20.600	12062-DOT57533-20559 12062-DOT57513-22086 & 12062-DOT57533-22086	73,494
Alcohol Traffic Safety and Drunk Driving	20.601	12062-DOT57513-22087 & 12062-DOT57533-22087	19,219
Occupant Protection	20.602		8,761
Total United States Department of Transportation			<u>107,870</u>

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**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
<b>Elections Assistance Commission</b>			
<i>Passed Through the Connecticut Secretary of the State</i>			
Help America Vote Act	90.401	12060-SOS12500-21465	\$ <u>35,223</u>
<b>Total Federal Awards Expended</b>			<b>\$ <u>33,538,897</u></b>

## CITY OF WATERBURY, CONNECTICUT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### FOR THE YEAR ENDED JUNE 30, 2008

Various agencies of the Federal Government have made financial assistance available to the City of Waterbury, 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 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 accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waterbury, 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 \$466,241 are included in the Department of Agriculture's Food Distribution Program, CFDA #10.550. The amount represents the market value of commodities received.

Note 3 - **WIC and Immunization Noncash Awards:**

The City also reports noncash awards under the Special Supplemental Nutrition Program for Women, Infants, and Children. The amount of \$7,134,878 included in the Schedule of Federal Awards includes \$6,432,099 of noncash benefit 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. In addition, the amount of \$120,074 included on the Schedule of Federal Awards also includes \$56,766 of noncash benefit payments made for the Immunization program, as reported by the State Department of Public Health.

Note 4 - **Status of Prior Year Findings:**

2007-1 - The Board of Education developed a corrective action plan to address record retention during the report preparation process and also to ensure compliance with eligibility and comparability requirements set forth by the U.S Department of Education as it pertains to Title I Grants to Local Educational Agencies (CFDA #84.010).



**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  
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, 2008 which collectively comprise the City of Waterbury, Connecticut's basic financial statements and have issued our report thereon dated December 15, 2008. 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 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control.

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 15, 2008.

This report is intended solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, 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 15, 2008

**CITY OF WATERBURY, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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

**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? \_\_\_\_\_ 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 510(a) of Circular A-133?

\_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
14.218	CDBG - Entitlement and Small Cities Cluster
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing

Dollar threshold used to distinguish between type A and type B programs: \$1,006,167

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

## **II. Financial Statement Findings**

- We issued reports, dated December 15, 2008, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated the following two significant deficiencies related to the City's Compensated Absences and Aged Receivables. We do not consider the significant deficiencies to be material weaknesses.

### **2008-1                      Significant Deficiency - Compensated Absences**

**Condition**                      City departments and the Board of Education, based on their interpretation of contract provisions, are independently 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.

Board of Education payments for unused absences are commonly amortized out over a period of years and are tracked on an Excel spreadsheet for employees who have retired. Internal policies and procedures do not exist to provide for the periodic update and reconciliation of the retirement obligations payable spreadsheet with payments made during the year.

**Context**                      The risk of reporting an incorrect accrued obligation in amounts considered more than inconsequential exists and constitutes a significant deficiency in internal control over financial reporting.

**Effect**                      The estimated accrued obligation for compensated absences recorded on the government-wide statement of net assets could be over/understated due to the deficiency in internal controls over the tracking of employee absences awarded and used.

**Cause**                      Effective internal systems and processes are not in place to provide for the accumulation of data and reporting of compensated absences.

**Recommendation**      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 utilizing the HR/Payroll management system for this process. The

process of calculating payments to retiring employees for unused absences, payable in accordance with contract provisions, should be centrally administered once all accrued absences are accounted for on the HR/Payroll management system.

Internal policies and procedures should also be established to administer the periodic update and reconciliation of retirement obligations payable to retired Board of Education employees and include reconciliation of the control spreadsheet with payments made during the year.

**Management Response**

It has been the plan of the Finance Department to integrate automated time management with the Lawson system upgrade scheduled to be implemented in 2009. The Lawson system solution required development of labor bargaining unit grids identifying contractual provisions for absences associated with vacation, personal and illness allowance unique to each unit. Substantial monies have been appropriated to accomplish the task of not only upgrading the system software but also to include features such as "Absence Management." Unfortunately, the cost of the project exceeded the financial resources to the extent we are only able to accomplish the core requirements of the Lawson system upgrade. We have, however, developed an automated application utilizing the technical resources of the City's IT department that we believe accomplishes the goal of accurately recording employee absences. Effectively, we have created standard input documentation that not only serves as input for employee compensation per pay cycle but also interfaces with the in-house developed "Absence Management" application. It has been tested and successfully implemented beginning July 1, 2008 for a number of City and Education departments. Additional departments are scheduled to utilize the Absence Management application starting in January 2009. We believe the solution fully addresses the audit recommendation and saves the City significant monies by not implementing the Lawson module alternative.

**2008-2**

**Significant Deficiency - Aged Receivables (Enterprise Funds)**

**Condition**

As of June 30, 2008, the Water Pollution Control Enterprise Fund delinquent receivables totaled \$11.4 million; an estimated amount of \$7.4 million, or 65%, of this amount has been reserved for doubtful accounts. The Water Enterprise Fund delinquent receivables totaled \$9.9 million; an estimated amount of \$6.5 million, or 65%, of this amount has been reserved for doubtful collections. In both enterprise funds, the majority of delinquent receivables are significantly aged. 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 for disposition including the write-down of accounts deemed uncollectible.

**Context**

The risk of reporting an unreasonable estimate of the allowance for doubtful collections in relation to the aged accounts receivable balance

exists and constitutes a significant deficiency in internal control over financial reporting.

<b>Effect</b>	The estimated allowance for doubtful collections that is applied against the gross aged receivable amount results in a net receivable reported in the Water and Water Pollution Control enterprise funds. The estimated allowance could be over/understated due to the deficiency in internal controls over the maintenance of the accounts in the aged receivable file.
<b>Cause</b>	Effective internal systems and processes are not in place to provide for the current maintenance of the aged receivable file that provides for a process to formally recommend accounts deemed uncollectible for approval to remove the active aged receivable file.
<b>Recommendation</b>	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. Budgeting for an annual bad debt expense should be included in the budgetary and rate setting policies.
<b>Management Response</b>	The City has retained the services of a management consultant to assist the administrative staff of the Water and Water Pollution Control (WPC) departments to review, analyze and develop a listing of accounts determined to be uncollectible. The engagement commenced in the beginning of December 2008 after funding was put in place for the project. The City expects to make a series of presentations in the coming months to the Board of Public Works and the Board of Aldermen after thoroughly validating the uncollectability status of the accounts examined. The project plan is structured to carve-out a series or blocks of accounts from the receivable ledger, examine the circumstances of the delinquency and authenticate the write-off recommendation. It is expected the receivable ledgers of Water and WPC will be adjusted prior to the conclusion of fiscal 2009.

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

- No findings or questioned costs are reported relating to federal awards.