

CITY OF WATERBURY, CONNECTICUT
STATE SINGLE AUDIT REPORT

JUNE 30, 2009

CITY OF WATERBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance in Accordance with the State Single Audit Act and on the Schedule of Expenditures of State Financial Assistance	1-2
Schedule of Expenditures of State Financial Assistance	3-7
Notes to Schedule	8-9
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings and Questioned Costs	12-15

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

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, 2009. 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 (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of 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, 2009.

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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 requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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 state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2009 and have issued our report thereon dated December 21, 2009. 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, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 21, 2009

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2009

<u>State Grantor/Pass-Through 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>216,713</u>
Office of the State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	4,347,661
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	8,160,622
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	4,710,892
Boat Grant	12027-OSC15910-40211	<u>14,127</u>
Total Office of the State Comptroller		<u>17,233,302</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008-038	<u>201,440</u>
Department of Education		
Primary Mental Health	11000-SDE64370-12198	24,000
Healthy Food Certification	11000-SDE64370-16072-82010	226,586
Child Nutrition Program - (School Lunch State Match)	11000-SDE64370-16072-82051	102,646
Family Resource Centers	11000-SDE64370-16110	194,400
Adult Education	11000-SDE64370-17030	3,533,953
Health Services	11000-SDE64370-17034	651,822
Bilingual Education	11000-SDE64370-17042	190,929
Priority School Districts	11000-SDE64370-17043-82052	2,683,236
Extended School Hours Program Grant	11000-SDE64370-17043-82054	284,553

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CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Summer School Accountability Grant	11000-SDE64000-17043-82055	\$ 370,056
Young Parents Program	11000-SDE64370-17044	16,380
School Breakfast	11000-SDE64370-17046	105,569
Magnet Schools	11000-SDE64370-17057	8,388,900
After School Program	11000-SDE64370-17084	140,355
Adult Education - Young Adult Learner	11000-SDE64370-17091	75,000
School Readiness Quality Enhancement	12060-SDE64000-90242	125,500
Educational Cost Sharing - Accountability	11000-SDE64000-17041	1,057,775
<i>Passed Through ACES:</i>		
School Readiness and Child Day Care Grant Program	11000-SDE64370-17043-82056	<u>645,645</u>
Total Department of Education		<u>18,817,305</u>
Department of Environmental Protection		
Open Space Agreements	12052-DEP43153-40519	769,897
Special Act	12052-DEP44420-40519	91,737
Urban Act	13019-DEP43740-41239	<u>3,302,536</u>
Total Department of Environmental Protection		<u>4,164,170</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	5,615
ConnectiCard Payments	11000-CSL66051-17010	2,037
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>17,000</u>
Total Connecticut State Library		<u>24,652</u>

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CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management		
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	\$ 20,672
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	280,840
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	844,140
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	12,000
Property Tax Relief for Veterans	11000-OPM20600-17024	113,852
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	1,913,907
Local Capital Improvement Program	12050-OPM20600-40254	1,643,979
School Heating Assistance	10000-OPM20600-17096	218,599
Municipal Video Competition Grant	12060-OPM20600-35362	14,723
Justice Assistance Grants	11000-OPM20350-12251	<u>9,694</u>
Total Office of Policy and Management		<u>5,072,406</u>
Department of Public Health		
Children's Health Initiatives	11000-DPH48831-12126	175,755
Lead Poisoning Prevention Program	11000-DPH48766-12227	189,954
"AIDS" Services	11000-DPH48854-12236	500,284
Local and District Departments of Health	11000-DPH48500-17009	130,477

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CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Sexually Transmitted Disease Control	11000-DPH48665-17013	\$ 23,238
Immunization	11000-DPH48500-10020	<u>31,507</u>
Total Department of Public Health		<u>1,051,215</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32740-35190	201,480
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	251,597
SNTF Local Officer Incentive Program	11000-DPS32523-17089	8,400
Local Officer Incentive Program	12060-DPS32523-21589	<u>1,200</u>
Total Department of Public Safety		<u>462,677</u>
Department of Revenue Services, Division of Special Revenue		
Payments to Municipalities	34004-DRS18307-40001	197,952
Payments to Municipalities - Bingo Payments	34004-DRS18309-42350	<u>909</u>
Total Department of Revenue Services, Division of Special Revenue		<u>198,861</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	1,116,400
Community Services	11000-DSS60783-17083	<u>1,663</u>
Total Department of Social Services		<u>1,118,063</u>
Department of Transportation		
Town Aid Roads Grants Transportation Fund	12001-DOT57131-17036	<u>539,601</u>

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CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Agriculture		
Agricultural Viability	12060-DAG42710-90456	\$ <u>40,384</u>
Emergency and Homeland Security		
School Security	12060-EHS99530-90516	<u>20,834</u>
Total State Financial Assistance Before Exempt Programs		<u>49,161,623</u>
Exempt Programs		
Department of Education		
Public School Transportation	11000-SDE64370-17027	2,082,623
Educational Cost Sharing	11000-SDE64370-17041	111,970,216
Educational Cost Sharing - Accountability	11000-SDE64000-17041	1,057,775
Excess Costs Student Based and Equity	11000-SDE64370-17047	3,205,349
Nonpublic School Transportation	11000-SDE64370-17049	491,289
School Construction Grants	13010-SDE64370-40901	<u>9,037,977</u>
Total Exempt Programs		<u>127,845,229</u>
Total State Financial Assistance		\$ <u><u>177,006,852</u></u>

CITY OF WATERBURY, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 (dollars presented in thousands):

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	\$ 1,099	\$	\$ 178	\$ 921
CWF Note (201-D)	07/31/97	2.0	6,448	2,519		290	2,229
CWF Note (201-C1)	12/31/00	2.0	69,647	46,014		3,427	42,587
CWF Note (344-C)	10/30/02	2.0	11,547	8,386		531	7,855
CWF Note (351-C)	11/30/03	2.0	2,424	1,927		113	1,814
CWF Note (351-C1)	05/30/04	2.0	2,953	2,398		140	2,258
CWF Note (201-CD1)	06/30/04	2.0	1,138	888		65	823
CWF Note (351-CD1)	11/30/05	2.0	544	475		28	447
CWF Note (201-CD2)	06/29/07	2.0	226	211		16	195
Total Clean Water Fund				\$ 63,917	\$ -	\$ 4,788	\$ 59,129



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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, 2009, which collectively comprise the City of Waterbury, Connecticut's basic financial statements, and have issued our report thereon dated December 21, 2009. 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

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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 the management of the City of Waterbury, Connecticut, in a separate letter dated December 21, 2009.

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, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 21, 2009

CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

I. Summary of Auditors' Results

Financial Statements

Type of auditors' 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? _____ yes X none reported

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

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

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

<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	\$ 4,347,661
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	8,160,622
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	4,710,892
Department of Education:		
Adult Education	11000-SDE64000-17030	3,533,953
Health Services	11000-SDE64000-17034	651,822
Priority School Districts	11000-SDE64000-17043-82052	2,683,236
Magnet Schools	11000-SDE64000-17057	8,388,900
Educational Cost Sharing - Accountability	11000-SDE64000-17041	1,057,775
School Readiness and Child Day Care Grant Program	11000-SDE64370-17043-82056	645,645

Department of Environmental Protection:		
Open Space Agreements	12052-DEP43153-40519	\$ 769,897
Urban Act	13019-DEP43740-41239	3,302,536
Office of Policy and Management:		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	844,140
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	1,913,907
Local Capital Improvement Program	12050-OPM20600-40254	1,643,979
Department of Public Health:		
“AIDS” Services	11000-DPH48854-12236	500,284
Department of Social Services:		
Medicaid	11000-DSS60000-16020	1,116,400
Department of Transportation:		
Town Aid Roads Grants Transportation Fund	12001-DOT57131-7036	539,601

II. Financial Statement Findings

1. We issued reports, dated December 21, 2009, 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 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.

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.
Management Response	The City has engaged the services of a certified LAWSON technology and implementation partner to assist the City the implementing the LAWSON absence management module and to perform a business process review of the benefits module. Key objectives of the project include centralizing and automating employee attendance recordkeeping and expanding the use of the HR suite to maintain employee and retiree benefits data. The implementation project began in November and is anticipated to be completed in May 2010 providing for a centralized accounting and reporting of the City's accrued compensated absences obligation at June 30, 2010.
2008-2	Significant Deficiency - Aged Receivables (Enterprise Funds)
Condition	As of June 30, 2009, the Water Pollution Control Enterprise Fund delinquent receivables totaled \$12 million; an estimated amount of \$7.8 million, or 65%, of this amount has been reserved for doubtful accounts. The Water Enterprise Fund delinquent receivables totaled \$10 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.

Effect	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.
Cause	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.
Recommendation	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.
Management Response	The City has established significant allowances for doubtful collections in both the Water and Water Pollution Control enterprise funds to reduce the risk of an overstatement in the net accrued receivable amounts at year end. The allowances are based on an assessment of the aged receivable trial balance report which summarizes delinquent account balances by duration of delinquency. The City anticipates moving forward with a project plan to examine the circumstances surrounding significant delinquent account balances and to submit a comprehensive listing of accounts warranting write-off for approval. Budgeting for bad debt expense and establishing an annual write-off process are procedures that will be developed after the current aged receivable file is fully evaluated and warranted write-offs have been approved and posted.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs are reported relating to State awards.