

CITY OF PORTLAND, MAINE

**Reports Required by *Government Auditing
Standards* and OMB Circular A-133**

For the Year Ended June 30, 2010

CITY OF PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
June 30, 2010

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

City Council and School Committee
City of Portland, Maine

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine (the City) as of and for the year ended June 30, 2010, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated November 3, 2010. 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 Portland, Maine'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 Portland, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item #2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

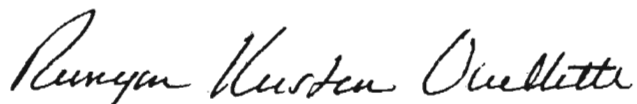
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland, Maine'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the management of the City of Portland, Maine in a separate letter dated November 3, 2010.

The City of Portland, Maine's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Portland, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, and 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.



November 3, 2010
South Portland, Maine



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

City Council and School Committee
City of Portland, Maine

Compliance

We have audited the compliance of the City of Portland, Maine 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, 2010. The City of Portland, Maine's major federal programs are identified in the summary of auditor's 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 Portland, Maine's management. Our responsibility is to express an opinion on the City of Portland, Maine'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 Portland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Portland Maine's compliance with those requirements.

As described in item #2010-2 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding reporting that are applicable to its U.S. Department of Housing and Urban Development, CDBG Recovery Act (CFDA #14.253).

As described in item #2010-3 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding cash management that are applicable to its U.S. Department of Housing and Urban Development, CDBG Recovery Act (CFDA #14.253).

As described in item #2010-4 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding cash management that are applicable to its U.S. Department of Education, Special Education Grants to States including Recovery Act (CFDA #84.027, 84.173, 84.391, 84.392).

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

As described in item #2010-5 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding special tests and provisions (highly qualified teachers) that are applicable to its U.S. Department of Education, Title 1A including Recovery Act (CFDA #84.010, 84.389).

In our opinion, except for the noncompliance described in the preceding paragraphs, the City of Portland, Maine complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Portland 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'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We do not consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2010-6 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2010-6 to be a significant deficiency.

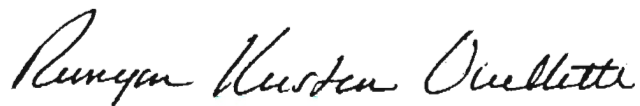
**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

The City of Portland, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Portland, Maine's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2010 and have issued our report thereon dated November 3, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, School Committee, management, others within the entity, and 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.



November 3, 2010
South Portland, Maine

CITY OF PORTLAND, MAINE
 Schedule of Expenditures of Federal Awards
 For year ended June 30, 2010

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue		Expenditures	Ending balance	
							Federal	State			
U.S. Department of Housing and Urban Development:											
Direct Programs:											
Community Development Block Grants		None	14.218	\$ 2,142,580	N/A	-	2,833,783	-	2,895,646	50,631	
CDBG - Section 108 Loan Program		None	14.218	10,200,000	N/A	48,332	-	-	-	48,332	
Brownfields Economic Development		GR0655	14.218	1,800,000	N/A	(516,534)	516,534	-	-	-	
Bayside Trail Project - ARRA	ARRA	CD1010	14.253	100,000	N/A	-	100,000	-	100,000	-	
Cumberland St. Sidewalk Reconstruction - ARRA	ARRA	CD1013	14.253	235,670	N/A	-	219,043	-	303	218,740	
Evertt St. Sidewalk Reconstruction - ARRA	ARRA	CD1016	14.253	115,000	N/A	-	1,130	-	1,130	-	
Abyssinian Renovation - ARRA	ARRA	CD1046	14.253	122,000	N/A	-	122,000	-	101,672	20,328	
ESG-Operations		GR0909	14.234	37,527	N/A	(3,360)	3,360	-	-	-	
Housing Opportunities for People with Aids		GR0769	14.241	1,402,577	N/A	(43,103)	401,752	-	358,649	-	
Housing Opportunities for People with Aids		GR1076	14.241	1,429,923	N/A	-	190,054	-	199,221	(9,167)	
ESG-Homeless Prevention		GR0902	14.234	28,145	N/A	(7,920)	7,934	-	14	-	
ESG-Essential Services		GR0903	14.234	28,146	N/A	375	-	-	375	-	
HUD Continuum of Care 2007-Employment Assistance		GR0956	14.234	70,016	N/A	(18,570)	52,013	-	33,943	(500)	
HUD Continuum of Care 2008-Employment Assistance		GR1046	14.234	70,016	N/A	-	35,006	-	43,733	(8,727)	
Emergency Shelter Grant		GR1015	14.234	28,146	N/A	-	28,146	-	27,719	427	
Emergency Shelter Grant		GR1016	14.234	28,145	N/A	-	28,145	-	28,145	-	
ESG - Operations		GR1014	14.234	37,732	N/A	-	37,732	-	37,732	-	
HOME Program		None	14.239	1,387,142	N/A	(101,317)	670,922	160,065	972,399	(242,729)	
HUD Continuum of Care 2007 Job Training Fund		GR0955	14.235	15,443	N/A	(703)	11,581	-	10,878	-	
HUD Continuum of Care 2007 Portland Collaborative		GR0957	14.235	158,126	N/A	(23,443)	118,595	-	95,535	-	
HUD Continuum of Care 2007 - HMIS		GR0959	14.235	27,970	N/A	-	-	383	27,970	(27,970)	
Subtotal U.S. Department of Housing and Urban Development							(666,243)	5,377,730	272,942	4,935,064	49,365

CITY OF PORTLAND, MAINE
 Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue		Expenditures	Ending balance	
							Federal	State			
U.S. Department of Housing and Urban Development, continued:											
Direct programs, continued:											
Bell Street Transitional Housing		GR0960	14.235	\$ 45,212	N/A	(15,203)	35,749	-	20,546	-	
HUD CoC Bell Street Transitional Housing		GR1079	14.235	43,092	N/A	-	16,158	-	27,557	(11,399)	
HUD Continuum of Care 2008-Employment Assistance		GR1045	14.235	15,443	N/A	-	7,720	-	7,385	335	
HUD Continuum of Care 2008-Portland Collaborative		GR1047	14.235	158,126	N/A	-	-	-	74,692	(74,692)	
MainStay		GR1003	14.235	9,036	N/A	-	9,036	-	9,036	-	
EDI Special Project		GR0871	14.246	198,000	N/A	(150,000)	158,400	-	8,400	-	
HUD-HPRP	ARRA	GR1030	14.257	876,120	N/A	-	281,616	-	284,208	(2,592)	
HUD-HPRP Engagement & Stabilization	ARRA	GR1048	14.257	909,816	N/A	-	227,454	-	167,747	59,707	
HUD-HPRP Cumberland CTY Security Deposit	ARRA	GR1049	14.257	297,050	N/A	-	74,319	-	131,617	(57,298)	
Lead Paint Grant		GR0863	14.900	977,765	N/A	(26,822)	273,112	-	259,102	(12,812)	
Lead Paint Grant		GR0864	14.900	547,407	N/A	87	103,649	-	133,644	(29,908)	
Pass-through Maine State Housing Authority:											
MSHA - ESG - OSSM		GR1062	14.231	52,513	NONE	-	32,265	-	39,251	(6,986)	
MSHA - State Homeless Funds - Oxford		GR0856	14.231	425,652	NONE	(2,232)	-	2,232	-	-	
MSHA - ESG-OSSM		GR0968	14.231	97,313	NONE	(30,753)	63,818	-	33,065	-	
MSHA - ESG Family Shelter		GR0969	14.231	55,000	NONE	(22,601)	38,013	-	15,412	-	
MSHA-ESG-Family Shelter		GR1063	14.231	40,000	NONE	-	18,851	-	22,579	(3,728)	
Pass-through Maine Department of Economic Development:											
Neighborhood Stabilization Program (NSP) Grant		GR0971	14.228	1,324,136	NONE	(2,261)	8,561	-	7,400	(1,100)	
Total U.S. Department of Housing and Urban Development						(916,028)	6,726,451	-	275,174	6,176,705	(91,108)
Environmental Protection Agency:											
Direct Programs:											
Brownfields Assessment		GR0675	66.818	200,000	N/A	(26,962)	79,306	-	6,095	46,249	
Brownfields Cleanup Grant		GR0951	66.818	180,000	N/A	(10,729)	-	-	-	(10,729)	
Pass-through Maine Department of Environmental Protection:											
Clifton Street Stimulus Fund	ARRA	MM09A1	66.458	2,063,665	N/A	-	1,691,440	-	1,759,987	(68,547)	
Forest Avenue Stimulus Fund	ARRA	MM09A2	66.458	936,335	N/A	-	900,857	-	920,494	(19,637)	
Capisc Brook Watershed Plan	ARRA	GR1053	66.454	97,795	2009SP04	-	64,200	-	50,154	14,046	
Total Environmental Protection Agency						(37,691)	2,735,803	-	2,736,730	(38,618)	

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue			Expenditures	Ending balance
							Federal	State	Other		
U.S. Department of Justice:											
Direct Programs:											
COPS Hiring Grant	ARRA	GR1032	16.710	\$ 882,528	N/A	-	72,694	-	-	72,694	-
Byrne Memorial Justice Grant		GR0721	16.738	97,189	N/A	1,399	-	-	-	1,399	-
Byrne Justice Assistance Grant		GR1031	16.738	261,148	N/A	-	-	-	-	92,710	(92,710)
Byrne Memorial Justice Assistance		GR0832	16.738	174,710	N/A	(64,963)	140,626	-	-	99,168	(23,505)
Byrne Memorial Justice Assistance Grant/Round 4		GR0934	16.738	52,656	N/A	(44,917)	52,656	-	-	7,739	-
FY2009 Byrne Memorial Justice Assistance	ARRA	GR0977	16.804	1,158,713	N/A	-	1,000,000	-	-	624,308	375,692
Violent Crimes Task Force		GR0843	16.738	173,118	N/A	(54,637)	65,410	-	-	10,773	-
Pass-through Department of Public Safety:											
Project Safe Neighborhoods		GR1074	16.609	7,500	42-01-10	-	850	-	-	1,335	(485)
Bulletcatcher		GR1006	16.744	3,780	42-01-09	-	3,780	-	-	3,780	-
Pass-through Maine Department of Human Services:											
Victim Advocacy Program		GR1041	16.575	32,294	CFS-10-2307	-	24,705	-	-	25,070	(365)
Victim Advocacy Program		GR0901	16.575	41,368	CFS 09-2307	(7,812)	15,697	389	-	8,274	-
Total U.S. Department of Justice						(170,930)	1,376,418	389	-	947,250	258,627
U.S. Department of Transportation:											
Direct Program:											
Airport Improvement Plan		None	20.106	14,617,235	N/A	(686,643)	9,886,882	247,915	265,037	10,581,495	(868,304)
Airport Improvement Plan	ARRA	None	20.106	2,138,016	N/A	(165,539)	2,056,212	-	17,916	1,908,589	-
Fireboat Constt'ction		GR0809	20.814	993,500	N/A	3,019	-	-	-	3,019	-
Total U.S. Department of Transportation						(849,163)	11,943,094	247,915	282,953	12,493,103	(868,304)

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA number	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue		Expenditures	Ending balance
							Federal	State		
U.S. Department of Agriculture, pass-through Maine Department of Education:										
Fresh Fruit and Vegetables Program			10.582	\$ N/A	013-6134	-	78,604	-	78,604	-
School Breakfast Program			10.553	N/A	013-7127	-	363,215	2,588	365,803	-
School Lunch Program			10.555	N/A	013-7128	-	1,237,447	33,760	1,271,207	-
After School Program			10.558	N/A	CCFP9359	-	8,373	-	8,373	-
Cash in lieu of commodities			10.565	N/A	N/A	-	112,140	-	112,140	-
Total U.S. Department of Agriculture						-	1,799,779	36,348	1,836,127	-
U.S. Department of Commerce:										
Direct Programs:										
Bayside Business Park	GR0254		11.300	1,500,000	N/A	31,432	-	-	-	31,432
Total U.S. Department of Commerce						31,432	-	-	-	31,432
U.S. Department of Conservation:										
Pass-through Maine Department of Conservation:										
Fort Allen Trail Improvement Project	GR1018		15.916	25,000	23-00819	-	16,117	-	16,134	(17)
Total U.S. Department of Conservation						-	16,117	-	16,134	(17)
Federal Highway Administration, pass-through Maine Department of Transportation:										
Commercial Street/High Street	GR0048		20.205	863,000	STP-8725	(848,441)	811,639	36,816	12,571	(12,557)
Bayside Trail	GR0861		20.205	560,000	STP-1184	(246,446)	263,882	-	25,616	(8,180)
Portland Observatory Enhancement	GR0045		20.205	100,000	STP-9211	1,853	-	-	1,853	-
Prelim Engineering Path from 295 to High Street	GR0773		20.205	70,000	STP-1334(800)X	-	-	-	56,622	(56,622)
Port Security	GR0416		20.420	390,000	DTS A20-03-G-01191	-	-	12,979	-	12,979
Bike Lanes	GR0950		20.205	39,894	STP-1436(300)X	(10,061)	-	-	27,844	(37,905)
Franklin Arterial Study	GR0943		20.205	22,500	STP-1521(300)X	-	-	-	22,500	(22,500)
Brighton Avenue Level II Resurfacing	GR0918		20.205	127,500	STP-1158(800)X	-	58,982	-	57,170	1,812
Brighton Avenue Resurfacing	GR0974		20.205	29,538	STP-1158(800)X	-	29,538	-	26,454	3,084
Deering Avenue Resurfacing Forest-Rte 25	GR0975		20.205	219,000	STP-1137(500)X	-	186,986	-	178,555	8,431
Overlay Park Ave/Deering-State	GR0976		20.205	159,970	STP-A150(000)X	-	102,864	-	97,320	5,544
Pass-through Bureau of Highway Safety:										
2008 Holiday Enforcement	GR0937		20.600	5,283	HL 09-023	242	-	-	242	-
Total Federal Highway Administration						(1,102,853)	1,453,891	36,816	12,979	(105,914)

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA number	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue		Expenditures	Transfers	Ending balance
							Federal	State			
U.S. Department of Education: Direct Program: Readiness and Emergency Management for Schools			84.184C	\$ 52,500	N/A	23,100	94,500	-	104,623	-	12,977
U.S. Department of Education, pass-through the Maine Department of Education:											
ARRA GPA Stabilization Funds	ARRA	84.394		2,984,346	020-2077	-	2,984,346	-	2,984,346	-	-
Adult Basic Education		84.002		100,000	013-6296	421	100,000	-	103,209	-	(2,788)
Adult Education Special Project		84.002		31,105	013-6299	52	31,105	-	33,634	-	(2,477)
Title IA, Disadvantaged		84.010		3,088,488	013-3057	281,993	3,127,756	-	3,620,169	-	(210,420)
Title IA, SIG		84.010		-	N/A	-	-	-	2,379	-	(2,379)
Title IA, Disadvantaged - ARRA	ARRA	84.389		2,538,032	013-3057	-	1,812,880	-	1,822,752	-	(9,872)
Title 1C - Even Start		84.213		135,000	013-3058	134,183	135,000	873	133,623	-	136,433
Title V - Innovative Education		84.298		-	013-1072	66,266	-	-	51,169	-	15,097
Special Ed Local Entitlement Title VA EHA		84.027		1,774,121	013-3046	110,725	1,774,121	-	1,809,478	-	75,368
IDEA Part B - ARRA	ARRA	84.391		981,947	020-3046	-	981,947	-	796,430	-	185,517
Preschool Local Entitlement		84.173		31,521	013-6241	(34,123)	31,521	47,478	20,697	-	24,179
IDEA Part B Pre-School - ARRA	ARRA	84.392		22,953	020-6241	-	22,953	-	13,927	-	9,026
State Improvement		84.323		-	013-6329	23,439	-	-	2,103	-	21,336
Vocational Education Title II		84.048		66,680	013-3030	8,908	66,680	-	94,944	-	(19,356)
Carl Perkins - Targeted Area Reserve		84.048		150,210	013-3040	-	150,210	-	150,210	-	-
Stewart B. McKinney Act		84.196		13,565	013-3002	-	13,565	-	1,330	-	12,235
McKinney Homeless - ARRA	ARRA	84.387		60,000	020-3002	-	60,000	-	59,534	-	466
Title IIA - Teacher Quality		84.367		715,266	013-3042	107,369	717,620	-	537,574	(208,864)	78,551
Title IID - Education Technology		84.318		40,658	013-3003	32,129	44,361	-	90,483	12,190	(1,803)
Title IID - Education Technology		84.318		-	013-3003	(874)	-	-	-	-	(874)
Title IID - Education Technology - ARRA	ARRA	84.386		99,928	020-3003	-	83,274	-	83,940	-	(666)
English Language Acquisition Grant		84.365		217,646	013-3090	251,692	217,646	-	241,424	-	227,914
Advanced Placement		84.330		-	013-3083	(14,101)	-	14,101	-	-	-
Title 1-Gear Up		84.334		59,987	013-3059	(16,405)	59,987	40,000	74,841	-	8,741
21st Century		84.287		-	013-1103	(16,500)	-	26,359	9,859	-	-
Pass-through the Maine Department of Substance Abuse: Drug Free Schools and Communities		84.186		62,357	N/A	25,522	62,357	-	217,338	196,674	67,215
Total U.S. Department of Education				12,571,829		983,796	12,571,829	128,811	13,060,016	-	624,420

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue		Expenditures	Ending balance
							Federal	State		
Corporation for National and Community Service, pass-through the Maine Department of Education:										
Learn & Serve Grant		94.004	\$	3,000	013-3077	-	3,000	-	3,000	-
Total Corporation for National and Community Service										
Federal Department of Homeland Security:										
Direct Program:										
Port Security QZ		GR0643		1,130,000	N/A	(53,881)	326,194	-	272,313	-
Infrastructure Improvements		GR0736		768,750	N/A	(75,576)	390,051	-	330,725	(16,250)
Fire DHS - FF Assist		GR0914		399,292	EMW-2007-FR-00722	(40,089)	74,398	-	34,309	-
Pass-through Maine Emergency Management Association:										
Public Safety Interoperable Communications		GR0933		236,250	2007-GS-H7-0056	-	-	-	14,776	(14,776)
FY2008 Homeland Security		GR0939		602,882	2008-GE-T8-0037	(186,896)	497,043	-	415,201	(105,054)
Homeland Security FY2008		GR0945		11,200	NONE	(6,536)	9,803	-	3,267	-
Cert Monies		GR0457		11,000	2004-GE-T4-0041	(4,324)	-	-	646	(4,970)
Homeland Security		GR0869		592,342	2007-GE-T7-0055	(95,324)	141,298	-	45,974	-
Peacekeeper		GR0873		189,000	2006-BZ-T6-0020	69	-	-	69	-
Homeland Security FY09		GR1051		629,420	2009-SS-T9-0077	-	-	-	180,865	(180,865)
HHS-Homeland Security		GR0563		40,600	NONE	6,824	-	-	3,851	2,973
Total Federal Department of Homeland Security										
						(455,733)	1,438,787	-	1,301,996	(318,942)
U.S. Department of Energy:										
Direct Program:										
Energy Efficient Block Grant	ARRA	GR1042	81.128	684,700	DE-SC0002942	-	-	-	11,396	(11,396)
Total U.S. Department of Energy										
						-	-	-	11,396	(11,396)

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/ grantor number	Beginning balance	Revenue		Expenditures	Ending balance	
							Federal	State			
U.S. Department of Health & Human Services:											
Direct Program:											
Health Care Homeless		GR0938	93.224	\$ 569,969	N/A	(109,385)	401,899	-	292,514	-	
Health Care Homeless		GR1036	93.224	569,969	N/A	-	364,762	-	364,762	-	
Ryan White HIV		GR0954	93.918	375,298	N/A	(109,958)	285,498	-	175,540	-	
Ryan White HIV		GR1056	93.918	375,298	N/A	-	190,693	-	194,682	(3,989)	
HCH IDS	ARRA	GR0970	93.703	125,915	N/A	-	63,454	-	63,593	(139)	
Portland Comm. Health Center	ARRA	GR0964	93.703	650,000	N/A	-	608,823	-	608,823	-	
Portland Comm. Health Center	ARRA	GR1068	93.703	650,000	N/A	-	434,697	-	400,192	34,505	
Capital Improvement Program	ARRA	GR1011	93.703	320,595	N/A	-	248,349	-	248,349	-	
ORR Torture Survivors Grant		GR1034	93.604	360,000	N/A	-	12,175	-	81,518	(69,343)	
Pass-through the Maine Department of Education:											
Refugee Resettlement			93.576	60,687	013-3080	125,144	60,687	-	130,338	55,493	
Pass-through Catholic Charities of Maine:											
New Mainers Block Grant		GR0958	93.566	91,928	NONE	(31,210)	70,601	-	39,391	-	
New Mainers Block Grant		GR1059	93.566	25,055	NONE	-	22,169	-	24,586	(2,417)	
Supplemental Services		GR1033	93.576	77,654	NONE	-	15,547	-	41,558	(26,011)	
Unanticipated Arrivals #3		GR0941	93.576	88,954	NONE	(17,129)	73,998	-	56,869	-	
Unanticipated Arrivals		GR0866	93.576	66,807	NONE	(96)	-	-	-	-	
Pass-through Family Planning of Maine:											
Family Planning		GR1035	93.217	4,000	FPA2010	-	4,000	-	791	3,209	
Family Planning		GR0926	93.217	4,000	FPA-2009	3,899	-	-	3,899	-	
Subtotal U.S. Department of Health & Human Services							(138,735)	2,857,352	96	2,727,405	(8,692)

CITY OF PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Awards	ARRA	City Grant number	Federal CFDA number	Award amount	Pass-through/grantor number	Beginning balance	Revenue		Expenditures	Ending balance	
							Federal	State			
U.S. Department of Health & Human Services, continued:											
Pass-through the Maine Department of Health & Human Services:											
Tuberculosis Control		GR0978	93.116	\$ 10,000	CDC 09-261	(494)	5,235	-	4,741	-	
Pandemic Influenza		GR0823	93.283	175,000	CDC 08-468	57,143	-	-	57,143	-	
Maine Asthma		GR0979	93.283	5,000	CDC 09-725	(900)	5,000	-	4,100	-	
Maine Asthma		GR1043	93.283	15,972	CDC 10-725	-	-	-	1,757	(1,757)	
Colon Cancer Prevention		GR0963	93.283	21,676	CDC 09-677	(8,155)	8,241	-	86	-	
Colon Cancer Prevention		GR1010	93.283	21,676	CDC 10-677	-	47,067	-	60,237	(13,170)	
CRI		GR0920	93.283	175,000	CDC 09-468	(23,162)	86,121	-	62,959	-	
CRI		GR1020	93.283	150,000	CDC 10-468	-	64,377	-	81,813	(17,436)	
Smoke-Free Environments		GR1004	93.283	143,755	DHS 10-794	-	142,543	-	142,543	-	
Epidemiology Service		GR0921	93.283	210,987	CDC 09-280	(34,807)	48,990	-	14,183	-	
H1N1 Emergency Preparedness & Flu Vaccination		GR1044	93.283	15,000	CDC-10-677	-	15,000	-	13,206	1,794	
Smoke-Free Environments		GR1075	93.283	143,755	CDC 10-899	-	-	-	17,491	(17,491)	
Positive Health Clinic		GR0875	93.917	85,000	CDC 08-447	1,142	-	-	1,142	-	
Maternal and Child Health		GR0905	99.994	95,650	CDC 09-032	(383)	-	-	383	-	
CPPW		GR1084	93.724	1,841,197	CDC 10-900-RA	-	-	-	-	-	
CPPW Public SVRS		GR1116	93.724	94,620	CDC-10-900-RA	-	-	-	40,435	(40,435)	
School Based Health Centers		GR0813	93.994	374,000	CDC 08-022A	17,752	373	4,387	30	(30)	
School Based Health Centers		GR1012	93.994	450,000	CDC-10-022	-	172,802	-	26,210	-	
STD/HIV Services		GR0952	93.940	138,872	CDC 09-255	(3,421)	96,308	-	220,584	(7,480)	
STD/HIV Services		GR1055	93.940	137,872	CDC 10-255	-	57,447	-	92,887	-	
HIV/Latino/IDU/Prison		GR0981/B2/B3	93.940	122,543	CDC 09-255	27,034	71,453	-	74,751	(17,304)	
HIV/Latino/IDU/Prison		GR108/B2/B3	93.940	122,543	CDC 10-257	-	61,271	-	98,487	-	
CCHC/HMP/OSA/HMP		GR10A1/A2/A3	93.243	738,682	CDC 10-383	-	188,674	532,580	58,647	2,624	
Healthy Portland		GR10A5	93.243	10,000	CDC 10-383	-	10,000	-	694,277	44,405	
Breast/Cervical Cancer		GR0906	93.919	25,000	CDC 09-318	(2,931)	3,203	-	11,485	(1,485)	
Breast/Cervical Cancer		GR1005	93.919	25,000	CDC 10-318	-	16,667	-	272	-	
Youth Substance Abuse		GR0962	93.959	56,667	OSA 1-09-091	9,536	40,000	-	18,999	(2,332)	
HMP Substance Abuse		GR0961	93.959	81,500	SA 1-09-117	13,347	47,170	-	42,842	6,694	
OSA Medication		GR0923	93.959	70,000	SA 1-09-044	163	-	-	48,763	11,754	
Total U.S. Department of Health & Human Services							(86,871)	4,045,294	536,967	61,907	(60,341)

Total Federal Awards \$ (2,604,041) 44,110,463 858,435 761,824 43,706,842 (580,161)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of Portland, Maine for the fiscal year ended June 30, 2010. The reporting entity is defined in the Notes to Financial Statements of the City of Portland, Maine.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 - 2. Major - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Portland, Maine are identified in the summary of auditor's results in the Schedule of Findings and Questioned Costs.
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs
June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no

Significant deficiencies identified? yes

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218, 14.253	Community Dev. Block Grants - Including ARRA
20.106	Airport Improvement Program - Including ARRA
66.458	EPA Clean Water
93.703	Portland Community Health Center
84.027, 84.173, 84.391, 84.392	Special Education Cluster - Including ARRA
84.010, 84.389	Title 1A - Including ARRA
84.394	ARRA GPA Stabilization
10.553 - 10.555	School Lunch Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,311,205

Auditee qualified as low-risk auditee? no

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

SIGNIFICANT DEFICIENCY

#2010-1 School Department Accounting System Reconciliation

School Department Accounting System Reconciliation (updated from 2009)

The City's accounting system historically, and currently, posts all School activity in a condensed account format. The Department of Public Schools historically did not maintain a separate self-balancing double entry fund accounting system. The system, up until the 2008-2009 fiscal year, only maintained expenditure data, and did so primarily to ensure budgetary compliance. Beginning in the 2008-2009 fiscal year, the School Department created additional accounts and funds in their accounting system to accommodate a full, self-balancing double entry fund accounting system. This new chart of accounts included revenue accounts and balance sheet accounts for most funds. The fact remains however, that the City's system is relied on for proper financial accounting in compliance with generally accepted accounting principles and the School system is treated as a subsidiary ledger only, for internal use as well as State Department of Education reporting. As a result, it is imperative that these two systems are fully reconciled on a monthly basis and any differences be promptly adjusted.

During the 2009-2010 year, reconciliations, although not always done timely, were performed for the general fund, the lunch fund and the adult education fund. The grant fund was also attempted, but was not fully reconciled at the time of the audit. We commend the School Department for these efforts. Finally, it was noted that the activity of certain capital funds are not being recorded in the School Department's accounting system. Although there is some question as to whether or not this is necessary, to the extent that the State Department of Education requires the information on quarterly and year end reports, the School Department will need to make accommodations to ensure this activity is posted to their accounting system.

We recommend that beginning in 2010-2011, the School Department performs reconciliations of all funds in a timely manner and posts any necessary correcting entries as soon as they are identified. The City and the School Department should work together to determine what transactions are causing difficulties in the reconciliation process, in an effort to continue to eliminate differences and provide for a less cumbersome reconciliation process. A resolution as to the need for posting of capital funds should be sought with the State Department of Education.

Management's response:

A new position, Staff Accountant, was recently created. The person who will fill that position is a CPA and has public accounting experience. New procedures will be implemented that require, among other things, performance of the duties outlined below.

- 1. The Staff Accountant will perform cash reconciliations monthly, making sure the School Department's cash account is reconciled fully to the City's School Department cash account. The Staff Accountant will prepare any necessary correcting entries. Each month the Comptroller will review and approve the monthly cash reconciliation and any necessary correcting entries prepared by the Staff Accountant, and the approved correcting entries will be posted monthly.*

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*, Continued

2. *The Staff Accountant will perform reconciliations of all funds monthly, making sure the School Department's system reconciles fully with the City's system. The Staff Accountant will prepare any necessary correcting entries. Each month the Comptroller will review and approve those monthly reconciliations and any necessary correcting entries prepared by the Staff Accountant, and the approved correcting entries will be posted monthly.*

3. *Monthly, each grant accountant will perform reconciliations of the grant funds for which the grant accountant is responsible, making sure each grant fund subledger reconciles fully with the School Department's general ledger. Each grant accountant will prepare any necessary correcting entries. Each month the Staff Accountant will review and approve those monthly reconciliations and any necessary correcting entries, and the approved correcting entries will be posted monthly.*

The Staff Accountant will review and approve all journal entries prepared by other Finance Department staff, and all approved journal entries will be posted timely. The Comptroller will review and approve any journal entry prepared by the Staff Accountant, and those approved journal entries will be posted timely.

It is unclear whether the School Department needs to post the activity of certain capital funds (namely, the CIP and the Ocean Avenue School construction), as the City conducts and posts all those activities. The School Department has sought from the State Department of Education a resolution regarding its need to post that activity to its accounting system. The State Department of Education has not yet reached a determination. If the State Department of Education concludes that, despite the fact the City conducts all the activity and posts all the activity in the City's accounting system, the School Department also needs to post that activity or post the activity in summary form, the School Department will do so.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

NONCOMPLIANCE – FEDERAL AWARDS

#2010-2 - U.S. Department of Housing and Urban Development, for the period July 1, 2009 through June 30, 2010, CFDA #14.253, CDBG Recovery Act

Statement of Condition: Form 1512 reporting was prepared for each quarter of the program, but the fourth quarter report did not agree with the balances reported in the general ledger.

Criteria: The U.S. Department of Housing and Urban Development requires that quarterly 1512 Reports be filed on a cash basis of accounting. The fourth quarter report included encumbrances, which overstated expenditures.

Effect: The U.S. Department of Housing and Urban Development may not be able to correctly monitor the financial status of the program.

Cause: City personnel were not initially aware of the basis of accounting for preparing these reports.

Recommendation: We recommend that the reports be revised and submitted on the correct basis of accounting. In addition, we recommend the City implement a process to ensure accurate reporting.

Questioned Costs: None

Management's response:

Staff turnover and absences in the last quarter of the fiscal year created some work load issues. City personnel responsible for report preparation now understand that encumbrances cannot be included in the quarterly 1512 reports. Future report preparation will be reviewed by the Principal Financial Officer for the department to ensure compliance with grant reporting requirements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards, Continued

#2010-3 - U.S. Department of Housing and Urban Development, for the period July 1, 2009 through June 30, 2010, CFDA #14.253, CDBG Recovery Act

Statement of Condition: The CDBG Recovery Act grant had excess cash balances on hand for excessive periods of time.

Criteria: Draw downs of federal funds must be made as close as possible to the time of making distributions. Time should be minimized between the transfer from the U.S. Treasury and the disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: The City drew down funds in advance, anticipating expenditures. The funds were not completely spent for several months, resulting in excess cash on hand.

Recommendation: Request for payments, which is accomplished by completing form 270, should be timed when an invoice had been received and/or paid, resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Management's response:

As in the above finding, cash requests included encumbrances. City personnel responsible for cash requests now understand that funds can only be requested for cash that has been disbursed. Future cash requests will be reviewed before processing by the Principal Financial Officer for the department to ensure compliance with cash management requirements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards, Continued

#2010-4 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.027; 84.173; 84.391; 84.392 Special Education Cluster (includes ARRA funds)

Statement of Condition: The aforementioned programs had excess cash balances on hand for excessive periods of time.

Criteria: Circular A-102 (Common Rule) requires the draw downs of funds be made as close as possible to the time of making ultimate distributions. Time should be minimized between the transfer of funds and the ultimate disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the aforementioned grants from July 1, 2009 through June 30, 2010 were not sufficient to prevent cash overflows, as defined by the State of Maine, for certain months. For example, at the end of June, 2010, the department had a cash balance in #84.391A (Special Education – Local Entitlement ARRA) of \$224,336. The department had a cash balance in #84.027 (Special Education – Local Entitlement) of \$164,323.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Management's response:

In the mentioned grant areas, we will begin making request for draw downs for expenditures on a reimbursement basis, rather than on an advance payment basis.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards, Continued

#2010-5 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.010; 84.389; Title 1A (includes ARRA funds)

Statement of Condition: The School Department was found to have teachers that were not in compliance with program requirements relating to highly qualified teachers. Out of a total sample of 40 tested, two were found not to be in compliance with the highly qualified teacher requirements.

Criteria: Teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, should meet highly qualified requirements.

Effect: Noncompliance could result in the payment of federal funds being denied.

Cause: Unknown.

Recommendation: The School Department should set goals to achieve compliance in this area.

Questioned Costs: None

Management's response:

The School Department has recently designated a staff person who is familiar with the highly qualified teacher requirements. We have developed a plan to get all teachers at Title 1A schools to meet the Federal highly qualified teacher requirements.

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards, Continued

SIGNIFICANT DEFICIENCY – FEDERAL AWARDS

#2010-6 Title 1A Program

One of the federally funded programs tested at the Department of Public Schools was the Title 1A program. The objective of this program is to improve teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families. We noted several areas relating to this program in which improvements could be made, as follows:

- The application for the program, which is part of an overall “No Child Left Behind” application, and is due in August of each year, was not filed until December 8, 2009. Every effort should be made to file this application in a timely manner.
- The application for the program, which is part of an overall “No Child Left Behind” application, includes a request for disbursement of funds schedule. This schedule is used by the State of Maine in determining when checks should be disbursed to the School Department to reimburse for expenditures made in the program. In the case of the Title 1A basic disadvantaged program and the Title 1A basic disadvantaged program ARRA, no funds were requested until July and August of 2010 even though the planned program expenditures were for September 2009 through June of 2010. This resulted in over \$4 million being owed to the City of Portland for these two programs as of June 30, 2010.
- The performance report, which is part of an overall “No Child Left Behind” performance report, reported expenditures amounts and carryover amounts that had not been reconciled to the related grant summary reports derived from the fund accounting system of the department.
- The School Department was found to have teachers that were not in compliance with Title 1A program requirements relating to highly qualified teachers. Out of a total sample of 40 tested, two were found not to be in compliance with the highly qualified teacher requirements. The School Department should set goals to achieve compliance in this area.

Management’s response:

With respect to the application deadline, the School Department will continue to work on meeting deadlines. To help with that, the State has assigned us new NCLB consultants. We have an agreement with the State Department of Education to submit financial information on time and follow-up with a narrative later. We also changed the fiscal year for this fund to mirror the School Department’s fiscal year, which will help with compliance.

With added accounting capacity for the new fiscal year, we hope to receive disbursements on a more regular schedule.

The expenditures and carryover amounts will be reconciled to the related grant summary reports derived from the fund accounting system of the Finance Department monthly, as discussed above. Those reconciliations will be reviewed and approved by the Staff Accountant.

The School Department has recently designated a staff person who is familiar with the highly qualified teacher requirements. We have developed a plan to get all teachers at Title 1A schools to meet the Federal highly qualified teacher requirements.

SIGNIFICANT DEFICIENCY

#2009-1 School Department Accounting System Reconciliation

Historically, the Department of Public Schools did not maintain a separate self-balancing double entry fund accounting system. The system, up until 2008-2009, only maintained expenditure data, and did so primarily to ensure budgetary compliance. The City's system posts all School expenditures to a more condensed account format, as well as maintaining revenue accounts and any balance sheet accounts required. Beginning in the 2008-2009 fiscal year, the School Department set up additional accounts and funds in their accounting system to accommodate a full, self-balancing double entry fund accounting system. Short of full consolidation into one centralized accounting system, we feel this step is a major milestone toward improving overall internal controls. However, the fact remains that the City's system is relied on for proper financial accounting in compliance with generally accepted accounting principles and the School system is treated as a subsidiary ledger only, for internal use as well as State Department of Education reporting. As a result, it is imperative that these two systems are fully reconciled on a monthly basis and any differences be promptly adjusted. Currently, these reconciliations are extremely cumbersome. During the year, at various times, they were attempted for the general fund, the lunch fund and the adult education fund. However, reconciling differences identified are numerous and corrections are not always made. Additionally, it is our understanding that during 2008-2009 the grant funds have not been reconciled.

We recommend that beginning in 2009-2010, the School Department and City work together to determine what transactions are causing difficulties in the reconciliation process. Whenever possible, the posting of transactions should be consistent – both with respect to when a transaction is posted (timing) and how it is posted. A consistent system should be implemented as to how transactions initiated by the School Department are communicated to the City and how transactions initiated by the City are communicated to the School Department. If new accounts or funds are established by the School Department, information should be provided to the City as to the fund purpose and type (i.e. part of the general fund, a special revenue, or capital project).

Status: Some improvements have been implemented during 2009-2010. See current year comment #2010-1.

CITY OF PORTLAND, MAINE
Status of Prior Year Findings and Questioned Costs for Federal Awards
June 30, 2010

#2009-2 - Department of Transportation, for the period July 1, 2008 through June 30, 2009, CFDA #20.814, Fireboat Construction

Statement of Condition: Required quarterly reports had not been filed.

Criteria: The Department of Transportation requires that quarterly Financial Status Reports be filed along with a Final Status Report, which is due upon full disbursement of grant funds.

Effect: The Department of Transportation may not be able to correctly monitor the financial status of the program.

Cause: City personnel were not aware that these reports were required.

Questioned Costs: None

Recommendation: We recommend the City develop a system to track reporting requirements for grants including due dates of any required reports to ensure compliance with the requirements of the grant.

Status: This grant was completed during the fiscal year ended June 30, 2009 and all required reports have since been filed.