

**Federal Single Audit
and
State Single Audit
of the
City of West Haven, Connecticut
For the Year Ended June 30, 2023**

City of West Haven, Connecticut

For the Year Ended June 30, 2023

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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***

Independent Auditors' Report

**City Council
City of West Haven, Connecticut**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City's Responses to Findings

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
May 28, 2024

Federal Single Audit

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

**City Council
City of West Haven, Connecticut**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of West Haven, Connecticut's ("City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated May 28, 2024, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

City of West Haven, Connecticut

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Awarding Agency/Program or Cluster Title	Federal AL Number	Name of Funder Pass Through Entity	Identifying Number Assigned by Funder Pass Through Entity	Provided to Subrecipients	Total Expenditures
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	State Department of Education	12060-SDE64370-20508	\$ -	\$ 992,701
National School Lunch Program	10.555	State Department of Education	12060-SDE64370-20560	-	2,893,804
National School Lunch Program - Commodities	10.555	State Department of Administrative Services	N/A	-	122,250
Fresh Fruit and Vegetable Program	10.582	State Department of Administrative Services	N/A	-	174,997
Total Child Nutrition Cluster					\$ 4,183,752
State Administrative Expenses for Child Nutrition	10.560	State Department of Education	12060-SDE64370-23126	-	152,824
COVID-19 Pandemic EBT Administrative Costs	10.649	State Department of Education	12060-SDE64370-29802	-	8,787
Urban Agriculture and Innovative Production	10.935	Direct Program	N/A	-	41,830
Total U.S. Department of Agriculture					4,387,193
<u>U.S. Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grant		Direct Program	N/A	-	883,818
COVID-19 Community Development Block Grants/Entitlement Grant		Direct Program	N/A	-	99,811
Total U.S. Department of Housing and Urban Development	14.218				983,629
<u>U.S. Department of Justice</u>					
Equitable Sharing Program	16.922	Direct Program	N/A	-	113,691
<u>U.S. Department of the Treasury</u>					
Coronavirus State and Local Fiscal Recovery Funds		Direct Program	N/A	-	6,039,766
Coronavirus State and Local Fiscal Recovery Funds - Free Meals for Students		State Department of Education	12060-SDE64370-28105	-	74,414
Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act - School Readiness Enrollment Grants - Priority Enrollment-based		State Office of Early Childhood	12060-OEC64845-28227	-	231,632
Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act - School Readiness Enrollment Grants - Priority Admin Funds Enhancement		State Office of Early Childhood	12060-OEC64845-28227	-	28,361
Total U.S. Department of the Treasury	21.027				6,374,173
<u>U.S. Department of Education</u>					
Adult Education - Basic Grants to States	84.002	State Department of Education	12060-SDE64370-20784-2023	-	30,000
Title I Grants to Local Educational Agencies	84.010	State Department of Education	12060-SDE64370-20679-2023	-	2,943,930
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B) - Special Education Activities		State Department of Education	12060-SDE64370-20977-2021	-	10,000
Special Education - Grants to States (IDEA, Part B) - Paraeducator Professional Development Activities		State Department of Education	12060-SDE64370-20977-2021	-	5,000
Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-20977-2023	-	1,824,002
Special Education - Grants to States (IDEA, Part B) - CT SEDS Implementation Stipend		State Department of Education	12060-SDE64370-20977-2023	-	31,500
COVID-19 American Rescue Plan - Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-23083-2022	-	182,871
Total Special Education-Grants to States (IDEA Part B)	84.027				2,053,373
Special Education - Preschool Grants (IDEA Preschool)		State Department of Education	12060-SDE64370-20983-2023	-	60,436
COVID-19 American Rescue Plan - Special Education - Preschool Grants (IDEA Preschool)		State Department of Education	12060-SDE64370-29684-2022	-	17,388
Total Special Education - Preschool Grants (IDEA Preschool)	84.173				77,824
Total Special Education Cluster (IDEA)					2,131,197

See Notes to Schedule of Expenditures of Federal Awards.

(Continued)

City of West Haven, Connecticut

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Awarding Agency/Program or Cluster Title	Federal AL Number	Name of Funder Pass Through Entity	Identifying Number Assigned by Funder Pass Through Entity	Provided to Subrecipients	Total Expenditures
<u>U.S. Department of Education</u>					
Career and Technical Education - Basic Grants to States	84.048	State Department of Education	12060-SDE64370-20742-2023	\$ -	\$ 137,852
Education for Homeless Children and Youth	84.196	State Department of Education	12060-SDE64370-20770-2022	-	120,000
English Language Acquisition State Grants		State Department of Education	12060-SDE64370-20868-82075-2023	-	\$ 133,016
English Language Acquisition State Grants		State Department of Education	12060-SDE64370-20868-82076-2023	-	<u>6,250</u>
Total English Language Acquisition State Grants	84.365				139,266
Supporting Effective Instruction State Grants	84.367	State Department of Education	12060-SDE64370-20858-2023	-	269,342
Student Support and Academic Enrichment Program (Title IV)	84.424	State Department of Education	12060-SDE64370-22854-2023	-	221,349
Education Stabilization Fund (ESF):					
Elementary and Secondary School Emergency Relief Fund - ESSER II					
Bonus Special Populations \$25K Recovery Grant	D	State Department of Education	12060-SDE64370-29571-2021	-	25,000
Elementary and Secondary School Emergency Relief Fund - ESSER II					
Special Education Recovery Activities Grant	D	State Department of Education	12060-SDE64370-29571-2021	-	60,000
Elementary and Secondary School Emergency Relief Fund - ESSER II					
Bonus Dyslexia Recovery Grant	D	State Department of Education	12060-SDE64370-29571-2021	-	5,525
Elementary and Secondary School Emergency Relief Fund - ESSER II					
Funds	D	State Department of Education	12060-SDE64370-29571-2021	-	4,356,426
Elementary and Secondary School Emergency Relief Fund - ESSER II					
State Set-Aside	D	State Department of Education	12060-SDE64370-29571-2021	-	153,227
Elementary and Secondary School Emergency Relief Fund - Family					
Resource Center - ESSER II	D	State Department of Education	12060-SDE64370-29571-2021	-	12,500
American Rescue Plan - Elementary and Secondary School					
Emergency Relief Fund	U	State Department of Education	12060-SDE64370-29636-2021	-	2,888,831
Elementary and Secondary School Emergency Relief Fund - ARP					
ESSER Homeless Children and Youth (HCY) I	W	State Department of Education	12060-SDE64370-29650-2021	-	120,000
Elementary and Secondary School Emergency Relief Fund - ARP					
ESSER Homeless Children and Youth (HCY) II	W	State Department of Education	12060-SDE64370-29650-2021	-	<u>59,140</u>
Total Education Stabilization Fund (ESF)	84.425				<u>7,680,649</u>
Total U.S. Department of Education					<u>13,673,585</u>
<u>U.S. Election Assistance Commission</u>					
Help America Vote Act Requirements Payments	90.401	Secretary of the State	12060-SOS12500-21465	-	<u>10,671</u>
<u>U.S. Department of Health and Human Services</u>					
COVID-19 Epidemiology and Laboratory Capacity for Infectious					
Diseases (ELC)	93.323	State Department of Public Health	12060-DPH48557-29582	-	<u>71,982</u>
<u>U.S. Department of Homeland Security</u>					
Emergency Management Performance Grants	97.042	State Department of Emergency Services and Public Protection	12060-DPS32160-21881	-	38,909
Assistance to Firefighters Grant		Direct Program	N/A	-	316,235
Assistance to Firefighters Grant		West Haven First Fire Taxation District	N/A	-	23,284
Assistance to Firefighters Grant		West Haven First Fire Taxation District	N/A	-	<u>22,120</u>
Total Assistance for Firefighters Grant	97.044				<u>361,639</u>
Total U.S. Department of Homeland Security					<u>400,548</u>
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ 26,015,472</u>

(Concluded)

N/A - Not applicable or not available.

See Notes to Schedule of Expenditures of Federal Awards.

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the City of West Haven, Connecticut ("City") under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the City.

2. Summary of significant accounting policies

- A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. The City has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Noncash federal awards

The City received and expended the following noncash awards:

USDA donated commodities:	
National School Lunch Program	\$ 122,250
Fresh Fruit and Vegetable Program	174,997

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023**

Finding 2022-001 Vendor Approval (Material Weakness) – 2021

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Current status

This finding has been repeated as finding 2023-001.

Reason for recurrence

The City experienced staffing shortages within the Finance Department, which prevented implementation of the corrective action from the previous audit and a repeat occurrence.

Finding 2022-002 Segregation of Duties (Significant Deficiency) – City – 2021

Condition

The City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status

This finding has been repeated as finding 2023-003.

Reason for recurrence

The City experienced staffing shortages within the Finance Department, which prevented implementation of the corrective action from the previous audit and a repeat occurrence.

Finding 2022-003 Segregation of Duties (Significant Deficiency) – Education Department – 2021

Condition

The Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

Current status

This finding has been repeated as finding 2023-004.

Reason for recurrence

Due to the delays in prior audits, implementation of corrective action has been implemented and will be reflected in the 2024 audit.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings (Continued)
For the Year Ended June 30, 2023**

Finding 2022-004 Procurement and Suspension and Debarment (Compliance) – 2020

Condition

The City's procurement policy does not include the essential elements as outlined in 2 CRF section 200.318 through 200.326.

Current status

This finding has been repeated as finding 2023-005.

Reason for recurrence

The Purchasing Department did not have adequate staffing to address this finding.

Finding 2022-005 Coronavirus Relief Fund – Cash Disbursements (Material Weakness) – 2021

Condition

Funds were embezzled from the City using fictitious vendors established by the City employees who were managing the Coronavirus Relief Fund (CRF) program. The invoices for the fictitious vendors were charged to a line item designated for the CRF program.

The grant reporting to the State for the CRF program was performed by the Finance Director and not by the Grant Coordinator Department. The original reporting of the specific disbursements for the program included the invoices for the fictitious vendors. The reporting was subsequently revised to remove the fraudulent invoices.

Current status

This finding has been resolved as the grant was completed as of June 30, 2022.

Finding 2022-006 Education Stabilization Fund (ESF) (Compliance) – 2022

Condition

The Education Department did not obtain and review the certified payrolls to verify the contractor's compliance with the prevailing wage rates requirements.

Current status

This finding has been resolved.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified?

 x yes no
none

Significant deficiency(ies) identified?

 x yes reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no
none

Significant deficiency(ies) identified?

 yes x reported

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

Unmodified opinion

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR Section 200.516(a)?

 x yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.582	Child Nutrition Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.027, 84.173	Special Education Cluster (IDEA)
84.424	Student Support and Academic Enrichment Program (Title IV)
84.425	Education Stabilization Fund (ESF)

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

\$780,464

Auditee qualified as low-risk auditee?

 yes x no

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

II. Findings – Financial Statement Audit

Finding 2023-001 Vendor Approval (Material Weakness) – 2021

Criteria

Formal vendor approval and related due diligence is a critical control related to the cash disbursements process. Access to the vendor file should be segregated from the employee who processes disbursement. The approved vendor listing should be reviewed and updated annually to ensure that payment can only be made to approved vendors.

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Context

Not applicable.

Effect

Payments may be processed to fictitious vendors.

Cause

City policies and procedures do not require vendor approvals prior to being added to the vendor master file. In addition, the employee who processes cash disbursements has the ability to add vendors to the master file.

Recommendation

We recommend that all updates to the vendor master file be formally approved before they are processed. We also recommend that the employee who processes cash disbursements be restricted from the ability to make any vendor master file changes.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City has implemented procedures based on the corrective action plan submitted with the 2022 audit. The corrective action plan included a formal vendor approval process and updated system rights for employees who manage the vendor master file.

With regards to repeating the finding from the 2022 audit, the City experienced staffing shortages within the Finance Department, which prevented the implementation of the corrective action as submitted from the previous audit. The Finance Department had three vacancies during fiscal year 2023. Due to the vacancies, some employees were performing multiple job functions. The City has initiated to hire the necessary replacements and is close to full staff currently. The City hired a Senior Buyer/Analyst and a permanent Finance Director for the latter part of the 2024 fiscal year. With the Finance Director expertise in MUNIS, the Finance Department is in the stages of working with City consultants and staff to update the procedures listed in the corrective action plan including but not limited to maintain vendor file, workflow approval process, W-9 and vendor information retention for annual review.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-002 Bank Reconciliations (Material Weakness) – 2023

Criteria

The City should have internal controls and related policies and procedures in place to ensure timely (within 30 days) and accurate bank reconciliations. The policies and procedures should include proper recording of identified reconciling items including wires and ACH deposits.

Condition

The City did not perform bank reconciliations on a timely basis for certain accounts. Also, for certain accounts, the City did not complete the bank reconciliations prior to closing the general ledger for the year. Audit adjustments were required to record deposit activity for multiple funds for the entire fiscal year.

Context

Deposits that were not recorded during the year totaled approximately \$1,300,000.

Effect

Monthly bank reconciliations may not be accurate as errors may not be detected and corrected on a timely basis. In addition, activity was not properly recorded during the year and, therefore, the City is relying on reports to manage current operations that are neither timely nor accurate.

Cause

Lack of adequate resources.

Recommendation

The City should develop and implement formal monthly bank reconciliation procedures that include review and recording of deposit activity in the month it was received. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. The procedures should include detailed analysis, reconciliation, supporting schedules, and proper recording of identified reconciling items.

Views of responsible officials and planned corrective actions

Management agrees with the finding. Staff turnover and lack of adequate resources impacted the City's ability to perform timely reconciliations.

The City has initiated hiring the necessary positions to fulfill this corrective action item. The City agrees that bank reconciliation is critical to get detailed visibility into cash availability, achieve accurate reporting, and get to a faster financial closing. The City is in the process of formally updating an internal policy for the fiscal month end that will verify that every transaction sums to the correct ending account balance.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-003 Segregation of Duties (Significant Deficiency) – City – 2021

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents a lack of proper segregation of duties.

Condition

The City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Not applicable.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City is in the process of revising policies and procedures that govern the process between Payroll and Human Resources. Segregation of duties will exist between authorizing/hiring (creating master file and entering payrates) and payroll processing. The policy will include Payroll having the authority and responsibility to create, implement, monitor, modify, and enforce operating procedures and internal control processes.

The City has also initiated the segregation of duties within the Finance Payroll Department. There are now policies and procedures for reviewing payroll prior to processing which include the Assistant Finance Director or Finance Director. In addition, as submitted as part of the fiscal year 2022 corrective action plan, the City reviewed user rights in the payroll system to modify access rights.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-004 Segregation of Duties (Significant Deficiency) – Education Department – 2021

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents a lack of proper segregation of duties.

Condition

The Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

Context

Not applicable.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The Education Department should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The view and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department is in the process of revising policies and procedures that govern the process between Payroll and Human Resources. Segregation of duties will exist between authorizing/hiring (creating master file and entering payrates) and payroll processing. The policy will include Payroll having the authority and responsibility to create, implement, monitor, modify, and enforce operating procedures and internal control processes.

The Education Department has also initiated the segregation of duties within the Finance Payroll Department. There are now policies and procedures for reviewing payroll change report prior to processing which include the Finance Director.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

III. Findings – Major Federal Award Programs

Finding 2023-005 Procurement and Suspension and Debarment (Compliance) – 2020

Program

All Federal Programs

Criteria

The City must comply with procurement standards set out at 2 CFR sections 200.318 through 200.326 within the Uniform Guidance.

Condition

The City's procurement standards do not include the essential elements as outlined in 2 CFR sections 200.318 through 200.326.

Questioned costs

None noted.

Context

Although the City did not have a policy in place in conformity with the federal Uniform Guidance criteria, the City did follow their procedures as it relates to the contracts under the procurements applicable to the City's major programs.

Effect

The City is at risk for noncompliance for expenditures of federal monies as it relates to federal procurement.

Cause

The Purchasing Department staffing levels did not allow for review and update of the City's purchasing policy.

Recommendation

We recommend that the City review its formal procurement policies and make necessary changes to comply with the criteria as set out in 2 CFR sections 200.318 through 200.326.

Views of responsible official and planned corrective actions

Management agrees with this finding. The City will update the purchasing policy to include the CFR requirements. The City has initiated to hire an adequate amount of staffing which will allow the Purchasing Department to enforce the suspension and debarment process during the procurement process; which will include checking sam.gov and other appropriate federal resources to check for vendor suspension and debarment.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Finding 2023-006 Coronavirus State and Local Fiscal Recovery Funds (Compliance) – 2023

Program

Federal Agency	U.S. Department of the Treasury
Federal Program	Coronavirus State and Local Fiscal Recovery Funds
AL Number	21.027

Criteria

The City is required to complete the project and expenditure report quarterly for obligations and expenditures. The report is required to include current period obligations, cumulative obligations, current period expenditures and cumulative expenditures.

Conditions

- The amount reported in the June 30, 2023 project and expenditure report for current period expenditures was not able to be reconciled to the amounts expended in the City's general ledger.
- One project totaling \$2,000,000 was reported as current period expenditures in both the September 30, 2023 quarter and the June 30, 2023 quarter project and expenditure report.

Questioned costs

None noted.

Context

Not applicable.

Effect

The City was not in compliance with the reporting requirements.

Cause

The City did not follow the established procedures and internal controls for grant reporting.

Recommendation

We recommend the City implement procedures to ensure reporting is properly reconciled to the general ledger expenditures in accordance with the grant requirements.

Views of responsible official and planned corrective actions

Management agrees with this finding. The City will implement procedures to ensure reports are based upon the City's general ledger and properly reconciled and in compliance with U.S. Treasury guidelines.

State Single Audit

**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of State Financial
Assistance Required by the State Single Audit Act**

Independent Auditors' Report

**City Council
City of West Haven, Connecticut**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of West Haven, Connecticut's ("City") compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2023. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items 2023-005, 2023-006 and 2023-007. Our opinion on each major state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated May 28, 2024, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

City of West Haven, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2023**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Education:			
Talent Development	11000-SDE64370-12552	\$ -	\$ 10,551
School Based Diversion Initiative and "Second Chance Society"	11000-SDE64370-12587	-	65,250
Non Sheff Transportation	11000-SDE64370-12632	-	186,675
Family Resource Centers	11000-SDE64370-16110	-	101,725
Child Nutrition State Matching Grant	11000-SDE64370-16211	-	32,720
Healthy Foods Initiative	11000-SDE64370-16212	-	59,076
Adult Education	11000-SDE64370-17030	-	235,388
Health Services	11000-SDE64370-17034	-	74,185
Alliance District	11000-SDE64370-17041	-	9,899,377
Bilingual Education	11000-SDE64370-17042	-	75,776
School Breakfast	11000-SDE64370-17046	-	23,958
Department of Children and Families:			
Youth Services Bureau	11000-DCF91141-17052	-	21,822
Youth Services Bureau Enhancement	11000-DCF91141-17107	-	11,145
Department of Labor:			
Passed through Workforce Alliance, Inc.:			
Connecticut's Youth Employment Program	11000-DOL40000-12205	114,040	114,040
Department of Economic and Community Development:			
Brownfield Remediation and Development	12060-ECD46260-35533	-	970
Urban Action Bonds	13019-ECD46000-41240	-	1,286
Department of Justice:			
Youth Violence Prevention Initiative	11000-JUD96114-12555	-	9,273
Office of Early Childhood:			
Child Day Care	11000-OEC64841-16274	751,668	751,668
School Readiness Quality Enhancement	11000-OEC64845-16158	-	24,973
School Readiness in Priority School Districts	11000-OEC64845-16274	2,146,900	2,146,900
Connecticut State Library:			
Connecticut Education Network	12052-CSL66011-43649	-	10,276
Historic Documents Preservation Grants	12060-CSL66094-35150	-	7,500
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	310,515
Town Aid Road Grants Transportation Fund- STO	13033-DOT57131-43459	-	310,515
Office of Policy and Management:			
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	4,018
Property Tax Relief for Veterans	11000-OPM20600-17024	-	98,437
Tiered Payment in Lieu of Taxes (PILOT)	11000-OPM20600-17111	-	7,422,442
Municipal Revenue Sharing	12060-OPM20600-35458	-	1,084,924
Tiered Payment in Lieu of Taxes (PILOT) - MRSA	12060-OPM20600-35691	-	2,005,712
Local Capital Improvement Program	12050-OPM20600-40254	-	446,539
Body Worn Camera/Dashboard Camera Reimbursement Program	12052-OPM20350-43760	-	192,845
Municipal Grants-in-Aid	12052-OPM20600-43587	-	169,031
Department of Emergency Services and Public Protection:			
Drug Asset Forfeiture	12060-DPS32155-35142	-	11,995
Telecommunications Fund	12060-DPS32741-35190	-	248,400

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2023**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Total Expenditures
Department of Energy and Environmental Protection:			
Curbside Food Scrap and Unit-Based Pricing Co-Collection			
Pilot Program	11000-DEP44920-12488	\$ -	\$ 1,281,615
Municipal Loan Land Acquisition	12052-DEP43153-43615	-	411
Urban Forestry Equity through Capacity Building	12060-DEP44165-35402	-	8,038
Community Conservation and Development	13019-DEP43310-41239	-	429,724
Community Conservation and Development	13019-DEP43720-41239	-	939,338
Clean Water Revenue Bonds - Loans	21015-DEP43720-42318	-	942,339
Clean Water Revenue Bonds - Grant	21015-DEP43720-42318	-	235,585
Department of Public Health:			
Local and District Departments of Health	11000-DPH48500-17009	-	107,184
Department of Social Services:			
Medicaid	11000-DSS60000-16020	-	415,884
Total State Assistance Before Exempt Programs			30,530,025
<u>Exempt Programs:</u>			
Department of Education:			
Education Cost Sharing	11000-SDE64370-17041	-	42,079,088
Special Education - Excess Costs Student Based and Equity	11000-SDE64370-17047	-	3,077,498
Office of Policy and Management:			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	807,097
Municipal Transition Grant	11000-OPM20600-17103	-	1,334,487
Total Exempt Programs			47,298,170
Total State Financial Assistance		\$ 3,012,608	\$ 77,828,195
(Concluded)			

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2023

1. Basis of presentation

The accompanying schedule of expenditures of state financial assistance ("Schedule") includes State grant activity of the City of West Haven, Connecticut ("City"), under programs of the State of Connecticut. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, public safety, public works, human resources and health and welfare, parks and recreation, library and education.

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the City.

2. Summary of significant accounting policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

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

Basis of accounting

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

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2023**

3. Loan program

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule shall include loans and loan activities. The following is a summary of the various loan program activity:

Department of Energy and Environmental Protection:

Clean Water Funds (21014-OTT14230-40001):

Grant ID	Issue Date	Interest Rate	Original Amount	Balance July 1, 2022	Additions	Retired	Balance June 30, 2023
CWF 346-C	12/31/2003	2.00%	\$ 801,945	\$ 23,975	\$ -	\$ 23,975	\$ -
CWF 348-C1	12/31/2003	2.00%	1,728,831	51,685	-	51,685	-
CWF 346-CD2	5/31/2007	2.00%	801,055	25,703	-	25,703	-
CWF 549-C	7/1/2013	2.00%	28,250,103	15,502,989	-	1,401,743	14,101,246
CWF 549-CD2	6/30/2015	2.00%	1,425,544	896,486	-	81,804	814,682
CWF 223-CSL	11/30/2021	2.00%	586,545	570,141	-	25,020	545,121
CWF 222-CSL	6/30/2022	2.00%	3,925,943	3,729,646	-	163,007	3,566,639
CWF 225-CSL	1/31/2023	2.00%	781,774	781,774	-	16,475	765,299
CWF 226-CSL	6/9/2023	2.00%	(1)	-	530,901	-	530,901
CWF 228-CSL	11/30/2023	2.00%	(1) (2)	-	516,241	-	516,241
Total				<u>\$ 21,582,399</u>	<u>\$ 1,047,142</u>	<u>\$ 1,789,412</u>	<u>\$ 20,840,129</u>

(1) Loan is an interim funding obligation

(2) Loan was permanently financed after year end

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023**

Finding 2022-001 Vendor Approval (Material Weakness) – 2021

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Current status

This finding has been repeated as finding 2023-001.

Reason for recurrence

The City experienced staffing shortages within the Finance Department, which prevented implementation of the corrective action from the previous audit and a repeat occurrence.

Finding 2022-002 Segregation of Duties (Significant Deficiency) – City – 2021

Condition

The City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status

This finding has been repeated as finding 2023-003.

Reason for recurrence

The City experienced staffing shortages within the Finance Department, which prevented implementation of the corrective action from the previous audit and a repeat occurrence.

Finding 2022-003 Segregation of Duties (Significant Deficiency) – Education Department – 2021

Condition

The Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

Current status

This finding has been repeated as finding 2023-004.

Reason for recurrence

Due to the delays in prior audits, implementation of corrective action has been implemented and will be reflected in the 2024 audit.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings (Continued)
For the Year Ended June 30, 2023**

Finding 2022-004 Child Day Care Subrecipient Monitoring (Compliance) – 2011

Condition

The City passes through the day care grant monies received to a subrecipient who operates the day care program. The City did not monitor the subrecipient to ensure that the agency is administering grant funds in compliance with grant requirements.

Current status

This finding has been repeated as finding 2023-005.

Reason for recurrence

Due to staffing issues, the City has been unable to implement the planned corrective action.

Finding 2022-005 Reporting – Community Conservation and Development Grant (Compliance) – 2021

Condition

The City did not provide summaries of project status to the State.

Current status

This finding has been repeated as finding 2023-006.

Reason for recurrence

Due to staffing issues, the City has been unable to implement the planned corrective action.

Finding 2022-006 School Readiness Subrecipient Monitoring (Compliance) – 2021

Condition

The Education Department did not perform the following monitoring activities:

- Receive and review financial reports
- Review subrecipient audit reports and corrective action plans
- Verify that reported expenditures are reconciled to advances

Current status

This finding has been repeated as finding 2023-007.

Reason for recurrence

Due to staffing issues, the City has been unable to implement the planned corrective action.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u>	yes	<u> </u> no none
Significant deficiency(ies) identified?	<u> x </u>	yes	<u> </u> reported
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> x </u> no

State Financial Assistance

Internal control over major programs:			
Material weakness(es) identified?	<u> </u>	yes	<u> x </u> no none
Significant deficiency(ies) identified?	<u> </u>	yes	<u> x </u> reported

Type of auditors' report issued on compliance for major programs:	<u>Unmodified opinion</u>
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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?	<u> x </u>	yes	<u> </u> no
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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>
Department of Education:		
Alliance District	11000-SDE64370-17041	\$ 9,899,377
Office of Early Childhood:		
Child Day Care	11000-OEC64841-16274	751,668
Office of Policy and Management:		
Tiered Payment in Lieu of Taxes (PILOT)	11000-OPM20600-17111	7,422,442
Municipal Revenue Sharing	12060-OPM20600-35458	1,084,924
Tiered Payment in Lieu of Taxes (PILOT) - MRSA	12060-OPM20600-35691	2,005,712
Body Worn Camera/Dashboard Camera Reimbursement Program	12052-OPM20350-43760	192,845
Department of Energy and Environmental Protection:		
Curbside Food Scrap and Unit-Based Pricing Co-Collection Pilot Program	11000-DEP44920-12488	1,281,615
Clean Water Revenue Bonds - Loans	21015-DEP43720-42318	942,339
Clean Water Revenue Bonds - Grant	21015-DEP43720-42318	235,585

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 610,601</u>
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City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

II. Findings – Financial Statement Audit

Finding 2023-001 Vendor Approval (Material Weakness) – 2021

Criteria

Formal vendor approval and related due diligence is a critical control related to the cash disbursements process. Access to the vendor file should be segregated from the employee who processes disbursement. The approved vendor listing should be reviewed and updated annually to ensure that payment can only be made to approved vendors.

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Context

Not applicable.

Effect

Payments may be processed to fictitious vendors.

Cause

City policies and procedures do not require vendor approvals prior to being added to the vendor master file. In addition, the employee who processes cash disbursements has the ability to add vendors to the master file.

Recommendation

We recommend that all updates to the vendor master file be formally approved before they are processed. We also recommend that the employee who processes cash disbursements be restricted from the ability to make any vendor master file changes.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City has implemented procedures based on the corrective action plan submitted with the 2022 audit. The corrective action plan included a formal vendor approval process and updated system rights for employees who manage the vendor master file.

With regards to repeating the finding from the 2022 audit, the City experienced staffing shortages within the Finance Department, which prevented the implementation of the corrective action as submitted from the previous audit. The Finance Department had three vacancies during fiscal year 2023. Due to the vacancies, some employees were performing multiple job functions. The City has initiated to hire the necessary replacements and is close to full staff currently. The City hired a Senior Buyer/Analyst and a permanent Finance Director for the latter part of the 2024 fiscal year. With the Finance Director expertise in MUNIS, the Finance Department is in the stages of working with City consultants and staff to update the procedures listed in the corrective action plan including but not limited to maintain vendor file, workflow approval process, W-9 and vendor information retention for annual review.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-002 Bank Reconciliations (Material Weakness) – 2023

Criteria

The City should have internal controls and related policies and procedures in place to ensure timely (within 30 days) and accurate bank reconciliations. The policies and procedures should include proper recording of identified reconciling items including wires and ACH deposits.

Condition

The City did not perform bank reconciliations on a timely basis for certain accounts. Also, for certain accounts, the City did not complete the bank reconciliations prior to closing the general ledger for the year. Audit adjustments were required to record deposit activity for multiple funds for the entire fiscal year.

Context

Deposits that were not recorded during the year totaled approximately \$1,300,000.

Effect

Monthly bank reconciliations may not be accurate as errors may not be detected and corrected on a timely basis. In addition, activity was not properly recorded during the year and, therefore, the City is relying on reports to manage current operations that are neither timely nor accurate.

Cause

Lack of adequate resources.

Recommendation

The City should develop and implement formal monthly bank reconciliation procedures that include review and recording of deposit activity in the month it was received. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. The procedures should include detailed analysis, reconciliation, supporting schedules, and proper recording of identified reconciling items.

Views of responsible officials and planned corrective actions

Management agrees with the finding. Staff turnover and lack of adequate resources impacted the City's ability to perform timely reconciliations.

The City has initiated hiring the necessary positions to fulfill this corrective action item. The City agrees that bank reconciliation is critical to get detailed visibility into cash availability, achieve accurate reporting, and get to a faster financial closing. The City is in the process of formally updating an internal policy for the fiscal month end that will verify that every transaction sums to the correct ending account balance.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-003 Segregation of Duties (Significant Deficiency) – City – 2021

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents a lack of proper segregation of duties.

Condition

The City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.

In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Not applicable.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

We also recommend that the payroll register be reviewed and approved prior to the final processing.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The review and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City is in the process of revising policies and procedures that govern the process between Payroll and Human Resources. Segregation of duties will exist between authorizing/hiring (creating master file and entering payrates) and payroll processing. The policy will include Payroll having the authority and responsibility to create, implement, monitor, modify, and enforce operating procedures and internal control processes.

The City has also initiated the segregation of duties within the Finance Payroll Department. There are now policies and procedures for reviewing payroll prior to processing which include the Assistant Finance Director or Finance Director. In addition, as submitted as part of the fiscal year 2022 corrective action plan, the City reviewed user rights in the payroll system to modify access rights.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Finding 2023-004 Segregation of Duties (Significant Deficiency) – Education Department – 2021

Criteria

In order to maintain the proper internal controls, the employees processing payroll should not have access to change employee rates or other master file information as this represents a lack of proper segregation of duties.

Condition

The Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

Context

Not applicable.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The Education Department should revise their policies so that incompatible responsibilities within the payroll process be segregated between employees. Only the Human Resource Department employees should be able to change employee rates and update the employee master file.

In addition, we recommend that a payroll change report be produced, reviewed and approved by the Human Resource Department to verify that all changes were authorized. The view and approval should be formally documented.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department is in the process of revising policies and procedures that govern the process between Payroll and Human Resources. Segregation of duties will exist between authorizing/hiring (creating master file and entering payrates) and payroll processing. The policy will include Payroll having the authority and responsibility to create, implement, monitor, modify, and enforce operating procedures and internal control processes.

The Education Department has also initiated the segregation of duties within the Finance Payroll Department. There are now policies and procedures for reviewing payroll change report prior to processing which include the Finance Director.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

III. Findings – State Financial Assistance Findings and Questioned Costs

Finding 2023-005 Child Day Care Subrecipient Monitoring (Compliance) – 2011

Grantor	Office of Early Childhood
State Program Name	Child Day Care
State Grant Program CORE-CT Number	11000-OEC64841-16274-83012

Criteria

Grantees are required to monitor subrecipient's activities to provide reasonable assurance that the subrecipient administers state awards in compliance with State requirements. The monitoring requirements include both financial and programmatic reports. Financial monitoring should include verifying that reported expenditures are reconciled to advances. Monitoring also includes review of the subrecipient's audit report and corrective action plan.

Condition

The City passes through the day care grant monies received to a subrecipient who operates the day care program. The City did not monitor the subrecipient to ensure that the agency is administering grant funds in compliance with grant requirements.

Questioned Cost

None noted.

Context

During the year, there were no formal monitoring procedures in place to ensure that the monies are being spent in accordance with the grant requirements.

Effect

Grant monies spent could be determined to be unallowable and other noncompliance with requirements could occur without the City being aware. This could result in questioned costs.

Cause

The cause is unknown.

Recommendation

We recommend the City development and implement a monitoring checklist that includes the all the required compliance requirements to ensure that the grant monies are expended in accordance with grant requirements and that reported expenditures are properly reconciled to advances.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will implement procedures to perform monitoring of subrecipients.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Finding 2023-006 Reporting – Community Conservation and Development Grant (Compliance) – 2021

Grantor	Department of Energy and Environmental Protection
State Program Name	Community Conservation and Development
State Grant Program	13019-DEP43310-41239
CORE-CT Number	13019-DEP43720-41239

Criteria

The City must provide summaries of project status to the State in accordance with the grant agreement.

Condition

The City did not provide summaries of project status to the State.

Questioned costs

None noted.

Context

Not applicable.

Effect

The City was not in compliance with the grant agreement.

Cause

The City did not follow the established procedures and internal controls for grant monitoring and reporting.

Recommendation

We recommend the City implement procedures or checklists to ensure reporting is properly completed and filed timely in accordance with the grant requirements.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City Finance Director was to implement procedures to ensure timely reporting based on the corrective action plan submitted with the 2022 audit. In fiscal year 2023, the City did not provide summaries for the Community Conservation and Development Grant. The City experienced staffing shortages within the Finance Department, which prevented the implementation of the corrective action as submitted from the previous audit. The City has initiated to hire the necessary replacements and is close to full staff currently. In addition, the Finance Department will work with the Grants Department to ensure reporting compliance.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Finding 2023-007 School Readiness Subrecipient Monitoring (Compliance) – 2021

Grantor	Office of Early Childhood
State Program Name	School Readiness in Priority School Districts
State Grant Program CORE-CT Number	11000-OEC64845-16274-83014

Criteria

Grantees are required to monitor subrecipient's activities to provide reasonable assurance that the subrecipient administers state awards in compliance with State requirements. The monitoring requirements include both financial and programmatic reports. Financial monitoring should include verifying that reported expenditures are reconciled to advances. Monitoring also includes review of the subrecipient's audit report and corrective action plan.

Condition

The Education Department did not perform the following financial related monitoring activities:

- Receive and review financial reports
- Review subrecipient audit reports and corrective action plans
- Verify that reported expenditures are reconciled to advances

Questioned Cost

None noted.

Context

Currently, there are no formal monitoring procedures in place to review and monitor financial related activities to ensure that the monies are being spent in accordance with the grant requirements.

Effect

Grant monies spent could be determined to be unallowable and other noncompliance with requirements could occur without the Education Department being aware. This could result in questioned costs.

Cause

The cause is unknown.

Recommendation

We recommend the Education Department review all grant compliance requirements and monitor the subrecipients' compliance with these requirements.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The Education Department will implement procedures to perform monitoring of subrecipients.