

City of St. Albans, Vermont

SINGLE AUDIT REPORTS

June 30, 2010

City of Saint Albans, Vermont
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June 30, 2010

Report

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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Honorable Mayor, Board of Aldermen
And City Manager
City of Saint Albans, Vermont

Our report on our audit of the basic financial statements of the City of Saint Albans, Vermont for the year ended June 30, 2010 appears in a separate report. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Single Audit Reports and the accompanying schedule of federal expenditures are 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kittell Branagan & Sargent". The signature is written in a cursive, flowing style.

St. Albans, Vermont
December 20, 2010

City of Saint Albans, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
DIRECT AWARDS:			
DEPARTMENT OF JUSTICE			
Safe Havens	16.527		\$ 59,252
Sanders Earmark Grant	16.541		16,920
ARRA-OVW Recovery Act STOP	16.588		34,310
Rural Domestic Violence Grant	16.589		23,020
Grants to Encourage Arrest Policies	16.590		55,076
Bullet Proof Vest Program	16.607		526
ARRA-COPS Hiring Grant	16.710		20,676
Meth. Grant	16.710		67,729
COPS Tech Grant	16.710		99,997
Byrne JAG-Local Solic.	16.738		30,744
ARRA-Recovery Act Byrne JAG	16.804		131,638
DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency	97.044		41,094
Homeland Security	97.042		80
Homeland Security	97.067		819
TOTAL DIRECT AWARDS			<u>581,881</u>
PASS THROUGH FROM STATE OF VERMONT:			
DEPARTMENT OF TRANSPORTATION			
Passed thru State of Vermont			
National Highway Traffic Safety	20.600	02140-0909-2141	3,688
ENVIRONMENTAL PROTECTION AGENCY			
Passed thru State of Vermont			
Brownfields Grant	66.818	BF961133-01	1,780
ARRA-Clean Water State Revolving Fund	66.458		931,399
Clean Water State Revolving Fund	66.458		1,125,117

City of Saint Albans, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Expenditures</u>
DEPARTMENT OF HEALTH Passed thru State of Vermont VOTE Grant	93.617	02230-SOS0910	3,665
DEPARTMENT OF PUBLIC SAFETY Passed thru State of Vermont Evidence Forfeiture Funds	16.000	02140-12403-901	<u>694</u>
TOTAL PASS THROUGH FROM STATE OF VERMONT			<u>2,066,343</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,648,224</u>

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Saint Albans, Vermont and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of St. Albans, Vermont
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2010

2009 – 1 Lack of Expertise in Financial Accounting and Reporting:

Condition - Under SAS 115, an internal control deficiency exists when an entity does not have a system in place to prepare a complete set of financial statements inclusive of the footnotes in accordance with generally accepted accounting principles. Material journal entries are considered an internal control deficiency

Recommendation- The auditor recommended that the City of St. Albans weigh the costs of correcting the deficiency versus the benefit.

Current Status- While steps have been taken to remedy the weakness, there are still a number of journal entries proposed to management to issue an unqualified opinion.

Questioned
Cost

2009 – 2 Agency of Transportation - CFDA No. 20.205

Reportable Condition – The reportable condition at 2009-1 also applies to this grant

\$ 0

2009 – 3 Federal Emergency Management Agency - CFDA No. 97.044

Reportable Condition – The reportable condition at 2009-1 also applies to this grant

0

\$ 0



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Vermont License # 167

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*

To the Honorable Mayor, Board of Alderman
and City Manager
City of St. Albans, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of St. Albans, Vermont, as of and for the year ended June 30, 2010, which collectively comprise the City of St. Albans, Vermont's basic financial statements and have issued our report thereon dated December 20, 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 City of St. Albans, Vermont'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 St. Albans, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Albans, Vermont's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of St. Albans, Vermont's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of St. Albans, Vermont's financial statements that is more than inconsequential will not be prevented or detected by the City of St. Albans, Vermont's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 2010-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of St. Albans, Vermont's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of St. Albans, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the audit committee, City Council, 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.

Kittell Branagan + Sugrue

St. Albans, Vermont
December 20, 2010



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor, Board of Alderman
and City Manager
City of St. Albans, Vermont

Compliance

We have audited the compliance of City of Saint Albans, Vermont, with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Saint Albans, Vermont's major federal programs for the year ended June 30, 2010. City of Saint Albans, Vermont'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 City of Saint Albans, Vermont's management. Our responsibility is to express an opinion on City of Saint Albans, Vermont'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. 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 City of Saint Albans, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Saint Albans, Vermont's compliance with those requirements.

In our opinion, City of Saint Albans, Vermont, complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of City of Saint Albans, Vermont, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Saint Albans, Vermont'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 the 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 City of Saint Albans, Vermont's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A 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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 to be a significant deficiency.

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

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

Kittell Branagan + Sargent

St. Albans, Vermont
December 20, 2010

City of St. Albans, Vermont
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of St. Albans, Vermont.
2. One control deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting Based on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*. This deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the City of St. Albans, Vermont were disclosed during the audit.
4. One control deficiency in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. This condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City of St. Albans, Vermont expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as major programs was:

Environmental Protection Agency - CFDA No. 66.458
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of St. Albans, Vermont was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2010 – 1 Lack of Expertise in Financial Accounting and Reporting:

Condition - There were numerous journal entries necessary to issue an unqualified opinion. Under SAS 115, an internal control deficiency exists when an entity does not have a system in place to prepare a complete set of financial statements inclusive of the footnotes in accordance with generally accepted accounting principles. Material journal entries are considered an internal control deficiency

Criteria - According to OMB- Circular A-133, internal controls should be in place to provide reasonable assurance that permits the preparation of reliable financial statements and Federal reports. According to SAS 115, material journal entries are considered an internal control deficiency.

City of St. Albans, Vermont
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

Effect - Because there were numerous material journal entries proposed to management to issue an unqualified opinion, there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected under the provisions of SAS 115.

Recommendation- The auditor recommended that the City of St. Albans weigh the costs of correcting the deficiency versus the benefit.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

	<u>Questioned Cost</u>
2010 – 2 Environmental Protection Agency - CFDA No. 66.458	
Reportable Condition – The reportable condition at 2010-1 also applies to this grant	<u>\$ 0</u>

City of St. Albans, Vermont
CORRECTIVE ACTION PLAN
June 30, 2010

CORRECTIVE ACTION PLAN

U.S. Environmental Protection Agency

The City of St. Albans, Vermont respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent accounting firm:

Kittell, Branagan & Sargent
154 North Main Street
St. Albans, VT 05478

Audit Period: June 30, 2010

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING – FINANCIAL STATEMENT AUDIT

2010– 1 Lack of Expertise in Financial Accounting and Reporting:

Material Weakness: Under SAS 115, an internal control deficiency exists when material journal entries are proposed to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: According to OMB- Circular A-133, internal controls should be in place to provide reasonable assurance that permits the preparation of reliable financial statements and Federal reports. According to SAS 115, material journal entries are considered an internal control deficiency.

Effect - Because there were numerous material journal entries proposed to management to issue an unqualified opinion, there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected under the provisions of SAS 115.

Recommendation: This was likely due to staff turnover in the accounting department. We recommend that accounts be reconciled on a monthly basis for accuracy and reliability of financial information.

City of St. Albans, Vermont
CORRECTIVE ACTION PLAN
June 30, 2010

Action Taken: The auditing firm considers the deficiency in internal control over compliance described in the schedule of findings and questioned costs, item 2010-1, to be a "significant deficiency." Management considers this deficiency to be mitigated in the following manner.

Two key accounting positions, City Accountant and Business Manager, have turned over twice since the summer of 2009. As these positions turned over, Management chose to hire individuals with accounting background and training more comprehensive than their predecessors. This has increased the payroll budget for the Accounting Department; however, some important work has been done by the new staff along with the Director of Finance and Administration, to improve the quality of financial reporting. A few of the changes are enumerated below.

- Monthly review and reconciliation of key balance sheet accounts.
- General ledger transaction review, verification and supervisory sign-off.
- Monthly review of key revenue and expense accounts with department heads with budget responsibility.
- Quarterly reconciliation of all payroll-related external reports.
- Comprehensive financial policies have been developed and are schedule to be reviewed/approved by council in the coming spring.

It is also important to note that in the *Summary Schedule of Prior Audit Findings* dated June 30, 2010, the auditor states, in speaking of previous deficiencies, that "while steps have been taken to remedy the weakness, there are still a number of journal entries proposed...." We believe this acknowledges our improvement.

In summary, it is Management's opinion that deficiencies identified by the auditors in previous years have improved significantly, and will continue to do so for future audits.

FINDING FEDERAL AWARD PROGRAMS AUDIT

2010-2 Environmental Protection Agency - CFDA No. 66.458

Material Weakness: The material weakness at 2010-1 also applies to this grant.