

**City of St. Albans, Vermont**

**SINGLE AUDIT REPORTS**

**June 30, 2009**

City of Saint Albans, Vermont  
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June 30, 2009

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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, 2009 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.

*Kittell Branagan & Sargent*

St. Albans, Vermont  
February 25, 2010

City of Saint Albans, Vermont  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2009

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
<b>DIRECT AWARDS:</b>			
<b>DEPARTMENT OF JUSTICE</b>			
Safe Havens	16.527		\$ 108,002
Grants to Encourage Arrest Policies	16.590		171,373
Earmark Grant for Teen Center	16.541		8,459
Bullet Proof Vest Program	16.607		1,086
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Federal Emergency Management Agency	97.044		<u>73,114</u>
<b>TOTAL DIRECT AWARDS</b>			<u>362,034</u>
<b>PASS THROUGH FROM STATE OF VERMONT:</b>			
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
Passed thru State of Vermont			
Community Development Block Grant	14.228	07110/0108/06IG(05)	1,097
Community Development Block Grant	14.228	07110/0108/05IG(14)	420
<b>DEPARTMENT OF TRANSPORTATION</b>			
Passed thru State of Vermont			
Agency of Transportation	20.205	08126-12EH05	107,478
Agency of Transportation	20.205	SW0045INV1	150,000
National Highway Traffic Safety	20.600	02140-0808-2193	4,391
<b>DEPARTMENT OF HEALTH</b>			
Passed thru State of Vermont			
Teen Center Grant	93.283	03240-5174	1,500
<b>DEPARTMENT OF PUBLIC SAFETY</b>			
Passed thru State of Vermont			
Evidence Forfeiture Funds	16.000	02140-12403-901	<u>1,243</u>
<b>TOTAL PASS THROUGH FROM STATE OF VERMONT</b>			<u>266,129</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 628,163</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, 2009

2008 – 1 Single Audit

**Material Weakness -** Under SAS 112, an internal control deficiency exists when management does not exhibit financial expertise to prepare financial statements in accordance with generally accepted accounting principles.

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

**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.

2008 – 2 Community Development – CFDA No. 14.228

**Material Weakness -** The material weakness at 2008 – 1 also applies to this grant.

2008 – 3 Grants to Encourage Arrest Policies – CFDA No. 16.590

**Material Weakness –** The material weakness at 2008 – 2 also applies to this grant.

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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*

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, 2009, which collectively comprise the City of St. Albans, Vermont's basic financial statements and have issued our report thereon dated February 25, 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: 2009-1.

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.

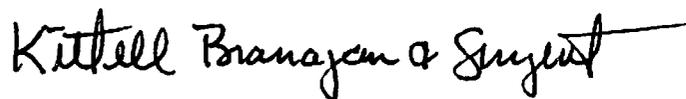
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose 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.



St. Albans, Vermont  
February 25, 2010

**Kittell Branagan & Sargent**

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

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

Compliance

We have audited the compliance of the City of St. Albans, Vermont with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of St. Albans, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of St. Albans, Vermont's management. Our responsibility is to express an opinion on the City of St. Albans, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. 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 on the City of St. Albans, Vermont's compliance with those requirements.

In our opinion, the City of St. Albans, Vermont complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Albans, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Albans, Vermont's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We considered the deficiency described in the accompanying schedule of findings and questioned costs 2009-1 to be a material weakness.

The 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 the City of St. Albans, Vermont's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of, management, aldermen, 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.



St. Albans, Vermont  
February 25, 2010

City of St. Albans, Vermont  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

**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 programs tested as major programs were:
  - Agency of Transportation - CFDA No. 20.205
  - Federal Emergency Management Agency - CFDA No. 97.044
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**

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

- |             |   |
|-------------|---|
| Condition - | There were numerous journal entries necessary to issue an unqualified opinion. Under SAS 112, 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 112, material journal entries are considered an internal control deficiency.   |

City of St. Albans, Vermont  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2009

**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 112.

**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.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

	<u>Questioned Cost</u>
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	<u>                  0</u>
	<u>\$           0</u>

City of St. Albans, Vermont  
CORRECTIVE ACTION PLAN  
June 30, 2009

**CORRECTIVE ACTION PLAN**

U.S. Department of Housing and Urban Development

The City of St. Albans, Vermont respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent accounting firm:

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

Audit Period: June 30, 2009

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**

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

**Material Weakness:** Under SAS 112, 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 112, 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 112.

**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, 2009

**Action Taken:** The City's accounting department consists of three positions, all of which turned over in the fiscal year ended 6/30/09. The employees hired have a more advanced level of training and education in accounting and related fields than previous employees. As a team, they have implemented the following practices to improve controls and reporting.

- 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.
- During the fiscal year the books are maintained on a cash basis. In future years appropriate adjustments are planned to bring the books from cash to modified accrual prior to audit field work

It is hoped that these proposed changes/improvements will reduce or eliminate risks related to the material weakness as identified in the single audit report. They are to be formalized in the City's financial policies and procedures.

**FINDING FEDERAL AWARD PROGRAMS AUDIT**

2009-2 Agency of Transportation - CFDA No. 20.205

**Material Weakness:** The material weakness at 2009-1 also applies to this grant.

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

**Material Weakness:** The material weakness at 2009-1 also applies to this grant.