

CITY OF SOUTH PORTLAND, MAINE

**Reports Required by *Government Auditing
Standards* and the Uniform Guidance**

**For the Year Ended
June 30, 2021**

CITY OF SOUTH PORTLAND, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2021

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

City Council and Board of Education
City of South Portland, Maine

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of South Portland, Maine's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of South Portland, Maine'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 of South Portland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of South Portland, Maine's internal control.

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. *A significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of South Portland, Maine'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*.

We noted certain matters that we have reported to the management of the City of South Portland, Maine in a separate letter dated January 24, 2022.

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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 24, 2022
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council and Board of Education
City of South Portland, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of South Portland, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of South Portland, Maine's major federal programs for the year ended June 30, 2021. The City of South Portland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of South Portland, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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). Those standards and the Uniform Guidance 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 South Portland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of South Portland, Maine's compliance.

Basis for Qualified Opinion on Coronavirus Relief and Elementary and Secondary School Emergency Relief Funds

As described in the accompanying schedule of findings and questioned costs, the City of South Portland, Maine, did not comply with requirements regarding Assistance Listing 21.019 Coronavirus Relief Fund and Assistance Listing 84.425D Elementary and Secondary School Emergency Relief Fund as described in finding 2021-001 for allowable costs. Compliance with such requirements are necessary, in our opinion, for the City of South Portland, Maine to comply with the requirements applicable to these programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Qualified Opinion on Coronavirus Relief and Elementary and Secondary School Emergency Relief Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of South Portland, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coronavirus Relief and Elementary and Secondary School Emergency Relief Funds for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of South Portland, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control over Compliance

Management of the City of South Portland, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of South Portland, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of South Portland, Maine's 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of South Portland, Maine's basic financial statements. We issued our report thereon dated January 24, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Portland, Maine's 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.



January 24, 2022
South Portland, Maine

CITY OF SOUTH PORTLAND, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

| Federal Grantor/Pass-through Grantor/Program Title | Assistance Listing Number | Pass- through Number | Federal Expenditures | Listing/ Cluster Totals | Passed through to Subrecipients |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------|-------------------------|-------------------------------|---------------------------------------|
| U.S. Department of Agriculture, Passed through the Maine Dept. of Education: Child Nutrition Cluster: | | | | | |
| COVID-19 - Summer Food Service Program | 10.559 | 7008/7009 | \$ 861,107 | | - |
| Food Donation Program | 10.555 | N/A | 87,340 | | - |
| Total Child Nutrition Cluster | | | | 948,447 | |
| Fresh Fruit and Vegetables | 10.582 | 3028 | 37,587 | | - |
| Total U.S. Department of Agriculture | | | 986,034 | | - |
| U.S. of Department of Commerce - National Oceanic and Atmospheric Administration (NOAA), Passed through State of Maine Department of Agriculture, Conservation, and Forestry: | | | | | |
| Coastal Zone Management Administration | 11.419 | N/A | 18,693 | | - |
| Total U.S. Department of Commerce | | | 18,693 | | - |
| U.S. of Department Housing and Urban Development, Passed through Cumberland County, Maine: | | | | | |
| CDBG - Entitlement Community (CDBG - Entitlement Grants Cluster) | 14.218 | N/A | 664,172 | 664,172 | - |
| Total U.S. Department of Housing and Urban Development | | | 664,172 | | - |
| U.S. Department of Transportation, Direct Programs: | | | | | |
| Federal Transit Cluster: | | | | | |
| Federal Transit Formula Grants | 20.507 | N/A | 829,573 | | - |
| COVID-19 - Federal Transit Formula Grants | 20.507 | N/A | 126,717 | | - |
| Total Federal Transit Cluster | | | | 956,290 | |
| Passed through Maine Department of Transportation: | | | | | |
| Highway Planning and Construction Cluster: | | | | | |
| Highway Planning and Construction | 20.205 | WIN 24101.00 | 27,165 | | - |
| Total Highway Planning and Construction Cluster | | | | 27,165 | |
| Passed through the Maine Department of Public Safety: | | | | | |
| Highway Safety Cluster: | | | | | |
| State and Community Highway Safety - Speed Enforcement | 20.600 | ID20-060 | 3,912 | | - |
| Total Highway Safety Cluster | | | | 3,912 | |
| Total U.S. Department of Transportation | | | 987,367 | | - |
| U.S. Environmental Protection Agency, Direct: | | | | | |
| Brownfields Multipurpose | 66.818 | N/A | 218,302 | | - |
| Total U.S. Environmental Protection Agency | | | 218,302 | | - |

CITY OF SOUTH PORTLAND, MAINE
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2021

| Federal Grantor/Pass-through Grantor/Program Title | Assistance Listing Number | Pass-through Number | Federal Expenditures | Listing/Cluster Totals | Passed through to Subrecipients |
|---------------------------------------------------------------------------|---------------------------|---------------------|----------------------|------------------------|---------------------------------|
| U.S. Department of Education, | | | | | |
| Passed through Maine Department of Education: | | | | | |
| Title IA, Disadvantaged | 84.010 | 3107 | \$ 535,546 | | - |
| Special Education Cluster: | | | | | |
| Special Education State Grants Individuals with Disabilities Act | 84.027 | 3046 | 798,642 | | - |
| Preschool | 84.173 | 6247 | 16,854 | | - |
| Total Special Education Cluster | | | | 815,496 | |
| Title III, English Language Acquisition Grant | 84.365 | 3115 | 24,254 | | - |
| Title IIA, Supporting Effective Instruction | 84.367 | 3042 | 110,882 | | - |
| Title IV, Student Support and Academic Enrichment Program | 84.424 | 3345 | 10,140 | | - |
| COVID-19 - Elementary and Secondary School Emergency Relief 1 | 84.425D | 7006 | 453,593 | | - |
| COVID-19 - Elementary and Secondary School Emergency Relief 2 | 84.425D | 7041 | 978,639 | | - |
| Adult Basic Education | 84.002 | 6296 | 16,199 | | - |
| Total U.S. Department of Education | | | 2,944,749 | | - |
| U.S. Department of the Treasury, | | | | | |
| Passed through Maine Department of Education: | | | | | |
| COVID-19 - Coronavirus Relief Fund 1 | 21.019 | 7010 | 2,300,236 | | - |
| COVID-19 - Coronavirus Relief Fund 2 | 21.019 | 7015 | 2,545,414 | | - |
| COVID-19 - Coronavirus Relief Fund Day Programming | 21.019 | 7020 | 144,894 | | - |
| COVID-19 - Coronavirus Relief Fund Adult Education | 21.019 | 7011 | 6,725 | | - |
| Passed through Maine Department of Health and Human Services: | | | | | |
| Keep ME Healthy - COVID-19 | 21.019 | COM-20-3073A | 528,833 | 5,526,102 | - |
| Total U.S. Department of the Treasury | | | 5,526,102 | | - |
| U.S. of Department Justice, | | | | | |
| Direct Program: | | | | | |
| Body Armor | 16.592 | N/A | 5,502 | | - |
| Justice Assistance Grant | 16.738 | N/A | 93,801 | | - |
| Total U.S. Department of Justice | | | 99,303 | | - |
| U.S. Department of Health and Human Services, | | | | | |
| Passed through Substance Abuse and Mental Health Services Administration: | | | | | |
| Drug Free Communities Support Program (2020 Grant) | 93.276 | N/A | 31,870 | | - |
| Drug Free Communities Support Program (2021 Grant) | 93.276 | N/A | 93,452 | 125,322 | - |
| Total U.S. Department of Health and Human Services | | | 125,322 | | - |
| U.S. Department of Homeland Security, | | | | | |
| Passed through Maine Emergency Management Agency: | | | | | |
| COVID-19 - Disaster Grants - Public Assistance | 97.036 | N/A | 134,134 | | - |
| Homeland Security Grant Program- FY 17 | 97.067 | 18646 | 66,789 | | - |
| Homeland Security Grant Program- FY 18 | 97.067 | 18648 | 80,680 | | - |
| Homeland Security Grant Program- FY 19 | 97.067 | 19646 | 31,158 | | - |
| Homeland Security Grant Program- FY 20 | 97.067 | 20646 | 10,000 | 188,627 | - |
| County Hazmat Grant | 97.004 | N/A | 24,860 | | - |
| Total U.S. Department of Homeland Security | | | 347,621 | | - |
| Totals | | | \$ 11,917,665 | | - |

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SOUTH PORTLAND, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB)'s Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Assistance Listings in the System for Award Management.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the City of South Portland, Maine for the fiscal year ended June 30, 2021. The reporting entity is defined in notes to basic financial statements of the City of South Portland, Maine.
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.
 - 2. Major Programs - the Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of South Portland, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.
- D. Indirect Cost Rate - The City of South Portland, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF SOUTH PORTLAND, MAINE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

| <u>Assistance Listing</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------------|--------------------------------------------------------|
| 21.019 | Coronavirus Relief Funds |
| 84.425D | Elementary and Secondary School Emergency Relief Funds |
| 20.507 | Federal Transit Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

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

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

NONE

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

Section III - Findings and Questioned Costs for Federal Awards

2021-001 U.S. Department of the Treasury, CFDA #21.019 Coronavirus Relief Fund and U.S. Department of Education, CFDA #84.425D Elementary and Secondary School Emergency Relief Funds for the period July 1, 2020 through June 30, 2021

Criteria: Allowable costs under the Coronavirus Relief Fund (CRF) and Elementary and Secondary School Emergency Relief Funds (ESSERF) must be substantiated with proper documentation detailing the activity and nature of the costs incurred that are allocated to the grant to ensure that such costs are reasonable and appropriate under the grant terms.

Condition: Time and effort documentation for certain School Department employees allocated to the CRF and ESSERF grants were not maintained.

Cause: There was turnover in the School Department Business Manager position during the administration of the CRF and ESSERF grants. Time and effort documentation could not be located for certain School Department employees.

Effect: Nine payroll transactions out of a sample size of forty payroll transactions did not have proper time and effort documentation.

Recommendation: All School Department employees allocating time to grant activities should properly complete time and effort documentation based on the requirements 2 CFR §200 to ensure amounts are reasonable and allowable. All documentation should be properly maintained.

Questioned Costs: None

Management's Response/Corrective Action Plan: The School Department has had turnover in positions that have had oversight and direct involvement in this process. In some cases, the established process was followed as constructed; however, in others, gaps in coverage are clearly exposed. The School Department agrees that the management of important documents has been inconsistent. In the future, the School Department will be assigning the management of these documents to positions where turnover is less likely to occur and a more consistent process is maintained.

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

Section IV - Status of Prior Year Findings and Questioned Costs Reported Under *Government Auditing Standards* and for Federal Awards

NONE