

**CITY OF PORTLAND, MAINE**

**Reports Required by *Maine Uniform  
Accounting and Auditing Practices for  
Community Agencies***

**For the Year Ended June 30, 2020**

**CITY OF PORTLAND, MAINE**  
**Reports Required by *Maine Uniform Accounting and***  
***Auditing Practices for Community Agencies***  
**For the Year Ended June 30, 2020**

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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  
City of 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated March 22, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of 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 Portland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2020-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiency described as item 2020-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

**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 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 and which are described in the accompanying schedule of findings and questioned costs.

We noted certain matters that are opportunities for strengthening internal controls and operating efficiency that we have reported to the management of the City of Portland, Maine in a separate letter dated March 22, 2021.

**City of Portland, Maine's Responses to Findings**

City of Portland, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Portland, Maine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

**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.



March 22, 2021  
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND  
AUDITING PRACTICES FOR COMMUNITY AGENCIES**

City Council  
City of Portland, Maine

**Report on Compliance for Each Major Department Agreement**

We have audited the City of Portland, Maine's compliance with the types of compliance requirements described in *Maine Uniform Accounting and Auditing Practices for Community Agencies* that could have direct and material effect on each of the City of Portland, Maine's major department agreements for the year ended June 30, 2020. The City of Portland, Maine's major department agreements 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 awards applicable to its department agreements.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Portland, Maine's major department agreements 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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Those standards and *Maine Uniform Accounting and Auditing Practices for Community Agencies*, 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 department agreement occurred. An audit includes examining, on a test basis, evidence about the City of Portland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major department agreement. However, our audit does not provide a legal determination of the City of Portland, Maine's compliance.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND  
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

**Basis for Qualified Opinion on Agreement OSA-19-372**

As described in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding the following:

<b>Finding #</b>	<b>Agreement #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2020-003	OSA-19-372	Overdose Prevention	Reporting
2020-004	OSA-19-372	Overdose Prevention	Budget
2020-005	OSA-19-372	Overdose Prevention	Allowable Costs

Compliance with this requirement is necessary, in our opinion, for the City of Portland, Maine to comply with the requirements applicable to this agreement.

**Qualified Opinion on Agreement OSA-19-372**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the City of 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 agreement OSA-19-372 for the year ended June 30, 2020.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City of 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, 2020.

**Other Matters**

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

**Report on Internal Control over Compliance**

Management of the City of 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 Portland, Maine’s internal control over compliance with the types of requirements that could have a direct and material effect on each major department agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major department agreement and to test and report on internal control over compliance in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine’s internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND  
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

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 department agreement 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 department agreement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a department agreement 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 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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements. We issued our report thereon dated March 22, 2021, 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 basic financial statements. The accompanying schedule of expenditures of department agreements is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND  
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

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 department agreements is fairly stated in all material respects in relation to the basic financial statements as a whole.



March 22, 2021  
South Portland, Maine



CITY OF PORTLAND, MAINE  
 Schedule of Expenditures of Department Agreements  
 Year Ended June 30, 2020

Department Office	Grant Name	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses
<b>Pass-through Grants</b>									
OFI	HP SNAP Ed	OFI-19-351	131,028	10/1/2018-9/30/2019	Health Promotion	Final	32,217	-	32,217
CDC	Substance Use Prevention Services QX3	CDC-18-4425	68,384	10/1/2018-9/30/2019	Substance Abuse	Final	11,345	-	11,345
OFI	HP SNAP Ed	OFI-20-351	136,327	10/1/2019-9/30/2020	Health Promotion	Interim	98,011	-	98,011
CDC	Adult Viral Hepatitis Prev/Control	CDC-19-5185	53,220	5/1/2019-4/30/2021	HIV/STD Prevention	Interim	6,359	-	6,359
<b>Total Pass-through Grants</b>							147,932	-	147,932
<b>Direct Grants</b>									
CDM	FFS Clinical QX5	CDM-18-5150	351,556	1/1/2018-12/31/2020	HIV/STD Prevention	Interim	114,019	-	114,019
CDM	Disease Intervention QX5	CDM-18-5150	195,000	1/1/2018-12/31/2020	HIV/STD Prevention	Interim	174,585	-	174,585
CDM	Outreach Coordination QX5	CDM-18-5150	112,500	1/1/2018-12/31/2020	HIV/STD Prevention	Interim	98,197	-	98,197
OSA	Overdose Prevention	OSA-19-372	665,875	7/1/2018-6/30/2020	Substance Abuse	Final	320,063	211,747	531,810
OVP	Victim Advocacy FY19	OVP-19-2307	55,000	10/1/2018-9/30/2019	Counseling	Final	13,748	-	13,748
CDC	Lead Poisoning Prevention	CD0-19-5361	70,000	1/1/2019-12/31/2020	Health Promotion	Interim	-	30,165	30,165
OVP	Victim Advocacy FY20	OVP-20-2307	55,000	10/1/19-9/30/2021	Counseling	Interim	41,774	-	41,774
CDM	Peer Navigation for NEP	CDM-20-5166	80,000	3/15/2020-8/31/2020	Substance Abuse	Interim	47,545	-	47,545
<b>Total Direct Grants</b>							809,931	241,912	1,051,843
<b>TOTAL</b>							<b>957,863</b>	<b>241,912</b>	<b>1,199,775</b>

**CITY OF PORTLAND, MAINE**  
**Notes to Schedule of Expenditures of Department Agreements**  
**June 30, 2020**

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**PURPOSE OF THE SCHEDULE**

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*Maine Uniform Accounting and Auditing Practices for Community Agencies* requires a Schedule of Expenditures of Department Agreements showing total expenditures for each award as identified in the respective department agreements.

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**SIGNIFICANT ACCOUNTING POLICIES**

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- A. Reporting Entity - The accompanying schedule includes all department agreements of the City of Portland, Maine for the fiscal year ended June 30, 2020. The reporting entity is defined in Notes to Financial Statements of the City of Portland, Maine.
  
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Department Agreements is presented in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
  - 1. Pursuant to *Maine Uniform Accounting and Auditing Practices for Community Agencies*, department agreements are defined as a legally binding written document between two or more parties, including, but not limited to, a document commonly referred to as accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.
  
  - 2. Major Agreement - *Maine Uniform Accounting and Auditing Practices for Community Agencies* establishes the levels of expenditures or expenses to be used in defining major department agreements. Major agreements for the City of Portland, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.
  
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Department Agreements is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements.

**CITY OF PORTLAND, MAINE**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2020**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

**State Agreements**

Internal control over programs tested:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for programs tested:	Qualified
Any audit findings disclosed that are required to be reported in accordance with <i>Maine Uniform Accounting and Auditing Practices for Community Agencies</i> ?	Yes

**Federal Awards**

Required to have an audit in Accordance with the Uniform Guidance?	Yes
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Identification of program(s) tested:

<u>Agreement Number(s)</u>	<u>Name of Department - Agreement</u>
<u>CDM-18-5150</u>	<u>HIV/STD Prevention</u>
<u>OSA-19-372</u>	<u>Overdose Prevention</u>

Percentage of department agreements tested:	77%
Auditee qualified as a low-risk auditee?	No

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

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

**MATERIAL WEAKNESS**

**2020-001 – Timely Reconciliation of Balances**

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Statement of Condition: Many general ledger accounts, including cash and investments, accounts receivable, deferred revenues, and accrued liabilities were not reconciled in a timely manner during the year and at year-end. While we did see significant improvements from the prior year, many of these general ledger accounts had to be materially adjusted during the audit process.

Cause: The City and School Department were affected by the COVID-19 pandemic while continuing to transition to new accounting software which has caused delays in the reconciliation processes. The School Department continues to experience significant turnover in key accounting positions.

Effect: Many significant general ledger balances were not reconciled and substantiated until nearly six months after year-end, including cash and investment accounts, accounts receivable, deferred revenues, and accrued liabilities. As a result, material misstatements were not detected and corrected in a timely manner. The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: It is our recommendation that all general ledger balances, most importantly cash and investments, are reconciled within one month after month's end and that all year-end general ledger balances be reconciled and substantiated within two months of year-end.

Management Response: *The City implemented new accounting software that continues to cause delays in periodic reconciliations due to difficulties extracting relevant information and significant increases in the amount of time required to perform reconciliation functions, despite additional staff hours and assistance from representatives of the software company. As a result, the reconciliation of cash and general ledger accounts, typically performed in a timely manner in the past, were not complete until several months after the close of the fiscal year. Despite challenges resulting from the Covid-19 pandemic, these delays were significantly reduced in FY20, and the City continues to explore ways to enhance the efficiency and timeliness of the reconciliation process.*

*In the School Department, continued staff turnover in combination with Munis challenges has led to a backlog and gaps in accounting duties, including routine reconciliation and timely audit preparation. Despite reinstating the Controller position in FY20 to address prior year challenges, the appointed staff member left the district shortly thereafter, and the position remained vacant for several months, and is now vacant again. Additionally, a staff accountant position was vacant almost all year. The School Finance Department is under new leadership with a focus on structure and systems aimed at improving internal accounting operations to ensure regular reviews and reconciliations of all general ledger balances as well as timely audit preparation moving forward.*

*Anticipated completion date: June 30, 2021*

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

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

**SIGNIFICANT DEFICIENCY**

**2020-002 – Review of Purchasing Card Transactions - School Department**

Criteria: To ensure that the purchasing cards are being utilized appropriately, the School Department should review the monthly statements, which includes verifying that the transactions included are following the School Department’s policies in regards to use of the purchasing cards.

Statement of Condition: During our testing of purchasing card transactions, we found that the monthly statements were not being reviewed and reconciled during the year. We found the retention of receipts and invoices that support purchases made with purchasing cards was not consistent. We also noted purchases that included sales tax, and other purchases which, per policy, should have gone through the purchase order system.

Cause: The School Department experienced turnover in key accounting positions during the year which delayed the review of the monthly statements and oversight responsibilities. Employees utilizing purchasing cards did not always follow the parameters within the School Department policy regarding use of those purchasing cards.

Effect: The lack of review and oversight of the purchasing card transactions increases the risk of fraud and error and also increases the chances that School Department funds will be utilized for unauthorized activity.

Recommendation: It is our recommendation that monthly statements and individual transactions are reviewed to ensure that they are following the School Department’s policy in regards to the usage of the purchasing cards. We recommend having a consistent policy on the retention of supporting documentation, (i.e., receipts and invoices), for purchasing card purchases, which should include uploading documentation for all transactions to the JP Morgan website. We also recommend reviewing and enforcing the policy and revoking the use of purchasing cards for those employees who violate the School Department’s purchasing card policy.

Management Response: *New software implementation and staff turnover over the course of the year continues to cause significant challenges for the department with respect to routine reviews and reconciliations. With new leadership and staff in place, we intend to re-prioritize review of all policies and procedures related to purchasing cards. Following our internal policy review, we will ensure that these policies have been communicated to purchasing cards end users. Moving forward, we will perform monthly reviews of purchasing card activity to identify whether there are transactions that may be out of compliance. If the Finance Department finds that a user is not following policy despite being informed of said policy, their purchasing card privileges will be revoked.*

*Anticipated Completion Date: June 30, 2021*

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

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**Section III - Findings and Questioned Costs for State Agreements**

**2020-003 - Noncompliance with Timely Agreement Closeout Reporting Requirements for Agreement OSA-19-372**

Criteria: Rider A of the contracts requires that quarterly fiscal reports and other program specific reports be filed within a certain specified period of time, along with a fiscal close out report after completion of the grant agreement. We reviewed the reports and noted that there was an instance where they had not been filed in a timely manner.

Statement of Condition: OSA-19-372 agreement closeout report ending June 30, 2020 was filed late.

Cause: Reports were filed late due to the disruption created by the COVID-19 pandemic.

Effect: Lack of timely reporting could result in delays or reductions of future funding.

Known Questioned Costs: None

Likely Questioned Costs: None

Recommendation: We recommend the City develop a system to track the due dates of these reports so as not to delay future grant funding and to ensure compliance with the requirements of the contracts.

*Management Response: Due to an unusual increase in the volume of Health and Human Services activity caused by the Covid-19 pandemic in FY20, the process of compiling the necessary data and filing the closeout report was delayed. After reviewing the specific findings surrounding this program we believe that this was a non-recurring issue and future reports will be filed on a timely basis.*

*Anticipated completion date: July 1, 2020*

**2020-004 - Noncompliance with Budget Requirements for Agreement OSA-19-372**

Criteria: MAAP regulations require a community agency to obtain a budget revision in the event that the total expenses per subcontract vary from the budgeted amount by at least ten percent or \$1,000, whichever is greater.

Statement of Condition: The City had expenditures in the all other category that were more than the amounts budgeted by both ten percent and \$1,000.

Cause: The City did not request a budget amended as required.

Effect: Lack of proper budgeting could result in expenditures being denied or reimbursements being returned back to the State.

Known Questioned Costs: None

Likely Questioned Costs: None

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

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**Section III - Findings and Questioned Costs for State Agreements**

Recommendation: Although total expenditures were under budget and no questioned costs were identified, we nevertheless recommend that the City be sure to request budget revisions in the future if agreement expenses in any category are expected to vary from budgeted levels by more than the allowable variance.

*Management Response:* Due to an unusual increase in the volume of Health and Human Services activity caused by the Covid-19 pandemic in FY20, there was insufficient monitoring of the budget requirements associated with this grant. After reviewing the specific findings surrounding this program we believe that this was a non-recurring issue and there will be full compliance in the future.

*Anticipated completion date:* July 1, 2020

**2020-005 - Noncompliance with Allowable Costs Requirements for Agreement OSA-19-372**

Criteria: Indirect costs charged to the grant are to be based on the allowed percentage that is approved in the budget process.

Statement of Condition: The City applied an indirect cost rate that was greater than the approved rate and therefore allocated more indirect cost than what was allowed.

Cause: Management inadvertently over allocated the indirect costs.

Effect: The City received \$4,280 more than it was eligible to receive based on the excess indirect costs charged to the grant.

Known Questioned Costs: \$4,280

Likely Questioned Costs: \$4,280

Recommendation: We suggest that management establish a review process for all drawdown requests prior to submitting them to the funding source. A second individual, other than the person who filled out the drawdown request, should review the drawdown request and ensure that amounts are calculated properly prior to approving the reimbursement.

*Management Response:* Finance staff will review proper procedures for the proper calculation of indirect costs and verification procedures relating to drawdown requests with staff of the Social Services division.

*Anticipated completion date:* April 1, 2021

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

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**Section IV - Status of Prior Year Audit Findings**

**MATERIAL WEAKNESS**

**2019-001 - Timely Reconciliation of Balances**

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Statement of Condition: Many general ledger accounts, including cash, accounts receivable, accounts payable, and other assets and accrued liabilities were not reconciled in a timely manner during the year and at year-end. Many of these general ledger accounts were materially adjusted between our original fieldwork dates in September 2019 and when we returned to complete fieldwork in January of 2020.

Cause: The City and School Department are transitioning to a new accounting software that has caused delays in the reconciliation processes. The School Department has also experienced significant turnover in key accounting positions.

Effect: Many significant general ledger balances were not reconciled and substantiated until nearly six months after year-end, including cash, accounts receivable, accounts payable, and other assets and accrued liabilities. As a result, material misstatements were not detected and corrected in a timely manner. The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: It is our recommendation that all general ledger balances, most importantly cash, are reconciled within one month after month's end and that all year-end general ledger balances be reconciled and substantiated within two months of year-end.

Status: *See current year item 2020-001*

**SIGNIFICANT DEFICIENCIES**

**2019-002 – Review of Purchasing Card Transactions - School Department**

Criteria: To ensure that the purchasing cards are being utilized appropriately, the School Department should review the monthly statements, which includes verifying that the transactions included are following the School Department's policies in regards to use of the purchasing cards.

Statement of Condition: During our testing of purchasing card transactions, we found that the monthly statements were not being reviewed and reconciled during the year. We found the retention of receipts and invoices that support purchases made with purchasing cards was not consistent. We also noted a transaction that was split into two transactions to circumvent the purchasing limit, purchases that included sales tax, meals purchased that had no documented business purpose, and other purchases which, per policy, should have gone through the purchase order system.



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

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**Section IV - Status of Prior Year Audit Findings**

**SIGNIFICANT DEFICIENCIES, CONTINUED**

Cause: The School Department experienced turnover in key accounting positions during the year which delayed the review of the monthly statements and oversight responsibilities. Employees utilizing purchasing cards did not always follow the parameters within the School Department policy regarding use of those purchasing cards.

Effect: The lack of review and oversight of the purchasing card transactions increases the risk of fraud and error and also increases the chances that School Department funds will be utilized for unauthorized activity.

Recommendation: It is our recommendation that monthly statements and individual transactions are reviewed to ensure that they are following the School Department's policy in regards to the usage of the purchasing cards. We recommend having a consistent policy on the retention of supporting documentation, i.e. receipts and invoices, for purchasing card purchases, which should include uploading documentation for all transactions to the JP Morgan website. We also recommend reviewing and enforcing the policy and revoking the use of purchasing cards for those employees who violate the School Department's purchasing card policy.

Status: *See current year item 2020-002*

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

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**Section IV - Status of Prior Year Audit Findings for State Agreements**

**2019-003 - Noncompliance with Timely Quarterly Financial Reporting Requirements for Agreement CDM-18-5150**

Criteria: Rider A of the contracts requires that quarterly fiscal reports and other program specific reports be filed within a certain specified period of time, along with a fiscal close out report after completion of the grant agreement. We reviewed the reports and noted that there were instances where they had not been filed in a timely manner.

Statement of Condition:

- CDM-18-5150 quarterly fiscal report ending 3/31/19 was filed late.
- CDM-18-5150 quarterly fiscal report ending 6/30/19 was filed late.

Cause: Reports were filed late due to turnover in management and the responsibilities of reporting put strain on existing staff with other responsibilities.

Effect: Lack of timely reporting could result in delays or reductions of future funding.

Known Questioned Costs: None

Likely Questioned Costs: None

Recommendation: We recommend the City develop a system to track the due dates of these reports so as not to delay future grant funding and to ensure compliance with the requirements of the contracts.

Status: *All reports were timely filed for the current year*