

**FEDERAL SINGLE AUDIT  
AND  
STATE SINGLE AUDIT REPORTS  
CITY OF DERBY, CONNECTICUT  
YEAR ENDED JUNE 30, 2021**

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**FEDERAL SINGLE AUDIT AND STATE SINGLE AUDIT REPORTS  
CITY OF DERBY, CONNECTICUT  
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**Principals**  
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**INDEPENDENT AUDITORS' 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,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Derby, Connecticut as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Derby, Connecticut's basic financial statements, and have issued our report thereon dated July 15, 2022.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Derby, Connecticut's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* to be material weaknesses as identified as items 21-1 to 21-06.

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 considered the deficiencies described in the accompanying *schedule of findings and questioned costs* to be significant deficiencies as items 21-07 to 21-11.

## **City of Derby, Connecticut's Responses to Findings**

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

## **Compliance and Other Matters**

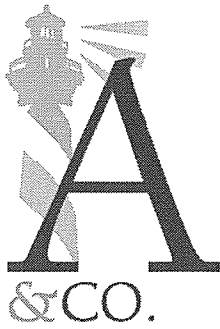
As part of obtaining reasonable assurance about whether City of Derby, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

*Accavallo & Company, LLC*  
Shelton, Connecticut  
July 15, 2022

**FEDERAL SINGLE AUDIT**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

**Report on Compliance for Each Major Federal Program**

We have audited City of Derby, Connecticut's compliance with the types of compliance requirements described in the OMB Circular Compliance Supplement that could have a direct and material effect on each of City of Derby, Connecticut's major federal programs for the year ended City of Derby, Connecticut. City of Derby, Connecticut'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Derby, Connecticut'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 City of Derby, Connecticut'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 City of Derby, Connecticut's compliance.

## Opinion on Each Major Federal Program

In our opinion, City of Derby, Connecticut 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 major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of the City of Derby, Connecticut 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 Derby, Connecticut'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 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 Derby, Connecticut'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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 21-10 and 21-11 that we consider to be significant deficiencies.

City of Derby, Connecticut's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 City of Derby, Connecticut as of and for the year ended June 30, 2021, and have issued our report thereon dated July 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Accavallo Company, LLC*  
Shelton, Connecticut  
July 15, 2022



**CITY OF DERBY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<u>Department of Education:</u>				
Passed through the Connecticut Department of Education:				
Title I, Part A	84.010	12060-SDE64370-20679-2021-82070	\$ -	\$ 317,861
Title I, Part A	84.010	12060-SDE64370-20679-2020-82070	-	109,078
Title I, Part A	84.010	12060-SDE64370-20679-2019-82070	-	13,898
Title I, Part A	84.010	12060-SDE64370-20679-2021-82071	-	222,667
Title I, Part A	84.010	12060-SDE64370-20679-2020-82071	-	71,842
		Title I, Part A Cluster	-	735,346
IDEA Part B Section 611	84.027	12060-SDE64370-20977-2021-82032	-	264,780
IDEA Part B Section 611	84.027	12060-SDE64370-20977-2020-82032	-	45,764
IDEA Part B Section 619	84.173	12060-SDE64370-20983-2021-82032	-	15,390
		Special Education Cluster	-	325,934
Education of Homeless Children and You	84.196	12060-SDE64370-20770-2019-82079	-	1,168
Carl D Perkins Vocational and Applied T	84.048	12060-SDE64370-20742	-	29,481
Carl D. Perkins Vocational and Applied T	84.048	12060-SDE64370-20742	-	2,129
			-	31,610
Improving Teacher Quality	84.367	12060-SDE64370-20858-2021-84131	-	57,008
Improving Teacher Quality	84.367	12060-SDE64370-20858-2020-84131	-	5,945
			-	62,953
Title III-English	84.365	12060-SDE64370-20868-2021-82075	-	3,649
Title IV Part A Student Support Grant	84.424	12060-SDE64370-22854-2021-82079	-	7,458
Title IV Part A Student Support Grant	84.424	12060-SDE64370-22854-2020-82079	-	7,955
			-	15,413
ESSERF K-12 Fund	84.425D	12060-SDE64370-29571-2021-82079	-	105,380
ESSERF K-12 Fund	84.425D	12060-SDE64370-29571-2020-82079	-	366,193
			-	471,573
Total Department of Education			-	1,647,646
<u>Department of Housing and Urban Development:</u>				
Passed through the Connecticut Department of Economic Development:				
Small Cities Program	14.228	12060-DOH46920-20730	-	478,284
CDBG-Disaster Recovery	14.231	12060-DOH46961-29501	-	10
			-	478,294
<u>Department of the Treasury:</u>				
Passed through the Connecticut Department of Education:				
Coronavirus Relief Fund	21.019	12060-SDE64370-29561	-	283,627
Passed through the Connecticut State Library:				
Coronavirus Relief Fund	21.019	12060-CSL66011-29561	-	29,111
Passed through the Connecticut Office of Policy & Management:				
Coronavirus Relief Fund	21.019	12060-OPM20600-29561	-	98,800
			-	411,538
<u>Department of Agriculture:</u>				
Passed through the Connecticut Department of Education:				
Summer Food Program	10.559	12060-SDE64370-20540	-	656,615
Summer Food Program	10.559	12060-SDE64370-20548	-	67,356
CARES Act Summer Food Admin	10.559	12060-SDE64370-29573	-	13,524
CARES Act Summer Food	10.559	12060-SDE64370-29574	-	131,734
National School Lunch Program	10.555		-	28,463
		Child Nutrition Cluster	-	897,692
TOTAL FEDERAL FINANCIAL AWARD EXPENDITURES			\$ -	\$ 3,435,170

The accompanying notes are an integral part of this schedule.

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**CITY OF DERBY, CONNECTICUT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Derby, Connecticut, under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3- NONCASH AWARDS**

The City received and expended \$28,463 of USDA donated commodities under the National School Lunch Program.

**NOTE 4- INDIRECT COST RECOVERY**

City of Derby, Connecticut, did not recover its indirect costs using the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SUMMARY STATEMENT**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?
- Significant Deficiencies identified that are not considered to be material weaknesses?

  X   Yes             No  
  X   Yes             None reported

Noncompliance material to financial statements noted?

       Yes        X   No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant Deficiencies identified that are not considered to be material weakness(es)?

       Yes        X   No  
  X   Yes             None reported

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

Unmodified

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

  X   Yes             No

Identification of major programs:

<u>Federal Grantor and Program</u>	<u>Federal CFDA Number</u>	<u>Expenditure</u>
Department of Agriculture	10.555 and 10.559	897,692
Title I	84.010	735,346
		<u>\$ 1,633,038</u>

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

\$750,000

Auditee qualified as low-risk auditee?

       Yes        X   No

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**II. FINANCIAL STATEMENT FINDINGS**

Our report on internal control over financial reporting indicated the following significant deficiencies:

**\*21-01 Double-Entry Accounting System**

**Finding:** The City does not use double-entry accounting for all funds.

**Criteria:** The use of a double-entry accounting software system, including the preparation of a balanced general ledger would improve the City's ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and facilitate financial reporting for all Special Revenue Funds, Fiduciary Funds and its long-term debt and fixed assets.

**Condition:** The City does not maintain a double-entry accounting system or process a general ledger utilizing an accounting software system for all Special Revenue Funds, Fiduciary Funds and its long-term debt and fixed assets.

**Cause:** The financial activity is maintained annually on ledger sheets for most of these funds and for others the only sources of documentation are canceled checks and bank statements

**Effect:** The City does not have the ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and prepare meaningful financial reports.

**Recommendation:** We recommend that the City adopt a general ledger accounting software system for all funds and activities, including federal and state financial assistance funds. The use of a double-entry accounting software system, including the preparation of a balanced general ledger would improve the City's ability to detect accounting errors, provide the basis for monthly account and ledger reconciliations, and facilitate financial reporting. The Chart of Accounts, developed for the General Fund, should be utilized for the other funds of the City to ensure consistency with account names and numbers and to develop an internal reporting package.

**Management's Response:** The City could use a new accounting system as it is highly regarded to enhance accountability. However, due to a lack of adequate personnel and available funding, the implementation of the new software is not possible at this time.

The current accounting software addressed the issue of a decentralized accounting system by consolidating two ledgers into a single accounting ledger to capture all activities. This will capture all information for accounting and address the problem of recording transactions. Currently, special revenues and capital projects (with the exception of the Library's trust fund) are tracked using the GEM system. After years of only recording via manual checkbooks, all transactions are currently tracked on the GEM accounting system. Additional work has been done on the Miscellaneous Donations Account, which was previously never recorded by the City. The City has begun to account for new grant fund activities, using the general ledger system.

The City is not utilizing a pool cash concept and unnecessary work is still done on regular basis to journalize due to / from activities. This issue could also be solved by a

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

new accounting system. We do hope to implement this system in the future when we have adequate resources.

**\*21-02 Bank Reconciliations and Approval of Bank Reconciliations**

Finding: Bank reconciliations were not formally prepared during the year for general fund checking accounts.

Criteria: The Finance Department should be preparing the bank reconciliations and the Finance Director should formally approve the bank reconciliations on all City bank accounts.

Cause: Lack of formal procedures.

Effect: Possible material errors could occur and not be detected timely.

Recommendation: We recommend that all bank reconciliations be prepared by the Finance department within a reasonable period after the month end. These reconciliations should then be reviewed by the Finance Director for accuracy and completeness.

Management's Response: There was a reduction in staff, which left the City with inadequate staffing to maintain the established segregation of duties. A temporary bookkeeper was hired to focus on bank reconciliations, which are done in a timely manner at the end of the month. This process has been successful since November, 2021.

**\*21-03 Availability of financial information**

Finding: During the audit process, information from various departments related to numerous audit schedules and related information was unavailable in a timely manner. The City's audit for the year ended June 30, 2021, did not start until November 2021. In addition, some schedules and required information were not available for audit until June 2022.

Criteria: Information related to financial statements should be presented at the close of the fiscal year or at a reasonable time thereafter.

Cause: Lack of monthly and year-end closing procedures.

Effect: The timely availability of information related to the financial statements has delayed the completion of the audited financial statements and other submissions that rely upon the audited financial statements.

Recommendation: The preparation of information relative to the financial statements in accordance with the City of Derby, Connecticut's reporting requirements should be provided in a timely manner. Schedules, reports and other financial information related to the City's financial condition should be maintained monthly throughout the year, forwarded to the Finance Department when that information becomes available and reconciled to the books and records of the City. A review of the financial statements should be done by accounting personnel to determine that all schedules and records are provided timely.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Management's  
Response:

The City Finance Director currently supports some HR functions and Treasury banking functions. Due to these frequent staffing changes, the audit information has become secondary and keeping up with daily processes becoming a priority.

The current fiscal year audit information was built from the ground up through auditor files. Some of the processes were left unattended due to lack of proper staff and time for oversight. The City has improved on recording and reviewing information on a monthly basis, except with information related educational activities. The Board of Education just hired a new Business Manager to work with the City on its reconciliation processes. Currently, the Finance Director has established processes and a few recurring files for the auditor to keep on a year-to-year basis. In January 2022, the City recruited an Interim Deputy Finance Director who will aid the Finance Director with providing this information. In January 2022, the City began to use an existing payroll software to account for time off. This will track the compensated absences for future audits.

**\*21-04 Accounts Payable Cut-off-Board of Education**

Finding: The Board of Education's accounts payable were not properly recorded at year end on the City's general ledger. Accounts payable payments were made up to February 2022 related to June 30, 2021.

Criteria: Expenditures should be accrued when incurred in accordance with accounting principles generally accepted in the United States of America.

Cause: Lack of monthly reconciliations with the City and Board Education ledgers.

Effect: Account payable and accrued payroll in the amount of \$1,567,618 were incurred as of June 30, 2021 and were not properly recorded.

Recommendation: We recommend that accounts payable and accrued payroll be recorded when incurred monthly. A reconciliation with the City's general ledger and the Board of Education ledger should be done monthly to ensure that liabilities and expenditures are properly recorded.

Management's  
Response:

In 4<sup>th</sup> quarter Fiscal year 2021-2022, the Board of Education committed to adhering to cut-off requirements are specified by the City and Auditor and use the cut-off date of September 30<sup>th</sup> going forward.

**\*21-05 Reconciliation of City and Board of Education Accounts**

Finding: The Board of Education cash, accounts receivable, accounts payable, income and expenditures and City corresponding accounts were not reconciled at year end. In addition, there were several instances of netting of revenues against expenditures in the Board of Education expenditures.

Criteria: A formal reconciliation should be performed monthly to ensure agreement of the City's general ledger accounts with the Board of Education records.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Cause: No formal reconciliation process is being performed between the City and Board of Education monthly.

Effect: Adjustment to various cash accounts and liability accounts were required.

Recommendation: We recommend that the Board of Education utilize the accounting system to reconcile cash, accounts receivable, accounts payable, deferred inflows of financial resources in addition to the income and expenditure ledgers that are already being utilized to have a complete self-balancing set of accounts. The reconciliations should be to the general ledger. This will assist to quickly identify variances. That information should be timely shared between the City and Board of Education to ensure that both the City and Board of Education ledgers agree. Expenditures should be reported at gross amounts and any amounts received should be communicated to the City so those receipts can be properly classified and recorded. Various refunds that take place after the fiscal year for the previous fiscal year's expenditures that were incurred and paid by the City should be returned to the City.

Management's Response: The Board of Education (BOE) Business Office does not have sufficient staff to complete timely reporting to the City. The BOE maintains its own bank accounts and does not report additional expenditure credits to the City. With considerable autonomy, the reconciliation occurs only at the time of the audit.

A new process of reporting total expenditures for the month was requested from the BOE. However, the trial balance and cash reconciliation were not provided. The BOE hired a third-party agency in November 2021 to aid with reconciliations. The trial balances were provided to the City for June 2021 in December 2021. The City Finance Office has been recording transactions based on cash and the total expenditures but still needs their monthly bank reconciliations. The BOE office requires competent accounting staff to work with the BOE GL.

**\*21-06 Cash Account Activity- General Fund Operating and Board of Education**

Finding: Various cash accounts had activity that was found not to be recorded or recorded in net amounts.

Criteria: All cash activity should be recorded in the City's general ledger.

Cause: Lack of policies and procedures.

Effect: Cash accounts were contained significant errors that were not corrected by the Finance Department timely.

Recommendation: We recommend that all cash transactions be reflected in the general ledger and that transactions are reported at their gross amounts. In addition, accounts that have separate bank statements have separate general ledger accounts. All cash accounts should be reconciled monthly and reviewed by the comptroller.

Management's Response: The Board of Education (BOE) Business Office does not have sufficient staff to complete timely reporting to the City. The BOE maintains its own bank accounts and does not report

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

additional expenditure credits to the City. With considerable autonomy, the reconciliation occurs only at the time of the audit. A new process of reporting total expenditures for the month was requested from the BOE. However, the trial balance and cash reconciliation were not provided. The BOE hired a third-party agency in November 2021 to aid with reconciliations. The trial balances were provided to the City for June 2021 in December 2021. The City Finance Office has been recording transactions based on the total cash and asked for expenditures to balance the activities monthly. The new Business Manager started June 2022 and will continue to work on reconciliation process

**\*21-07 Compensated Absences-City**

Finding: There is no formal reconciliation of compensated absences.

Criteria: The City should establish a policy of reconciling, on a regular basis or at year end, the departmental employees' days for vacation, sick or personal leave to the payroll records.

Condition: Individual departments currently maintain compensated absence records for their departmental employees entitled to compensated absences as dictated by various union bargaining agreements

Cause: Individual departments currently maintain compensated absence records.

Effect: Lack of consistency of reporting compensated absences.

Recommendation: We recommend that the City establish a procedure for maintaining centralized records related to available used and unused vacation, sick and personal leave days to properly evaluate the liability for compensated absences. This process should include a summary of the bargaining agreement provisions related to the various employee categories to be used by the individuals who are summarizing the compensated absence data. This centralized record should be related to the employee history files as generated from the payroll system and should be reconciled to departmental records quarterly or semi-annually.

**Management's  
Response:**

The current a manual process for tracking absences is prone to mistakes not and is not audit oriented. In January 2022, the City began to use an existing payroll software to account for time off. This will track the compensated absences for future audits. The system is working however beginning balances were not established and require additional staff hours. The City needs modernization of its operations and transition period is take longer than expected

**\*21-08 Parking Authority**

Finding: Parking ticket revenues are not recorded on an accrual basis.

Criteria: The revenue from the parking tickets should be recorded on the general ledger when they are issued (accrual basis).

Condition: While the parking ticket system put in place in January of 1999 on a computerized parking ticket system appears to be working properly, the revenue from the parking tickets is not



**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

being recorded on the general ledger until the tickets are paid (cash basis) instead of when they are issued (accrual basis). Parking tickets deemed uncollectible are not being written off nor is there a formal procedure for the acting director to authorize such write-offs, although in some cases, the acting director alone is authorizing corrections and write-offs.

Cause: Lack of understanding by the bookkeeper.

Effect: Untimely recording of revenues from parking tickets.

Recommendation: We recommend that the City of Derby consider assigning additional personnel, independent of the accounting function to duties such as receipt and listing of checks, preparation and review of bank reconciliations, approval of purchase orders and invoices and signing and distribution of checks, to provide the necessary checks and balances of the internal control system. Consideration should also be given to utilizing the cash receipts procedure of the General Fund of the City of Derby to compensate for the lack of personnel and segregation of duties in this Division. We also recommend that all checks be issued to an individual or a company as opposed to cash as the payee and that for all subcontractors paid more than \$600, that the appropriate 1099s be filed with the Internal Revenue Service.

Management's Response: The City resolved the Parking Authority activities in September 2021. The General Fund now reports on its operations. Facilities management has been transferred to a third party for invoicing and revenue collection.

**\*21-09 Comingling of Funds**

Finding: The Board of Education maintains one cash account for operations and grant. The comingling of operational and grant monies makes it difficult if not impossible to reconcile with the City.

Criteria: A separate bank account should be maintained for grant income and expenditures to properly track inflows and outflows of grant monies. Assets such as grants receivable and liabilities such as deferred inflows and accounts payable should also be recorded and reconciled monthly.

Cause: Improper classification of grant funds.

Effect: Significant errors can occur and not be timely detected. Also see findings 21-01, 21-04 to 21-06.

Recommendation: We recommend that the Board of Education utilize the accounting system to reconcile cash, accounts receivable, accounts payable, deferred inflows of financial resources in addition to the income and expenditures for educational grants. In addition, we recommend moving the grant accounting from the General Fund to a Special Revenue Fund where it is better classified.

Management's Response: This was started in Fiscal Year 2019-2020, when a new account was opened for the Board of Ed to prevent the comingling of funds at the Board of Education. They are working to complete this corrective action in Fiscal Year 2021-2022.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**21-10 Unrecorded Transactions-Community Development (Small Cities and Urban Act Grants)**

Finding: Grant revenues and expenditures were not recorded.

Criteria: The general ledger should accurately record the activity of its respective funds.

Cause: Not properly recording cash activity for the year.

Effect: Grant income and expenditures were under reported by \$589,511 prior to proposed audit adjustments.

Recommendation: We recommend that the City record all cash activity, even the grant income and expenditures that net to zero to properly reflect the transactions in accordance with Generally Accepted Accounting Principles.

Management's Response: The City will record all cash activity to properly reflect the transactions in accordance with Generally Accepted Accounting Principles.

**\*21-11 Federal and State Single Audit Schedules**

Finding: The Finance Department did not prepare a schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2021. These schedules are derived from federal and state grant awards received by the General Government and the Board of Education of the City. The Board of Education grant awards primarily are passed through the State Department of Education, while the City receives their grants primarily through the State Department of Housing and Urban Development, the State Department of Health and Human Resources, the State Department of Agriculture and the Office of Policy and Management. The preparation of these schedules of expenditures has, in the past, been made by the auditors, including decision making concerning the federal CFDA number, the pass-through entity number and the amount of federal and state expenditures incurred by the City for the fiscal year. The auditor then reports on the Schedules of Expenditures of Federal and State Financial Assistance and renders his opinion with respect to the compliance with laws, regulations, contracts and grants and with the City's internal control over compliance with requirements of the laws, regulations, contracts and grants.

Criteria: The schedules of federal awards and state financial assistance are required to be prepared by the City.

Cause: Lack of a staff member assigned to identify and obtain grant revenue and prepare the appropriate federal and state financial schedules.

Effect: The auditor is preparing these schedules and auditing them.

Recommendation: We recommend that the Finance Department and/or the Board of Education annually prepare the Schedule of Expenditures of Federal Awards and State Financial Assistance to be presented to the auditor for audit. The auditor can then render an opinion with respect to compliance with and internal control over compliance with laws, regulations, contracts and grants. This will provide the proper segregation of responsibilities over the preparation of

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

the schedules and the rendering of an opinion of these schedules.

Management's  
Response:

The City will work with the auditor in the coming months to establish protocols and determine staffing required to meet this recommendation. The projected completion date is September 30, 2022.

\* indicates that these findings are repeated from the previous year.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Findings or questioned costs relating to Federal Award Programs are as follows: Items 21-10 and 21-11 (page 18 and 19).

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-1 Double-Entry Accounting System**

Finding: The City does not use double-entry accounting for all funds.

Disposition: **Repeated as item 21-01**

**\*20-2 Bank Reconciliations and Approval of Bank Reconciliations**

Finding: Bank reconciliations were not formally prepared during the year for general fund checking accounts.

Disposition: **Repeated as item 21-02**

**\*20-3 Availability of financial information**

Finding: During the audit process, information from various departments related to numerous audit schedules and related information was unavailable in a timely manner. The City's audit for the year ended June 30, 2021, did not start until November 2021. In addition, some schedules, bank reconciliations and other required information were not available for audit until June 2022.

Disposition: **Repeated as item 21-03**

**\*20-4 WPCA Purchase Order Approval Process**

Finding: The bookkeeper performed recordkeeping, custodial and approval functions.

Disposition: **Cleared**

**\*20-5 Accounts Payable Cut-off-Board of Education**

Finding: The Board of Education's accounts payable were not properly recorded at year end on the City's general ledger.

Disposition: **Repeated as item 21-04**

**\*20-6 Reconciliation of City and Board of Education Accounts**

Finding: The Board of Education cash, accounts receivable, accounts payable, income and expenditures and City corresponding accounts were not reconciled at year end. In addition, there were several instances of netting of revenues against expenditures in the Board of Education expenditures.

Disposition: **Repeated as item 21-05**

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-07 Cash Account Activity- General Fund Operating and Board of Education**

Finding: Various cash accounts had activity that was found not to be recorded or recorded in net amounts.

Disposition: **Repeated as item 21-06**

**\*20-8 Encumbrance System**

Finding: The City departments are not fully utilizing the encumbrance system.

Disposition: **Cleared**

**\*20-09 Interfund Transfers**

Finding: Interfund balances are not repaid timely.

Disposition: **Cleared**

**\*20-10 Compensated Absences-City**

Finding: There is no formal reconciliation of compensated absences.

Disposition: **Repeated as item 21-07**

**\*20-11 Parking Authority**

Finding: Parking ticket revenues are not recorded on an accrual basis.

Disposition: **Repeated as item 21-08**

**\*20-12 Revenues Classification**

Finding: Revenues were not properly recorded in their respective general ledger accounts

Disposition: **Cleared**

**\*20-13 Comingling of Funds**

Finding: The Board of Education maintains one cash account for operations and grant. The comingling of operational and grant monies makes it difficult if not impossible to reconcile with the City.

Disposition: **Repeated as item 21-09**

**CITY OF DERBY, CONNECTICUT  
DISPOSITION OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**\*20-14 Federal and State Single Audit Schedules**

Finding:           The Finance Department did not prepare a schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2021. These schedules are derived from federal and state grant awards received by the General Government and the Board of Education of the City. The Board of Education grant awards primarily are passed through the State Department of Education, while the City receives their grants primarily through the State Department of Housing and Urban Development, the State Department of Health and Human Resources, the State Department of Agriculture and the Office of Policy and Management. The preparation of these schedules of expenditures has, in the past, been made by the auditors, including decision making concerning the federal CFDA number, the pass-through entity number and the amount of federal and state expenditures incurred by the City for the fiscal year. The auditor then reports on the Schedules of Expenditures of Federal and State Financial Assistance and renders his opinion with respect to the compliance with laws, regulations, contracts and grants and with the City's internal control over compliance with requirements of the laws, regulations, contracts and grants.

Disposition:       **Repeated as item 21-11**

**\*20-15 Community Development Agency**

Finding:           The bookkeeper performs recordkeeping, custodial and approval functions.

Disposition:       **Cleared**

\* indicates that these findings are repeated from the previous year.

**STATE SINGLE AUDIT**





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Certified Public Accountants  
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**Principals**  
John A. Accavallo CPA  
Marilyn L Ferris MBA CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF  
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE  
AUDIT ACT**

To the Honorable Mayor,  
Members of the Board of Alderman and  
Members of the Board of Apportionment and Taxation  
City of Derby, Connecticut

**Report on Compliance for Each Major State Program**

We have audited City of Derby, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of City of Derby, Connecticut's major state programs for the year ended June 30, 2021. City of Derby, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Derby, Connecticut's major state 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about City of Derby, Connecticut'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 state program. However, our audit does not provide a legal determination of City of Derby, Connecticut's compliance.

**Opinion on Each Major State Program**

In our opinion, City of Derby, Connecticut, 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 major state programs for the year ended June 30, 2021.

## **Report on Internal Control over Compliance**

Management of City of Derby, Connecticut, 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 City of Derby, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Derby, Connecticut'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 state 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 21-010 and 21-011, that we consider to be significant deficiencies.

City of Derby, Connecticut's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Derby, Connecticut's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of City of Derby, Connecticut, as of and for the year ended June 30, 2021 and have issued our report thereon dated July 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Accavallo & Company, LLC*  
Shelton, Connecticut  
July 15, 2022

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Identification Number	Pass-Through to Subrecipients	Expenditures
<u>Department of Education:</u>			
Commissioner's Network	11000-SDE64370-12547	\$ -	\$ 513,113
Talent Development	11000-SDE64370-12552	-	3,656
Child Nutrition State Match	11000-SDE64370-16211	-	8,394
Healthy Foods	11000-SDE64370-16212	-	14,111
Adult Education	11000-SDE64370-17030	-	134,211
Health and Welfare - Private Schools	11000-SDE64370-17034	-	11,363
Alliance Grant	11000-SDE64370-17041	-	1,670,801
Alliance Grant	11000-SDE64370-17041	-	306,942
Breakfast Program	12052-SDE64370-43728	-	10,862
Low Performing Schools	11000-SDE64370-17108	-	150,766
		-	2,824,219
<u>Office of Early Childhood:</u>			
School Readiness	11000-OEC64845-16274-83014	-	101,511
Smart Start	12052-OEC64845-16279-83004	-	153,400
Child Care Quality Enhancement	11000-OEC64845-16158-82079	-	3,881
		-	258,792
<u>Department of Children and Families</u>			
Youth Service Bureau	<u>11000-DCF91141-17052</u>	-	14,189
Youth Service Bureau- Enhancement	<u>11000-DCF91141-17107</u>	-	8,588
		-	22,777
<u>Office of Policy and Management:</u>			
PILOT: State owned property	11000-OPM20600-17004	-	29,550
Reimburse Prop Tax-Disability Exemption	11000-OPM20600-17011	-	2,308
Property Tax Relief for Veterans	11000-OPM20600-17024	-	16,670
PILOT: Private Colleges and General Hospitals	11000-OPM20600-17006	-	690,309
Municipal Purposes & Projects	12052-OPM20600-43587	-	14,728
		-	753,565
<u>Department of Transportation:</u>			
Fees and Permits	13033-DOT57124-41390	-	31
Town Aid Road Grant-STO	12052-DOT57131-43459	-	131,912
Town Aid Road Grants muni	12052-DOT57131-43455	-	131,912
		-	263,854
<u>Department of Economic and Community Development:</u>			
Urban Act Grant	13019-ECD46210-41240	-	120,977
<u>Department of Administrative Services:</u>			
Alliance District General Improvements	12052-DAS27635-43651	-	477,600
<u>Department of Environmental Protection:</u>			
Environmental Conservation Fund	11000-DEP44910-12491	-	4,409
<u>Department of Justice:</u>			
Other expenses	11000-JUD95405-10020	-	9,718
Non-Budgeted Operating Appropriation	34006-JUD95162-40001	-	1,998
		-	11,716

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Identification Number	Pass-Through to Subrecipients	Expenditures
<u>Connecticut State Library:</u>			
Connecticard	11000-CSL66051-17010	-	446
Historic Document Preservation Grant	11000-CLS66094-35150	-	5,500
IMLS LSTA ARPA	12060-CSL66011-29642	-	3,000
		-	8,946
<u>Secretary of State:</u>			
Help America Vote Act	12060-SOS12500-21465	-	7,948
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS			4,754,802
<u>EXEMPT PROGRAMS</u>			
<u>Department of Education:</u>			
Education Cost Sharing	11000-SDE64370-17041	-	6,696,902
Special Education-Excess Costs	11000-SDE64370-17047	-	692,155
Municipal Stabilization Grant	1100-OPM20600-17104	-	205,327
		-	7,594,384
<u>Office of Policy and Management:</u>			
Mashantucket Pequot	12009-OPM20600-17005	-	207,304
TOTAL EXEMPT PROGRAMS			7,801,688
TOTAL STATE FINANCIAL ASSISTANCE			\$ 12,556,490

The accompanying notes are an integral part of this schedule.

**CITY OF DERBY, CONNECTICUT  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021**

Various departments and agencies of the State Government have provided financial assistance to the City of Derby, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. This financial assistance funds several programs including housing, education, health and human services and general government activities.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the *City* conform to accounting principles generally accepted in the United States of America as applicable to *governmental organizations*.

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

**Basis of Accounting**

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factors for determining eligibility, recognize grant revenue to the extent of expenditures.
- Expenditures are recorded on the accrual basis; i.e. recognized when incurred.

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

**2. LOAN PROGRAM**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2021:

Department of Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

Issue Date	Interest Rate	Original Amount	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021
367CFeb 2001	2%	<u>\$ 2,347,440</u>	<u>\$ 78,248</u>	<u>\$ -</u>	<u>\$ 78,248</u>	<u>\$ -0-</u>

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**I. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

- |   |               |     |               |    |
|---|---------------|-----|---------------|----|
| • Material weakness (es) identified?                    | <u>X</u>      | Yes | <u>      </u> | No |
| • Significant deficiencies identified?                  | <u>X</u>      | Yes | <u>      </u> | No |
| • Noncompliance material to financial statements noted? | <u>      </u> | Yes | <u>X</u>      | No |

State Financial Assistance

Internal control over major programs:

- |  |               |     |               |    |
|--|---------------|-----|---------------|----|
| • Material weakness(es) identified?    | <u>      </u> | Yes | <u>X</u>      | No |
| • Significant deficiencies identified? | <u>X</u>      | Yes | <u>      </u> | No |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

X Yes        No

- The following schedule reflects the major programs included in the audit:

<u>State Grantor And Program</u>	<u>Identification Number</u>	<u>Expenditures</u>
<u>Office of the Policy and Management:</u>		
PILOT: Private Colleges and General Hospitals	11000-OPM20600-17006	\$ 690,309
<u>Department of Education:</u>		
Alliance Grant	11000-SDE64370-17041	1,977,743
Commissioner's Network	11000-SDE64370-12547	513,113
<u>Department of Administrative Services:</u>		
Alliance District General Improvements	12052-DAS27635-43651	477,600
<u>Department of Transportation:</u>		
Town Aid Road Grant-STO	12052-DOT57131-43459	131,912
Town Aid Road Grants muni	12052-DOT57131-43455	131,912
Total		<u>\$ 3,922,588</u>

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

\$200,000

**CITY OF DERBY, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER  
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated July 15, 2022, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated significant deficiencies as items 21-1 to 21-11 (page 12 to 19) of which we consider items 21-1 to 21-6 to be material weaknesses.

**III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE**

Findings or questioned costs relating to State financial assistance programs are as follows: Items 21-10 and 21-11 (page 18 to 19).

**DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES:**

The dispositions of prior year's significant deficiencies are reported as items 20-01 to 20-15 on pages 21 to 23.