

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Year Ended June 30, 2013

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the City of Hartford, Connecticut's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City'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 the City'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City 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, 2013.

Report on Internal Control Over Compliance

Management of the City 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'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements. We issued our report thereon dated January 30, 2014, 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut
January 30, 2014

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Catalog of Federal Domestic Assistance Number | Pass-Through Grantor Entity- Identifying Number | Federal Expenditures |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed through the State of Connecticut | | | |
| Department of Administrative Services: | | | |
| WIC Farmer's Market Nutrition Program | 10.572 | 12060-DAG42710-20736 | \$ 4,937 |
| Passed through the State of Connecticut | | | |
| Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| Food Donation - Non-cash | 10.555 | N/A | 275,433 |
| School Breakfast Program | 10.553 | 12060-SDE64370-20508 | 1,415,417 |
| National School Lunch Program | 10.555 | 12060-SDE64370-20560 | 8,163,426 |
| Summer Food Program | 10.559 | 12060-SDE64370-20540 | 195,120 |
| Summer Food Service Program for Children | 10.559 | 12060-SDE64370-20540 | 16,646 |
| Total Child Nutrition Cluster | | | <u>10,066,042</u> |
| ELC Food Grant CACFP | 10.558 | N/A | 38,446 |
| ELC Food Grant CACFP | 10.558 | N/A | 128,538 |
| Home Care CACFP | 10.558 | N/A | 109,862 |
| Home Care CACFP | 10.558 | N/A | 249,320 |
| Child and Adult Care Food Program | 10.558 | 12060-SDE64370-20518 | 644,836 |
| Fresh Fruit and Vegetable Program | 10.582 | 12060-SDE64370-22051 | 175,628 |
| | | | <u>11,412,672</u> |
| Passed through the State of Connecticut | | | |
| Department of Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children 10/10-9/11 | 10.557 | SID20892 DPH LOG2008-0172-3 | 922,751 |
| Special Supplemental Nutrition Program for Women, Infants and Children 10/11-9/12 | 10.557 | SID20892 DPH LOG2008-0172-4 | 350,047 |
| WIC Food Benefits 2012-Non cash | 10.557 | Non-contract | 5,707,604 |
| Total WIC Cluster | | | <u>6,980,402</u> |
| Total U.S. Department of Agriculture | | | <u>18,398,011</u> |
| U.S. Department of Education | | | |
| Direct Programs: | | | |
| LSTA - Collaboration Literacy | N/A | N/A | 131 |
| Smaller Learning Communities | 84.215L | N/A | 75,272 |
| Choosing to Succeed | 84.360A | S360A1000068 | 2,793,424 |
| | | | <u>2,868,827</u> |
| Passed through the State of Connecticut | | | |
| Department of Education: | | | |
| Title I Cluster: | | | |
| Title I Programs - Local Educational Agencies | 84.010A | 12060-SDE64370-20679 | 13,540,551 |
| Total Title I Cluster | | | <u>13,540,551</u> |
| Carl Perkins Vocational and Technical Education - Basic Grants to State | 84.048A | 12060-SDE64370-20742 | 512,627 |

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Catalog of Federal Domestic Assistance Number | Pass-Through Grantor Entity- Identifying Number | Federal Expenditures |
|---------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|-------------------------|
| Special Education Cluster: | | | |
| IDEA, Part B Section 619 | 84.173A | 12060-SDE64370-20983 | 208,932 |
| IDEA, Part B Section 611 | 84.027A | 12060-SDE64370-20977 | 5,843,733 |
| Total Special Education Cluster | | | <u>6,052,665</u> |
| ARRA School Improvement Grant | 84.377 | 12060-SDE64370-29064 | 1,617,406 |
| Support for Pregnant and Parenting Teens | N/A | 12060-SDE64370-22439 | 299,799 |
| Title III, Part A - English Language | 84.365A | 12060-SDE64370-20868 | 623,201 |
| Education of Homeless Children and Youth | 84.196 | 12060-SDE64370-20770 | 19,012 |
| Title II, Improving Teacher Quality | 84.367A | 12060-SDE64370-20858 | 2,342,712 |
| Education Jobs Fund | 84.410 | 12060-SDE64370-22405 | 2,974,787 |
| | | | <u>2,974,787</u> |
| Total U.S. Department of Education | | | <u>30,851,587</u> |
| U.S. Department of Health and Human Services | | | |
| Direct Programs: | | | |
| Ryan White Part A 3/12-2/13 | 93.914 | N/A | 2,356,250 |
| Ryan White Part A 3/13-2/14 | 93.914 | N/A | 1,007,139 |
| Healthy Hartford Campaign Account | 93.365 | HHSP233200900522P | 2,730 |
| Teen Pregnancy & STD/HIV Prevention 9/12-9/13 | 93.297 | N/A | 608,400 |
| Teen Pregnancy & STD/HIV Prevention 9/11-9/12 | 93.297 | N/A | 316,334 |
| | | | <u>4,290,853</u> |
| Passed through the State of Connecticut | | | |
| Department of Public Health: | | | |
| Public Health Preparedness | 93.069 | SID22333 DPH LOG2012-1077/PHP | 68,245 |
| Vaccines - Non Cash | 93.268 | NON-CONTRACT | 25,165 |
| Immunization Action Plan 1/12 - 12/12 | 93.268 | SID20911 LOG2012-0124 | 118,178 |
| Federal Healthy Start | 93.926 | SID22348&DPH LOG2010-0188-1 | 167,300 |
| HIV Prevention | 93.940 | SID22511&12236 | 32,024 |
| Sexually Transmitted Diseases | 93.991 | SID20980 LOG2010-0012-3/STD&TB | 80,840 |
| Ryan White - MHIS Careware | 93.914 | Pass thru | 6,000 |
| Ryan White - MHIS Careware | 93.914 | Pass thru CHCAC | 4,250 |
| School-Based Health Clinics | 93.994 | DPH LOG 2011-0112 | 916,691 |
| | | | <u>1,418,693</u> |
| Passed through the Massachusetts | | | |
| Department of Public Health: | | | |
| Center for Disease Control Grant | 93.991 | VC6000202053 | 30,000 |
| | | | <u>30,000</u> |
| Total U.S. Department of Health and Human Services | | | <u>5,739,546</u> |

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Catalog of Federal Domestic Assistance Number | Pass-Through Grantor Entity- Identifying Number | Federal Expenditures |
|------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|-------------------------|
| U.S. Department of Homeland Security | | | |
| Direct Programs: | | | |
| Citizenship Instruction | 97.010 | DUNS # 114932424 | 67,858 |
| FEMA Passed through the United Way: | | | |
| Emergency Shelter McKinney-Utility | 97.024 | N/A | 36,146 |
| Total U.S. Department of Homeland Security | | | 104,004 |
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs: | | | |
| Lead Hazard Reduction Demonstration | 14.905 | N/A | 1,393,207 |
| Emergency Shelter Grants Program (ESG) | 14.231 | N/A | 244,834 |
| Home Investment Partnership Program | 14.239 | N/A | 2,285,365 |
| Housing Opportunities for Persons with AIDS (HOPWA) | 14.241 | N/A | 1,111,810 |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | 46,359,330 |
| Section 8 Mod Rehab | 14.856 | N/A | 2,148,722 |
| | | | 53,543,268 |
| CDBG - Entitlement Cluster: | | | |
| Community Development Block Grant/Entitlement | 14.218 | N/A | 3,768,264 |
| ARRA CDBG Recovery Program (CDBG-R) B-09-MY-09-0006 | 14.253 | N/A | 27,395 |
| Neighborhood Stabilization-Admin | 14.218 | N/A | 68,081 |
| Neighborhood Stabilization-Acquisition | 14.218 | N/A | 118,131 |
| Total CDBG - Entitlement Cluster | | | 3,981,871 |
| Passed through the State of Connecticut Department of Economic Development: | | | |
| Neighborhood Stabilization-Acquisition | 14.228 | N/A | 230,270 |
| Neighborhood Stabilization-Redevelopment | 14.228 | N/A | 520,000 |
| Neighborhood Stabilization-Admin | 14.228 | N/A | 17,498 |
| | | | 767,768 |
| Total U.S. Department of Housing and Urban Development | | | 58,292,907 |
| U.S. Department of Transportation | | | |
| Passed through the State of Connecticut | | | |
| Department of Transportation: | | | |
| FTA-Federal Transit Administration | 20.514 | N/A | 101,329 |
| Highway Planning and Construction | 20.205 | 12062-DOT57141-22108 | 204,600 |
| Hartford Birds Habitat | 15.563 | N/A | 33,268 |
| Total U.S. Department of Transportation | | | 339,197 |

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Catalog of Federal Domestic Assistance Number | Pass-Through Grantor Entity- Identifying Number | Federal Expenditures |
|---------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|-------------------------|
| U.S. Department of Energy | | | |
| Direct Programs: | | | |
| ARRA EECBG Single Stream Recycling | 81.128 | N/A | 429,940 |
| U.S. Department of Environmental Protection | | | |
| Direct Programs: | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | PRG-BF, DOC ID96135301 | 16,522 |
| Federal Emergency Management Agency | | | |
| Direct Programs: | | | |
| Assist to Firefighter Fire Prevention | 97.044 | N/A | 28,871 |
| Hartford Bomb Squad | 97.067 | N/A | 952,829 |
| Storm Nemo/Charlotte | 97.036 | N/A | 1,475,012 |
| Total Federal Emergency Management Agency | | | 2,456,712 |
| U.S. Department of Justice | | | |
| Direct Programs: | | | |
| OJJDP Mentoring | 16.541 | N/A | 204,990 |
| ARRA JAG Grant | 16.710 | N/A | 705,746 |
| FBI Safe Street | 16.111 | N/A | 58,563 |
| Hartford Resident Office DEA | 16.111 | N/A | 34,323 |
| Cops Hiring Grant | 16.710 | N/A | 547,152 |
| Cops Hiring Grant | 16.710 | N/A | 746,437 |
| FY'12 Edward Byrne Memorial | 16.738 | N/A | 200,793 |
| Weed and Seed | 16.595 | N/A | 97,069 |
| Intellectual Property | 16.752 | N/A | 30,220 |
| FY'10 JAG Grant | 16.710 | NA | 60,069 |
| Truancey R. Program Earmark Grt. | 16.541 | N/A | 8,183 |
| Starr (Striving Recidivism Grant) | 16.812 | N/A | 105,868 |
| Starr (Striving Recidivism Grant) | 16.812 | N/A | 569,715 |
| ATF Task Force OCDETF Reimb | 16.111 | N/A | 83,924 |
| CTVFTF Grant | N/A | N/A | 15,532 |
| FY'06 COPS Techonology Grant | 16.710 | N/A | 1,277,719 |
| FY'09 COPS Techonology Grant | 16.710 | N/A | 48,878 |
| FY'08 COPS Techonology Grant | 16.710 | N/A | 701,238 |
| Fed Seized & Forfieted Property Fund | 16.922 | N/A | 67,284 |
| Total U.S. Department of Justice | | | 5,563,703 |
| U.S. Institute of Museum & Library Services | | | |
| Direct Programs: | | | |
| IMLS 2012 Sparks Ignition Grant | 45.312 | N/A | 2,509 |
| National Leadership Program 10/10-9/11 | 45.312 | LG-07-10-0239-10 | 26,789 |
| National Leadership Program 10/11-9/12 | 45.312 | LG-07-10-0239-10 | 273,509 |
| Total U.S. Institute of Museum & Library Services | | | 302,807 |
| Total Federal Awards Expended | | | \$ 122,494,936 |

N/A – Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Various agencies of the Federal Government have made financial assistance available to the City of Hartford, Connecticut. These grants fund several programs including housing, education, human and social services, transportation, public safety and general government activities.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Hartford, Connecticut (the "City") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Principles

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hartford, Connecticut and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Non-Cash Awards

U.S.D.A. Contributions – Noncash

The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$275,433 represents the market value of such commodities used during the period. This amount is included with the Child Nutrition Cluster.

WIC Food Payments - Noncash

The United States Department of Agriculture makes noncash distributions of food vouchers for WIC. The amount of \$5,707,604 represents the market value of such vouchers used during this period.

Vaccines – Noncash

The United States Department of Public Health makes noncash distributions of vaccines. The amount of \$25,165 represents the market value of such vaccines used during this period.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal Control over Financial Reporting

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs

| CFDA Numbers | Name of Federal Program or Cluster |
|----------------------|-------------------------------------------|
| 14.218/14.253/14.254 | CDBG Entitlement Cluster |
| 14.871/14.879/14.880 | Section 8 Housing Choice Vouchers Cluster |
| 14.856 | Section 8 Mod Rehab |
| 14.241 | HOPWA |
| 14.228 | Neighborhood Stabilization |
| 16.710 | COPS Hiring Grants |
| 84.027/84.173 | IDEA Cluster |
| 93.914 | Ryan White Part A |
| 93.297 | Teen Pregnancy & STD/HIV Prevention |

Dollar threshold used to distinguish between type A and type B programs \$ 3,000,000

Auditee qualified as low-risk auditee? Yes No

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

SDIC13-1 Cash

Criteria:

The City's current policy for issuing vendor checks does not have procedures regarding timing at year end.

Condition:

The City issued checks the day after they were approved to be paid. The City included these checks on its outstanding check list and as a reconciling item on the bank reconciliation.

Context:

During our cash reconciliation testing, we noted that the City had recorded approximately \$4.2 million of checks on their bank reconciliation as outstanding, when in fact the checks were issued on July 1, 2013, after year end.

Effect:

Cash and accounts payable were understated by \$4.2 million. This error caused interim financial statements to be inaccurate.

Cause:

The City's current policy for issuing vendor checks does not contain procedures for yearend timing issues.

Recommendation:

We recommend that the City update their policy for issuing checks on the same date as the warrant is approved in order to provide accurate financial statements.

Management Response:

The Treasurer's Office will update their existing policy to address when the issuance date and the warrant date cross fiscal years that both dates should equal the date of the warrant.

SDIC13-2 Wire Transfers

Criteria:

The City Treasury department should follow policy so that only approved vendors are able to receive payment via wire transfers.

Condition:

The City Treasury department wired funds to an unapproved vendor.

Context:

During our subsequent testing, we noted a wire to an unapproved vendor. There were also no invoices from this vendor to support the transaction. This amounted in approximately \$868,000 of unapproved vendor wire transfers.

Effect:

Misappropriation of funds to vendors could occur.

Cause:

The Treasury department did not follow the City's internal control policy for wiring money to approved vendors.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

Recommendation:

We recommend that the Treasury department comply with the City's internal control policy for wiring money to vendors.

Management Response:

The Treasurer's Office implemented a new procedure regarding wire payments, including notification of all wire payments to the Finance Department, in addition to monthly reconciliation of outgoing wire payments by the Finance Department from the bank statement back to accounts payable records. The Treasurer's Office has updated their current policies to reflect this change to their wire procedures.

SDIC13-3 Payroll Taxes

Criteria:

The City should have a policy for submitting required payroll filings to the IRS on a timely basis.

Condition:

The City failed to submit certain payroll filings to the IRS on the required dates.

Context:

The City is subject to penalties for not submitting certain of its payroll filings in accordance with IRS regulations.

Effect:

The City is subject to various IRS penalties for failure to file by the required dates.

Cause:

The City did not have proper controls in place for submitting all IRS filings on a timely basis.

Recommendation:

We recommend that the City put controls in place for submitting all IRS filings on a timely basis.

Management Response:

The payroll division experienced heavy turnover in fiscal year 2013 creating operational difficulties. Staffing has since stabilized and the division has been filing all appropriate reports by the required dates. The new supervisor has also added these required filings to the annual payroll calendar.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

There were no findings in the prior year for the federal single audit.



**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**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items as SDIC13-1 to SDIC13-3 to be significant deficiencies.

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 significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Haven, Connecticut
January 30, 2014



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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of Hartford, Connecticut's (the "City") 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 the City's major state programs for the year ended June 30, 2013. The City's major state 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 state programs.

Auditor's Responsibility

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

Opinion on Each Major State Program

In our opinion, the City 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, 2013.

Report on Internal Control Over Compliance

Management of the City 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'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 an 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 the City'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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Hartford, Connecticut's basic financial statements. We issued our report thereon dated January 30, 2014, 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 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut
January 30, 2014

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

| State Grantor/Pass-Through Grantor/Program Title | State Grant Program CORE-CT Number | Expenditures |
|----------------------------------------------------------------------------------------------------|------------------------------------------|-------------------|
| OFFICE OF POLICY AND MANAGEMENT: | | |
| Property Tax Disability Exemption | 11000-OPM20600-17011 | \$ 9,321 |
| Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities | 11000-OPM20600-17016 | 840,690 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018 | 335,013 |
| Property Tax Relief for Elderly Homeowners - Freeze Program | 11000-OPM20600-17021 | 2,000 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 83,711 |
| Local Capital Improvement Program | 12050-OPM20600-40254 | 1,559,123 |
| PILOT on State Owned Property | 11000-OPM20600-17004 | 13,570,279 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals | 11000-OPM20600-17006 | 25,708,152 |
| Total Office of Policy and Management | | 42,108,289 |
| DEPARTMENT OF EDUCATION: | | |
| Child Nutrition Program-State Match | 11000-SDE64370-16211 | 151,092 |
| Family Resource Center | 11000-SDE64370-16110 | 631,278 |
| Adult Education | 11000-SDE64000-17030 | 1,908,623 |
| Health Services | 11000-SDE64370-17034 | 91,809 |
| Bilingual Education | 11000-SDE64370-17042 | 288,105 |
| Priority School Districts | 11000-SDE64370-17043-82052 | 6,165,984 |
| Extended School Hours | 11000-SDE64000-17043-82054 | 389,260 |
| Summer School Accountability Grant | 11000-SDE64000-17043 | 462,412 |
| Interdistrict Cooperative Grant | 11000-SDE64370-17045 | 125,590 |
| Youth Services Bureau | 11000-SDE64000-17052 | 160,722 |
| Youth Services Bureau-Enhancement | 11000-SDE64370-16201 | 9,777 |
| Open Choice | 11000-SDE64370-17053 | 297,162 |
| Magnet Schools | 11000-SDE64370-17057 | 46,811,115 |
| Magnet Great Path Academy | 11000-SDE64370-12457 | 2,842,739 |
| Magnet School Academic Support | 11000-SDE64370-12457 | 381,085 |
| Low Performing Schools | 12052-SDE64370-43539 | 313,455 |
| Wrap Around Grant | 11000-SDE64370-17043 | 100,000 |
| Parent Academy | 11000-SDE64370-12545 | 78,853 |
| Alliance - Governors Turnaround | 11000-SDE64700-17041 | 2,986,822 |
| Commissioner's Network | 11000-SDE64370-12457 | 1,559,692 |
| Sheff Settlement - Great Path | 11000-SDE64370-12457 | 69,147 |
| Sheff Settlement - Incubation Funds | 11000-SDE64370-12052 | 1,022,925 |
| ELC Child Care | 11000-SDE64370-17043-82056 | 1,418,530 |
| ELC School Readiness Burns | 11000-SDE64370-17043-82056 | 57,031 |
| ELC School Readiness | 11000-SDE64370-17043-82056 | 928,177 |
| Quality Enhancement Grant | 11000-SDE64370-17097 | 150,123 |
| School Readiness | 11000-SDE64370-17043-82056 | 11,064,840 |
| SERC Parent Leadership | N/A | 24,389 |
| Charter School Jumoke Academy | N/A | 6,007,800 |
| Charter School Achievement First | N/A | 8,190,600 |
| Child Nutrition Lunch Program | N/A | 211,767 |
| Program Improvement Project 7/10-6/11 | N/A | 558 |
| Program Improvement Project 7/11-6/12 | SID#20784 | 1,196 |
| Program Improvement Project 7/12-6/13 | SID#20784 | 35,000 |
| Total Department of Education | | 94,937,658 |
| DEPARTMENT OF TRANSPORTATION: | | |
| Town Aid Road Grants | 12001-DOT57131-17036 | 602,523 |
| Bus Operations | 12001-DOT57931-12175 | 77,620 |
| FY'12 Comprehensive DUI Enforcement | N/A | 56,495 |
| Comprehensive DUI Enforcement | N/A | 70,644 |
| Comprehensive DUI Enforcement | N/A | 73 |
| Click it or Ticket it | N/A | 16,897 |
| TOD Transit Oriented Design Pilot | N/A | 41,273 |
| Total Department of Transportation | | 865,525 |

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2013

| State Grantor/Pass-Through Grantor/Program Title | State Grant Program CORE-CT Number | Expenditures |
|--------------------------------------------------------|-----------------------------------------------|------------------|
| EDUCATION AND SERVICES FOR THE BLIND: | | |
| Services for the Blind | 11000-ESB65020-12060 | 182,393 |
| JUDICIAL DEPARTMENT: | | |
| Juvenile Review Board | 11000-JUD91178-16043 | 305,000 |
| Local Prevention Council Grant | N/A | 7,130 |
| Non-Budgeted Operating Appropriation | 34001-JUD95162-40001 | 88,439 |
| Total Judicial Department | | 400,569 |
| CONNECTICUT STATE LIBRARY: | | |
| LSTA Voter Engagement | N/A | 34,497 |
| LSTA Cooking It Up | N/A | 918 |
| LSTA Family Welcome Initiative | N/A | 5,018 |
| LSTA Digital Preservation | N/A | 15,084 |
| CT State Library Grant | N/A | 7,903 |
| Historic Documents Preservation Grant | 12060-CSL66094-35150 | 9,500 |
| Total Connecticut State Library | | 72,920 |
| DEPARTMENT OF SOCIAL SERVICES: | | |
| Nurturing Families Network 1/1/12-12/31/14 | SID12042 & CONTRACT12DSS8301EG | 203,114 |
| Emergency Shelter Grant McKinney CITY | N/A | 8,429 |
| Emergency Shelter Grant McKinney 10/1/12-6/30/13 | SID17038 & CONTRACT064ESS25/10DSS3701 | 462,849 |
| Healthy Start 7/1/12-6/30/13 | SID16105 & CONTRACT064-HUO-06/05DSS1001EG-A6 | 304,264 |
| Total Department of Social Services | | 978,656 |
| DEPARTMENT OF CHILDREN AND FAMILIES: | | |
| DCF - Family Enrichment Services | SID16064 CONTRACT12-DCF-0120AA | 27,041 |
| DEPARTMENT OF REVENUE SERVICES | | |
| Non-Budgeted Operating Appropriation | 34004-DCP18306-40001 | 267,690 |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION: | | |
| Local Flood and Erosion Project | VARIOUS | 79,520 |
| DEPARTMENT OF PUBLIC HEALTH: | | |
| Childhood Lead Poisoning Prevention | 11000-DPH48664-10020 | 87,645 |
| Comprehensive Cancer Planning | SID#21530 & CONTRACT 2012-0021-1 CFDA #93.991 | 28,549 |
| Tuberculosis Control and Prevention | 11000-DPH48666-16112 | 44,435 |
| Women's Healthy Heart | 12060-DPH48857-30445 | 40,000 |
| Per capita 7/1/2012-6/30/2013 | 11000-DPH48500-17009 | 107,630 |
| Sexually Transmitted Disease Control | 11000-DPH48665-17013 | 36,451 |
| Ryan White MHIS Careware | | 7,000 |
| Total Department of Public Health | | 351,710 |
| DEPARTMENT OF PUBLIC SAFETY: | | |
| State Asset Forfeiture Revolving Fund | 12060-DPS32155-35142 | 155,936 |
| Healthy Food Grant | 11000-SDE64370-16212 | 103,240 |
| PSN Anti Gang Fund | N/A | 582 |
| FY'12 JAG pass thru | N/A | 45,000 |
| Enhanced 911 Subsidy | N/A | 131,811 |
| Public Safety Telecommunication Services Reimbursement | N/A | 5,468 |
| Reimbursement for ICAC | N/A | 1,481 |
| Reimbursement for CTIC Participation | N/A | 45,000 |
| State Wide Vice and Narcotics | N/A | 3,140 |
| State Wide Narcotics TF | N/A | 23,321 |
| Emergency Management Performance Grant | N/A | 124,061 |
| Emergency Management Performance Grant | N/A | 153,378 |
| 911 Subsidy Grant | N/A | 607,415 |
| | | 1,399,833 |

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2013

| State Grantor/Pass-Through Grantor/Program Title | State Grant Program CORE-CT Number | Expenditures |
|----------------------------------------------------------------|------------------------------------------|-----------------------|
| DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT: | | |
| Tax Abatement Program | 11000-ECD46400-17008 | 360,830 |
| Payment in Lieu of Taxes (PILOT) | 11000-ECD46400-17012-039 | 440,382 |
| Swift Factory Brownfield's Project | SID# 12052-46000-43236 | 57,144 |
| Arts Catalyze Placemaking Program | N/A | 24,109 |
| Arts Grant: Burns Latino Studies Academy | 2013 ACPI-20619 | 3,975 |
| Downtown Housing Study | 41233 | 657 |
| CCEDA II Home Ownership Appraisal GAP | 12059-ECD46400-40577 | 326,207 |
| TOTAL DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT | | <u>1,213,304</u> |
| TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS | | <u>142,885,108</u> |
| EXEMPT PROGRAMS | | |
| DEPARTMENT OF EDUCATION: | | |
| Department of Education Public School Transportation | 11000-SDE64000-17027 | 1,841,152 |
| Education Cost Sharing | 11000-SDE64000-17041 | 187,912,089 |
| Excess Cost - Student Based | 11000-SDE64000-17047 | 8,921,218 |
| School Construction - Interest | 13009-SDE64000-40896 | 469,721 |
| School Construction - Progress Payment | 13009-SDE64000-40901 | 81,905,618 |
| School Construction - Principal | 11000-SDE64000-17049 | 1,785,119 |
| | | <u>282,834,917</u> |
| OFFICE OF POLICY AND MANAGEMENT | | |
| Mashantucket Pequot/Mohegan Fund | 12009-OPM20600-17005 | 6,690,065 |
| Municipal Video Competition | 12060-OPM20600-35362 | 4,177,219 |
| Municipal Revenue Sharing | 11000-OPM20600-35362 | 1,140,741 |
| | | <u>12,008,025</u> |
| Total Exempt Programs | | <u>294,842,942</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | <u>\$ 437,728,050</u> |

See Notes to Schedule.

N/A=Not Available

CITY OF HARTFORD, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Hartford, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public safety, social services, public health, road construction, school construction, community development and general government.

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Hartford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

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 expenditures reported on the Schedule 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.

Note 2. Loan Programs

In accordance with Section 426-23(a)4(f) of the regulations to the State Single Audit Act, the notes to the Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

Department of Environmental Protection

Clean Water Funds 21014-OTT4230-4001

| Balance | | | Balance |
|--------------|--------|-----------|---------------|
| July 1, 2012 | Issued | Retired | June 30, 2013 |
| \$ 1,495,815 | \$ - | \$ 85,468 | \$ 1,410,347 |

CITY OF HARTFORD, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's 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? Yes X No

The following schedule reflects the major programs included in the state single audit:

| State Grantor and Program | State CORE-CT Number | Expenditures |
|-------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| Department of Education: | | |
| Magnet School-Operating | 11000-SDE64370-17057 | \$ 46,811,115 |
| Charter Schools | N/A | 14,198,400 |
| Alliance Grants | 11000-SDE64700-17041 | 2,986,822 |
| Adult Education | 11000-SDE64000-17030 | 1,908,623 |
| Commissioner's Network | 11000-SDE64370-12457 | 1,559,692 |
| Office of Policy and Management: | | |
| PILOT on State Owned Property | 11000-OPM20600-17004 | 13,570,279 |
| Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities | 11000-OPM20600-17016 | 840,690 |
| Department of Public Safety | | |
| 911 Subsidy Grant | N/A | 607,415 |
| Department of Economic and Community Development: | | |
| CCEDA II Home Ownership Appraisal GAP | 12059-ECD46400-40577 | 326,207 |
| • Dollar threshold used to distinguish between type A and type B programs | | <u>\$ 2,857,702</u> |

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

See SDIC13-1 through SDIC13-3 on pages 9-10.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS - STATE
For the Year Ended June 30, 2013**

There were no prior year audit findings.