



City of Wilmington, Delaware

Schedule of Expenditures of Federal Awards and Independent Auditor's Reports Required by *Government Auditing Standards* and OMB Circular A-133

For The Year Ended June 30, 2014

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



City of Wilmington, Delaware

Schedule of Expenditures of Federal Awards and Independent Auditor's Reports Required by *Government Auditing Standards* and OMB Circular A-133

For the Year Ended June 30, 2014

City of Wilmington, Delaware

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor, Dennis P. Williams and
Members of City Council
City of Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wilmington (the City), as of and for the year ended June 30, 2014, 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 28, 2015. Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Christina Gateway Corporation, Wilmington Parking Authority, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District; and blended component units, Wilmington Park Trust Commission and Rock Manor Golf Course Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 determinate 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.

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, misstatement on a timely basis.



A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2014-001, 2014-002, 2014-003 and 2014-004 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Responses 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 the responses.

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'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.

BDO USA, LLP

January 28, 2015



Independent Auditor's 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

The Honorable Mayor, Dennis P. Williams and
Members of City Council
City of Wilmington, Delaware

Report on Compliance for Each Major Federal Program

We have audited the City of Wilmington, Delaware'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, 2014. 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.

The City's basic financial statements include the operations of the following discretely presented component units: Christina Gateway Corporation, Wilmington Parking Authority, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District; and blended component units, Wilmington Park Trust Commission and Rock Manor Golf Course Corporation, as described in our report on the City's financial statements, all of which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of Christina Gateway Corporation, Wilmington Parking Authority, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District, Wilmington Park Trust Commission and Rock Manor Golf Course Corporation because less than \$500,000 of federal awards were expended by these entities.

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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-010. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

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 a 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 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 2014-006, 2014-007, 2014-009, 2014-010, and 2014-011 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 28, 2015, 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.

BDO USA, LLP

January 28, 2015

City of Wilmington, Delaware
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Period	Expenditures			Loans Outstanding
			Regular	ARRA	Total	
Passed through the Delaware Department of Education						
<i>Passed through the Delaware Department of Education</i>						
Evening Feeding Program (CACFP)	10.558	10/1/12 - 9/30/13	\$ 7,974	\$ -	\$ 7,974	\$ -
Evening Feeding Program (CACFP)	10.558	10/01/13 - 9/30/14	276,256	-	276,256	-
Summer Food Service Program for Children (SFSPC)	10.559	6/17/13 - 8/16/13	403,741	-	403,741	-
Summer Food Service Program for Children (SFSPC)	10.559	6/16/14 - 8/29/14	114,670	-	114,670	-
Subtotal for Summer Food Service Program for Children (SFSPC)			518,411		518,411	
Total United States Department of Agriculture			802,641	-	802,641	-
United States Department of Housing and Urban Development						
<i>Direct Programs</i>						
CDBG Cluster - Community Development Block Grant / Entitlement	14.218	7/1/09 - 6/30/10	19,131	-	19,131	-
CDBG Cluster - Community Development Block Grant / Entitlement	14.218	7/1/10 - 6/30/11	16,830	-	16,830	-
CDBG Cluster - Community Development Block Grant / Entitlement	14.218	7/1/12 - 6/30/13	343,353	-	343,353	-
CDBG Cluster - Community Development Block Grant / Entitlement	14.218	7/1/13 - 6/30/14	1,373,244	-	1,373,244	-
Subtotal for Community Development Block Grant Cluster			1,752,558	-	1,752,558	-
HOME Investments Partnership	14.239	7/1/08 - 6/30/09	4,978	-	4,978	-
HOME Investments Partnership	14.239	7/1/09 - 6/30/10	51,552	-	51,552	-
HOME Investments Partnership	14.239	7/1/10 - 6/30/11	287,500	-	287,500	-
HOME Investments Partnership	14.239	7/1/11 - 6/30/12	125,000	-	125,000	-
HOME Investments Partnership	14.239	7/1/13 - 6/30/14	175,656	-	175,656	-
Subtotal for HOME Investments Partnership			644,686	-	644,686	-
Housing Opportunities for Persons with AIDS	14.241	7/1/12 - 6/30/13	70,385	-	70,385	-
Housing Opportunities for Persons with AIDS	14.241	7/1/13 - 6/30/14	583,170	-	583,170	-
Subtotal for Housing Opportunities for People with AIDS			653,555	-	653,555	-
Emergency Shelter Grant	14.231	7/1/12 - 6/30/13	29,237	-	29,237	-
Emergency Shelter Grant	14.231	7/1/13 - 6/30/14	182,820	-	182,820	-
Lead Hazard Reduction Demonstration Grant	14.905	11/1/11 - 10/31/14	608,945	-	608,945	-
Subtotal Direct Awards			3,871,801	-	3,871,801	-
United States Department of Housing and Urban Development						
<i>Passed through the Delaware State Housing Authority</i>						
Neighborhood Stabilization Program (NSP1)	14.228	3/23/09 - 12/31/14	462,130	-	462,130	-
ARRA - Neighborhood Stabilization Program (NSP2)	14.256	1/7/11 - 12/31/14	-	45,801	45,801	-
Subtotal Pass-Through Awards			462,130	45,801	507,931	-
Total United States Department of Housing and Urban Development			4,333,931	45,801	4,379,732	-

City of Wilmington, Delaware
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Period	Expenditures			Loans Outstanding
			Regular	ARRA	Total	
United States Department of Interior						
<i>Passed through the Delaware Division of Historical and Cultural Affairs</i>						
Historic Preservation	15.904	7/1/13 - 8/31/14	17,206	-	17,206	-
Total United States Department of Interior			17,206	-	17,206	-
United States Department of Justice						
<i>Direct Programs</i>						
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/09 - 9/30/13	4,970	-	4,970	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/10 - 9/30/14	41,313	-	41,313	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/12 - 9/30/15	61,000	-	61,000	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/1/12 - 9/30/16	81,308	-	81,308	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			188,591	-	188,591	-
ARRA - Public Safety Partnership & Community Policing Grants	16.710	7/10/09 - 5/31/15	-	121,033	121,033	-
Subtotal ARRA - Public Safety Partnership & Community Policing Grants			-	121,033	121,033	-
Subtotal Direct Awards			188,591	121,033	309,624	-
United States Department of Justice						
<i>Passed through the Town of Newport</i>						
Congressionally Recommended Awards	16.753	7/1/11 - 12/31/13	6,476	-	6,476	-
Subtotal for Congressionally Recommended Awards			6,476	-	6,476	-
<i>Passed through the Delaware Criminal Justice Planning Council</i>						
ARRA - Public Safety Partnership & Community Policing Grants	16.710	12/16/09 - 06/15/14	-	380,000	380,000	-
Law Enforcement Assistance Narcotics & Dangerous Drugs Training	16.004	2/4/09 - 9/30/13	13,108	-	13,108	-
Law Enforcement Assistance Narcotics & Dangerous Drugs Training	16.004	7/1/09 - 9/30/14	53,357	-	53,357	-
Violence Against Women Formula Grants	16.588	9/1/12 - 6/30/14	9,890	-	9,890	-
Violence Against Women Formula Grants	16.588	4/15/13 - 4/30/14	-	26,397	26,397	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2/15/13 - 9/30/13	2,457	-	2,457	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9/1/12 - 3/31/14	15,199	-	15,199	-
CISM Training for Victims Services	16.738	4/1/14 - 8/31/14	2,279	-	2,279	-
Anti-Violence Initiative	16.738	10/15/13 - 10/14/14	5,721	-	5,721	-
Title V Delinquency Prevention Program	16.548	7/1/13 - 9/30/13	17,074	-	17,074	-
Crime Victim Assistance	16.575	10/1/13 - 9/30/14	10,885	-	10,885	-
Bulletproof Vest Partnership Program	16.607	9/10/12 - 10/17/14	1,016	-	1,016	-
Subtotal Other Pass-Through Awards			130,986	406,397	537,383	-

City of Wilmington, Delaware
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Period	Expenditures			Loans Outstanding
			Regular	ARRA	Total	
Subtotal Pass-Through Awards			137,462	406,397	543,859	-
Total United States Department of Justice			326,053	527,430	853,483	-
United States Department of Transportation						
<i>Direct Programs</i>						
OHS Project #1	20.600	10/1/13 - 9/30/14	11,093	-	11,093	-
OHS Project #2	20.601	10/1/13 - 9/30/14	4,951	-	4,951	-
OHS Project #4	20.614	10/1/13 - 9/30/14	348	-	348	-
Federal-Aid Highway Program, Federal Lands Highway Program	20.205	6/11/14 - 6/26/14	20,886	-	20,886	-
Subtotal Direct Programs			37,278	-	37,278	-
<i>Indirect Programs</i>						
Alcohol Open Container Requirements	20.607	1/1/13 - 2/11/13	41,684	-	41,684	-
Federal-Aid Highway Program, Federal Lands Highway Program	20.205	4/23/10 - Open	899,703	-	899,703	-
Subtotal Indirect Programs			941,387	-	941,387	-
Total United States Department of Transportation			978,665	-	978,665	-
United States Department of Energy						
<i>Passed through the Delaware Department of Natural Resources and Environmental Control</i>						
Energy Efficiency and Conservation Block Grant Program	81.128	2011SEU	1,077,935	-	1,077,935	1,343,034
Total United States Department of Energy			1,077,935	-	1,077,935	1,343,034
United States Environmental Protection Agency						
<i>Passed through the Delaware Department of Natural Resources and Environmental Control</i>						
Capitalization Grants for Clean Water Revolving Loan Fund	66.458	2012	30,453,577	-	30,453,577	28,591,001
Capitalization Grants for Clean Water Revolving Loan Fund	66.458	1993	-	-	-	3,083,365
Subtotal Capitalization Grants for Clean Water State Revolving Funds			30,453,577	-	30,453,577	31,674,366

City of Wilmington, Delaware
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Period	Expenditures			Loans Outstanding
			Regular	ARRA	Total	
United States Environmental Protection Agency						
<i>Passed through the Delaware Department of Health and Social Services</i>						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2003	-	-	-	7,398,408
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2005C	-	-	-	11,950,628
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2006	-	-	-	2,237,763
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2006B	-	-	-	1,094,514
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2007	-	-	-	2,802,334
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2008	-	-	-	18,975,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2008B	-	-	-	4,521,646
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2009C	-	-	-	2,560,207
Capitalization Grants for Drinking Water State Revolving Funds	66.458	2011	1,212,372	-	1,212,372	776,591
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2012A	116,896	-	116,896	114,606
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2012B	1,336,031	-	1,336,031	593,815
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2011A	-	-	-	2,394,015
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	2009	-	-	-	4,055,400
Subtotal Capitalization Grants for Drinking Water State Revolving Funds			2,665,299	-	2,665,299	59,474,927
Subtotal Pass-Through Awards			33,118,876	-	33,118,876	91,149,293
Total United States Environmental Protection Agency			33,118,876	-	33,118,876	91,149,293
United States Department of Homeland Security						
<i>Direct Programs</i>						
Assistance to Firefighters Grant	97.044	5/18/11 - 4/17/14	404,814	-	404,814	-
Subtotal Assistance to Firefighters Grant			404,814	-	404,814	-
Subtotal Direct Homeland Security Awards			404,814	-	404,814	-
United States Department of Homeland Security						
<i>Passed through the Delaware Emergency Management Agency (DEMA)</i>						
Emergency Management Performance Grants	97.042	10/1/10 - 9/30/13	424	-	424	-
Emergency Management Performance Grants	97.042	10/1/11 - 9/30/13	249,813	-	249,813	-
Emergency Management Performance Grants	97.042	10/1/12 - 9/30/14	75,685	-	75,685	-
Pre-Disaster Mitigation Program	97.047	9/28/10 - 9/30/13	37,072	-	37,072	-
Subtotal Passed through the Delaware Emergency Management Agency (DEMA)			362,994	-	362,994	-
<i>Passed through the Maritime Exchange for the Delaware River and Bay</i>						
Port Security Grant	97.056	7/18/11 - 8/30/14	137,365	-	137,365	-
Port Security Grant	97.056	6/1/09 - 5/31/14	18,000	-	18,000	-
Subtotal Port Security Grants			155,365	-	155,365	-
Subtotal Pass-Through Homeland Security Awards			518,359	-	518,359	-
Total United States Department of Homeland Security			923,173	-	923,173	-

City of Wilmington, Delaware
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Period	Expenditures			Loans Outstanding
			Regular	ARRA	Total	
United States Department of Health and Human Services						
<i>Passed through the Delaware Dept of Health Social Services</i>						
FY 2014 WECEC	93.596	10/01/13 - 09/30/14	29,997	-	29,997	-
FY 2013 WECEC	93.596	10/01/12 - 09/30/13	9,086	-	9,086	-
Total United States Department of Health and Human Services			39,083	-	39,083	-
Total Expenditures of Federal Awards			\$ 41,617,563	\$ 573,231	\$ 42,190,794	\$ 92,492,327

City of Wilmington, Delaware

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Wilmington, Delaware (the City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Sub-Recipients

Of the expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided the following Federal awards to subrecipients:

Program Title	CFDA #	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement	14.218	\$ 405,795
Neighborhood Stabilization Program (NSP1)	14.228	401,408
Housing Opportunities for Persons with AIDS	14.241	635,526
ARRA - Neighborhood Stabilization Program (NSP2)	14.256	6,593
		\$ 1,449,322

3. Refinance Activity and Adjustments

The City of Wilmington was approved by the State of Delaware's Department of Natural Resources and Environmental Control to receive a loan award in the amount of \$36,060,000 for a term of twenty (20) years under the Clean Water State Revolving Fund (CFDA 66.458) to refinance its prior Bond Anticipation Note ("BAN") from a commercial bank. Proceeds under this loan were received in June of 2014, and expenditures on the SEFA are presented from the project's inception through June 30, 2014.

This program was initially administered using City funding through its BAN, and in June 2014 the City adjusted their expenditures presented on the SEFA to align them with the change in funding sources. Therefore, program expenditures are reported in the SEFA as follows:

Program	CFDA #	Expenditures Incurred under BAN	Refinance Activity	Expenditures incurred under CWSRF	Total Expenditures
CWSRF	66.458	\$28,591,001	\$28,591,001	\$1,862,572	\$30,453,577

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued? | Unmodified |
| 2. Internal control over financial reporting: | |
| Material weakness identified? | Yes |
| Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 5. Type of auditor's report issued on compliance for major programs? | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

I. Summary of Auditor's Results (cont.)

7. Identification of Major Programs:

Name of the Federal Program or Cluster	CFDA Number
United States Department of Housing and Urban Development - Community Development Block Grants - Entitlement Grants (CDBG Cluster)	14.218
United States Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds	66.458
United States Environmental Protection Agency - Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. Dollar threshold used to distinguish
between Type A and B programs \$1,265,724

9. Auditee qualified as a low-risk auditee? No

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section II - Financial Statement Findings

Reference Number: 2014-001

Type of Finding: Material Weakness

Department of Finance - Financial Reporting Close Process

Criteria

Internal control over the review of accounting data and financial information gathered to prepare the City's financial statements in accordance with generally accepted accounting principles (GAAP) is not sufficient to identify and correct potential misstatements. Management has not implemented appropriate remedial action on a similar finding communicated in the prior year.

Condition

During our audit work, we noted numerous instances of adjusting journal entries required to be made during the year-end financial close process that were either not posted or were allocated incorrectly, posted using incorrect templates from prior years, or unadjusted from the prior year, leaving the underlying general ledger misstated. Significant delays were encountered in preparing the financial statements from the underlying data once adjusted.

Questioned Costs

Not applicable.

Context

During the financial reporting close process, the City's accounting department omitted certain transactions required as part of the financial statement close process and missed a number of accruals needed. Additionally, changes with either personnel involved or area of responsibility resulted in the City's inability to timely prepare draft financial statements.

Effect

Many instances of misstatements were identified by the auditor and provided to management for correction.

Cause

The internal controls capable of preventing, or detecting and correcting possible misstatements were inadequate.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Recommendation

The City should expand their financial closing schedule to include all areas or transactions that may potentially require adjustment as well as clearly define roles and responsibilities. It is possible that the elimination of an accounting position and replacement with a qualified consultant to assist preparing the financial statements may prove more effective and efficient use of City resources to ensure financial statements that are materially accurate and in accordance with GAAP.

Views of Responsible City Officials and Planned Corrective Actions

Management agrees with the recommendation of expanding the financial closing schedule to include a quarterly review of all general ledger accounts that may potentially require adjustments. Though a thorough checklist was developed last year to remedy this issue, management will meet weekly with the staff to ensure individuals are on target for completing assignments timely and accurately.

At the start of fiscal year 2015, following the approval of the fiscal year 2015 budget in May 2014, several key personnel were added to the department. We hired an accounting manager, grant accountant and water fund accountant in September 2014. As the staff gains more experience and receives additional training, we are confident significant progress will be made in the quality of work in the area of financial reporting and controls will be strengthened

Responsible Persons: Jeff Koss, Accounting Manager, Department of Finance
Tyrone Jordan, Senior Financial Officer, Department of Finance

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number: 2014-002
Type of Finding: Material Weakness
Various Departments - Grant Accounting

Criteria

The City receives large amounts of state and federal grant money to support various efforts. Incorrectly recording grant-related transactions could result in incorrect reimbursement of costs from state and federal agencies. Ensuring accurate identification of grant sources will assist in preparation of the City's SEFA and the proper management of these funds.

Condition

BDO noted misstatements related to the recording of grants in the City's general ledger and financial statements. Additionally, the City's draft Schedule of Expenditures of Federal Awards (SEFA) was not complete as certain expenditures were initially not included while others were inaccurate.

Questioned Costs

Not applicable.

Context

BDO examined expenditures of federal funds in detail in its testing of the SEFA. BDO also performed testing of other grant sources. In our testing, we noted the following:

- Material double-charged to a Federally funded project at year end. A correcting adjustment was made by Management after it was brought to their attention by the auditors.
- Material current year expenditures relating to Environmental Protection Agency Clean Water State Revolving Funds were improperly excluded from the preliminary SEFA. These were corrected by Management after it was brought to their attention by the auditors.
- Grant expenditures were coded to the incorrect fiscal year for the second year in a row. These were corrected by Management after it was brought to their attention by the auditors.

Based on our testing over grant revenues and receivables, we noted that post-closing entries within grant receivables and deferrals are set to auto-reverse in the subsequent period, when the invoices and/or requests for reimbursement may not have been submitting to the granting agency.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Effect

These entries result in an incomplete and inaccurate preliminary SEFA. The auto-reversal of journal entries can cause confusion regarding the true level of activity when being reviewed by those unfamiliar with the specific grant.

Cause

The City did not have resources dedicated to the grant accounting function within Finance to ensure transactions were properly recorded and reflected in the SEFA. The City did not adhere to proper cut-off procedures.

Recommendation

We recommend that the City dedicate more resources to the grant accounting function within Finance to ensure transactions are properly recorded and all expenditures reflected in the SEFA. The City should establish proper cut-off procedures that will ensure the recording of amounts in the proper accounting period, particularly in accounts receivable and accounts payable. The Accounting and Finance Departments should hold the various other departments accountable for meeting their responsibilities. We recommend that management investigate and review these balances and take the appropriate action to close out any old amounts and projects, such as contacting the awarding agencies to reconcile the differences.

Views of Responsible City Officials and Planned Corrective Actions

Management agrees with this recommendation and recognized that additional staff was needed to assure compliance with internal controls over its SEFA preparation process.

We hired a limited service employee for the remainder of FY 2014 to assist with the grants management function within in the Department of Finance. We hired a grant accountant in September 2014 as an employee of the City of Wilmington. As the staff gains more experience and receives additional training, we are confident significant progress will be made in the area of financial reporting and controls will be strengthened

Management will work closely with the Public Works and Real Estate and Housing departments to ensure all differences identified during the reconciliation process are resolved expeditiously.

Responsible Persons: Leonila Capron, Grant Accountant, Department of Finance
Tyrone Jordan, Senior Financial Officer, Department of Finance

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number: 2014-003
Type of Finding: Material Weakness
Department of Finance - Pension Accounting

Criteria

Internal control over the review of accounting data and financial information gathered to prepare the City's financial statements in accordance with generally accepted accounting principles (GAAP) should be sufficient to identify and correct potential misstatements.

Condition

The internal controls capable of preventing, or detecting and correcting possible misstatements within the City's pension funds were inadequate, resulting in a number of audit adjustments.

Questioned Costs

Not applicable.

Context

During testwork, BDO noted the following:

- Investment activity for the last six months of the fiscal year was not reflected in the draft trial balance.
- Allocations of investment income from pooled investments among funds were incorrect in the draft trial balance.
- Actuarially determined contributions were incorrectly recorded using an old actuarial report in the draft trial balance.
- Net OPEB Obligation was recorded using an incorrect template and was materially misstated in the draft trial balance.
- The combining statements contained numerous classification and grouping errors.

Effect

Instances of misstatements were identified by the auditor and provided to management for correction. If uncorrected, inaccurate pension results could result in future funding issues (as determined by the City's actuary).

Cause

Personnel preparing the investment journal entries and related financial statements were not adequately trained or properly supervised.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Recommendation

We recommend the City consolidate the responsibility for pension related journal entries and reporting with those familiar with pension accounting. Additionally, developing a schedule to ensure investment activity is timely recorded and reconciled throughout the year should result a more efficient process during the year end close.

Views of Responsible City Officials and Planned Corrective Actions

The Senior Financial Officer will work more closely with the Treasurer's Office Pension Coordinator to ensure the pension data used for the pension journal entries is accurate. In addition, management agrees that developing a schedule to ensure investment activity is timely recorded and reconciled throughout the year should result in a more efficient process during the year end close.

Responsible Persons: Tyrone Jordan, Senior Financial Officer, Department of Finance
Mary McDermott, Pension Coordinator, Department of Treasury

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number: 2014-004
Type of Finding: Material Weakness
Department of Finance - Revenue Recognition

Criteria

Internal control over the review of accounting data and financial information gathered to prepare the City's financial statements in accordance with generally accepted accounting principles (GAAP) should be sufficient to identify and correct potential misstatements.

Condition

The internal controls capable of preventing, or detecting and correcting possible misstatements within the City's various revenue streams were inadequate, resulting in a number of audit adjustments.

Questioned Costs

Not applicable.

Context

During testwork, BDO noted the following:

- Material citations revenue was erroneously recorded as a result of an adjustment to accounts receivable allowances, resulting in improper revenue recognition on the modified accrual basis of accounting.
- Adjustments to revenue in the Water Sewer Fund were made based on a template that did not include all appropriate amounts for adjustment.
- Revenues related to reimbursable grants were not recognized in the proper period when the related expenditures occurred.
- Material fiduciary additions (pension contributions) were not appropriately accrued.

Effect

Instances of misstatements were identified by the auditor and provided to management for correction. Revenue is the primary driver of the City's operations and used to budget future potential tax or rate increases.

Cause

Department personnel preparing revenue journal entries and related financial statements were not adequately trained or properly supervised with respect to the City's various revenue streams and proper revenue recognition framework for each of those streams.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Recommendation

The City should ensure those posting and reviewing entries are familiar with proper revenue recognition criteria. The City should also consider reviewing on a monthly or quarterly basis various revenue trends (i.e. comparison to prior periods or budgets) and analytics (i.e. ratios of recorded revenue to receivables or cash receipts) to timely detect any potential errors in the general ledger.

Views of Responsible City Officials and Planned Corrective Actions

Management agrees with the recommendation and will perform periodic reviews of all revenue accounts utilizing the methodologies listed in the recommendation.

Responsible Persons: Jeff Koss, Accounting Manager, Department of Finance
Tyrone Jordan, Senior Financial Officer, Department of Finance

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number: 2014-005

Type of Finding: Significant Deficiency

Information Technology Department - General Controls

Criteria

Internal control over the information systems used to record and store transactions and prepare the City's financial statements in accordance with generally accepted accounting principles (GAAP) should be sufficient to identify and correct potential misstatements.

Condition

As part of our consideration of internal control and the Information Technology (IT) environment, we noted instances where the City of Wilmington's control processes should be strengthened.

Questioned Costs

Not applicable.

Context

During our review of the City's IT and Accounting application environment we noted that:

- A re-certification of user profile activity at the department level on a quarterly or annual basis is not performed;
- There is not a formal procedure to request and approve new user access or modify existing access to SAGE FAS. A limited number of licenses on local computers, however any user can login to those computers using their own credentials to access SAGE FAS. Additionally, SAGE FAS does not allow for role based privileges to be assigned to end users and is no longer supported by the vendor;
- Activity of the MUNIS Role user is not monitored that could lead to fraudulent transactions posted to the G/L or changes to the IT environment without proper oversight.
- For a selected new hire, the City could not provide documentation supporting the access was properly approved by the appropriate department head, as required by policy. If these request forms are not completed and provided to HR and IT, it could result in employees receiving improper access to the network and applications and result in fraud and/or error.

Effect

Internal control deficiencies could allow unauthorized access to systems that is not monitored and could result in the potential for misstatements or fraud.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Cause

Modifications to user access privileges in the various departments at the City may not be authorized. Without periodic reviews of user access rights, users could have improper access to applications.

Recommendation

BDO recommends the following actions:

- Although IT and the Human Resources Department communicate employee hires and departures by e-mail, we recommend a regular review of user activity by IT and department representatives to identify any instances of unauthorized access that may still be taking place, which could potentially in turn save the City user licensing fees.
- The City should establish a control to request and approve new user access to SAGE FAS and limit access to users who require it.
- We recommend approving access rights for new hires using the request forms that are approved by department heads to ensure IT is providing proper access and keeping those on file for future reference.

Views of Responsible City Officials and Planned Corrective Actions

Management agrees with the recommendation.

Responsible Persons: Samantha Lukoff, Special Assistant to the Chief of Staff
John D'Amelio, Senior Financial Systems Analyst, Department of Finance

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

United States Department of Housing and Urban Development (HUD)

Reference Number: 2014-006

Program: 14.218 - Community Development Block Grants/Entitlement Grants

Type of Finding: Noncompliance; Significant Deficiency

Compliance Requirement: Allowable Costs (Effort Reporting)

Criteria

2 CFR, Part 225, Attachment B.8.h.3 requires employees who work solely on a single Federal award or cost objective to have the charges for their salaries and wages supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and are to be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

2 CFR, Part 225, Attachment B.8.h.(4) requires employees who work on multiple activities or cost objectives to record their time on each activity in order to allocate their salaries or wages. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

2 CFR, Part 225, Attachment B.8.h.5 states entities are not to use budget estimates or other distribution percentages determined before the services are performed as support for charges to Federal awards but they may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition

By default, the Department of Real Estate and Housing uses estimated or budgeted salaries to allocate costs where employees work in multiple Federal programs as opposed to allocations based on actual time spent by the employees and therefore, did not comply with the above criteria. The reconciliation between MUNIS (incurred payroll charges per the general ledger) to One Roof (time spent per underlying hours) resulted in a difference of \$5,570 for the year ended June 30, 2014.

A similar finding was reported last year as finding 2013-06.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Questioned Costs

\$5,570

Context

During a site monitoring visit by HUD in a previous year, Federal officials discovered that the City had charged Community Development Block Grants/Entitlement Grants (CDBG) and other HUD programs for staff salary costs based on estimated time spent on each program rather than actual time.

During FY 2014, the Department of Real Estate and Housing tracked actual staff time by grant project from the City's One Roof database. A manual reconciliation was performed between the One Roof database and payroll costs recorded in City's MUNIS accounting system. Discrepancies between the two systems existed and there was no formal review performed consistently of staff time allocations entered in One Roof and the accuracy of the reconciliations prepared.

The journal entries recording the difference between MUNIS and One Roof time records were not entered until well after year-end, and the reconciliations performed by the Department of Real Estate and Housing were not consistently performed.

Effect

Salaries and related costs allocated to the Federal programs are not appropriately supported by time and effort reports, so costs may be over or under-charged to particular programs.

Cause

The reconciliation performed by Department of Real Estate and Housing contained some errors, resulting in discrepancies between the time keeping system and what was ultimately recorded in the accounting system and submitted to HUD and the pass-through agency.

Recommendation

Timely reconciliations should be performed by the Department of Real Estate and Housing with assistance from accounting personnel and reviewed for accuracy. One Roof time captured by person should also be reviewed timely, and such reviews should be documented by the Department of Real Estate and Housing to ensure staff are correctly allocating time to projects. For personnel dedicated solely to a single Federal award, periodic certifications should be prepared at least semi-annually and signed by the employee and supervisor.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Views of Responsible City Officials and Planned Corrective Actions

The Department of Real Estate and Housing noted discrepancies in the One Roof reconciliation process during Fiscal Year 2014. As result, journal entries and final draw down were recorded late due to the time it took to correct them. The Department of Real Estate and Housing is working with the Department of Finance to ensure the accurate and timely execution of reconciliations. In addition, the Department of Real Estate and Housing has implemented an approval process for proper review and approval of journal entries.

Responsible Persons: Nailah B. Gilliam, Director, Department of Real Estate and Housing
Sheila A. Winfrey-Brown, Finance Director, Department of Finance

Anticipated Completion Date - June 30, 2015

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

United States Department of Housing and Urban Development (HUD)

Reference Number: 2014-007

Program: 14.218 - Community Development Block Grants/Entitlement Grants

Type of Finding: Noncompliance; Significant Deficiency

Compliance Requirement: Reporting

Criteria

The A-102 Common Rule (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Beginning with awards received October 1, 2010 and after, regulations as a result of the Federal Funding Accountability and Transparency Act of 2006 (FFATA) require that prime recipients report on the Federal web site each action that obligates \$25,000 or more in Federal funds by the end of the month following the month in which a subaward was made.

2 CFR § 215.51 indicates that the Federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted. Except as provided in § 215.51(f), performance reports shall not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the grant year; quarterly or semi-annual reports shall be due 30 days after the reporting period. When required, performance reports shall generally contain, for each award, brief information on each of the following.

- A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.
- Reasons why established goals were not met, if appropriate.
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

2 CFR § 215.52 requires that financial reports are prepared accurately and completely. Reports shall be submitted timely and agree with the accounting records that support the audited financial statements (general ledger) and the SEFA.

The City is required to have sound internal controls around the Integrated Disbursements and Information System (IDIS) system which should be reconciled to the general ledger to assure completeness of the financial information submitted to the Federal government.

The specific administrative requirements (i.e., financial management standards) for grants to state and local government entities are contained in 24 CFR Part 85.

According to § 85.20 Standards for financial management systems,

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

- (a) A local government must expend and account for grant funds in accordance with laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures, as well as its subgrantees and cost-type contractors, must be sufficient to -
- 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
- 1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - 2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - 3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - 4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
 - 5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
 - 6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.
 - 7) *Cash management.* Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.
- (c) An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Condition

During our walkthrough over internal controls, it was noted that the FFATA report for our walkthrough selection was entered into the FSRS system on August 21, 2013, around 3.5 months prior to having received the signed FFATA Sub-award reporting form from the subrecipient's Fiscal Officer. Additionally, the subaward's effective date is July 1, 2013 according to the award letter; January 1, 2014 according to the contract (signed February 25, 2014); and February 1, 2014 according to the FFATA report filed. These inconsistencies demonstrate a lack of review prior to filing the required reports.

A similar finding was reported last year as finding 2013-07.

During our internal control and compliance testing, we noted the controls in place over the preparation and review of the Consolidated Annual Performance and Evaluation Report (CAPER) and respective IDISPR26 and IDISPR03 reports were inadequate.

Questioned Costs

Questioned costs are not determined.

Context

As per review of the March 2014 A-133 Compliance Supplement and applicable grant award documents, the City did not comply with the FFATA reporting requirements as defined in 2 CFR part 170. For one (1) of the two (2) subrecipients selected for testing, the FFATA report filed contained inconsistencies versus the contract(s) and other financial records.

For one (1) of the four (4) quarter-end dates, the DeLead progress report was submitted after the due date for the fiscal year under audit. For two (2) of the 4 quarter-end dates, the DeLead Federal financial reports (and match, respectively) were submitted after the due dates for the fiscal year under audit.

The IDISPR03 was selected for testing, along with the CAPER and IDISPR26. While the City has made improvements from FY 2012 in supporting the IDISPR26 figures, the figures shown between the three (3) reports were not consistent. The Director of Real Estate and Housing has also indicated that a detailed review was not performed against the accounting records to ensure accuracy between all required reports prior to submission.

Effect

Noncompliance with FFATA reporting requirements in the CDBG Federal program.

Expenditures reported on the City's general ledger or Schedule of Expenditures of Federal Awards (SEFA) could be inconsistent with the amounts reported to HUD. Program income and committed funds to various projects, if reported in the incorrect period, may lead to an inaccurate depiction of the Federal program funds.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Cause

The controls and monitoring activities over the reporting requirements, preparation of the reports, including supervisory review and approval, are not operating effectively.

There was significant turnover in the Department of Real Estate and Housing during FY 2013 and although the City (and HUD GTR) worked diligently to correct the prior year findings, certain due dates were not met.

Recommendation

The City should ensure that employees are properly trained in reporting requirements. Additionally, the City should ensure that all required financial reports are properly prepared, reconciled to the underlying financial records, as applicable, and reviewed by supervisory Accounting/Finance personnel prior to being filed with the grantor. Procedures should be put in place to ensure that all required reports are submitted timely with the grantor, and copies of all submitted progress, financial and match reports are maintained in the City's program files.

Views of Responsible City Officials and Planned Corrective Actions

The Department of Real Estate and Housing has implemented policies and procedures to ensure proper review and approval of documentation prior to reports being filed. Supervisory Accounting Department personnel in the Department of Finance will review the financial records prior to filing with documents with the grantor.

The FFATA requirement was met according to CDBG filing regulation. We have updated our procedures to ensure the date recorded is updated to reflect the date when changes are made.

The Department of Real Estate and Housing is aware of discrepancies in various reports, due differing deadlines, which may result in expenditures and accomplishment varying. If the Department selected the earliest date for all reporting purposes, it would show inaccurate and incomplete performance and outcomes. This directly impacts the performance of the Department and possibly the awarded funds. The Department will ensure proper documentation and approval are filed to support information being reported at each deadline.

Responsible Persons: Nailah B. Gilliam, Director, Department of Real Estate and Housing
Sheila Winfrey-Brown, Director of Finance

Anticipated Completion Date - June 30, 2015

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

United States Department of Housing and Urban Development (HUD)

Reference Number: 2014-008

Program: 14.218 - Community Development Block Grants/Entitlement Grants

Type of Finding: Noncompliance

Compliance Requirements: Special Tests and Provisions

Criteria

Per the March 2014 Compliance Supplement, projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from RROF and environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604).

Condition

During our compliance testing, one (1) of six (6) projects selected indicated that expenses had been incurred prior to completing the environmental review.

Questioned Costs

There are no questioned costs.

Effect

Noncompliance with the Special Tests and Provisions compliance requirement relating to when the environmental reviews are completed and when funds are obligated or expended.

Cause

The policies and procedures over environmental reviews are not being followed consistently by the Department of Real Estate and Housing and Planning Department.

Recommendation

The City should review its current evaluation process and provide copies of its updated evaluation tools.

Views of Responsible City Officials and Planned Corrective Actions

The Department of Real Estate and Housing's evaluation processes are up to date. This was an isolated incident where an otherwise knowledgeable staff member overlooked a routine step in the established process.

Responsible Persons: Nailah B. Gilliam, Director, Department of Real Estate and Housing

Anticipated Completion Date - June 30, 2015

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

United States Environmental Protection Agency

Reference Number: 2014-009

Program: 66.468 - Capitalization Grants for Drinking Water State Revolving Funds

Type of Finding: Noncompliance; Significant Deficiency

Compliance Requirement: Davis-Bacon Act

Criteria

The A-102 Common Rule (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The Davis-Bacon Act (Act) applies to contractors and subcontractors performing on Federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on projects of a similar character in the area. The Act directs the Department of Labor to determine such locally prevailing wage rates.

Condition

We identified five (5) of the eleven (11) sample weeks selected for testing over the DWSRF major program, the total wages (wage plus fringe) paid were less than those per the wage decision used by the Department of Public Works in determining compliance.

Questioned Costs

Questioned costs are not determined.

Context

During our tests of compliance over the Act compliance requirement pertaining to the DWSRF major program, we selected 11 weeks from a population of one-hundred six (106) and requested supporting documentation including certified payrolls, and prevailing wage rates for selected projects. Total wages paid were less than the minimum wage requirements specified for 5 of the weeks selected.

Effect

The City is not in compliance with the Act requirements of 29 CFR § 3 and 29 CFR § 5.

Cause

The Department has not developed sufficient policies and procedures to ensure compliance with the Act, and staff monitoring this project was not fully aware of all requirements of the Act.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Recommendation

We recommend that the Department establish policies and procedures to ensure the Act requirements are met, and documentation supporting the certification of payrolls is maintained for projects where Davis-Bacon provisions are applicable.

Views of Responsible City Officials and Planned Corrective Actions

The Department of Public Works agrees that the department will establish policies and procedures to ensure the Davis-Bacon Act, as well as the State Prevailing Wage Laws, requirements are met, and documentation supporting the certification of payrolls is maintained for projects where Davis-Bacon provisions are applicable.

Responsible Persons: Vincent Carroccia, Administrative Services Director
Sean Duffy, Water Division Director

Anticipated Completion Date - June 30, 2015

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

United States Department of Housing and Urban Development (HUD)

Reference Number: 2014-010

Program: 14.218 - Community Development Block Grants/Entitlement Grants

Type of Finding: Noncompliance; Significant Deficiency

Compliance Requirement: Program Income

Criteria

Per the March 2014 Compliance Supplement, the control objective over the Program Income compliance requirement is provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements. The components of COSO are the following:

Control Environment - 1) Management recognizes its responsibilities for program income, 2) management's prohibition against intervention or overriding controls over program income, and 3) realistic performance targets for the generation of program income.

Risk Assessment - 1) There are mechanisms in place to identify the risk of unrecorded or miscoded program income, and 2) variances between expected and actual income analyzed.

Control Activities - 1) Collection policies procedures clearly communicated to personnel responsible for program income, 2) a mechanism is in place to ensure that program income is properly recorded as earned and deposited in the bank as collected, and 3) policies and procedures provide for correct use of program income in accordance with Federal program requirements.

Information and Communication - 1) Information systems identify program income collections and usage, and 2) a channel of communication exists for people to report suspected improprieties in the collection or use of program income.

Monitoring - 1) Internal audit of program income, and 2) management compares program income to budget and investigates significant differences.

Condition

During our tests over compliance, we noted that the City did not have adequate control activities in place over the program income requirements pertaining to CDBG Federal funds.

During our tests, we noted four (4) of seven (7) instances where the deposits occurred at least one (1) month after the checks were dated, and two (2) of the 7 selections did not include the signature of the cashier on the "Daily Receipts - Miscellaneous" form.

We also noted (and management confirmed) that checks are received *directly* by the Department of Real Estate and Housing, and are not endorsed right away for restricted use, such as "for deposit only".

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Questioned Costs

Questioned costs are not determined.

Context

During our tests over compliance, there were instances where the internal controls did not appear to be effective over this compliance requirement. Total program income for this Federal program was approximately \$73,000.

Effect

The controls surrounding the program income compliance requirement over the CDBG Federal program are not effective.

Cause

The Department has not applied policies and procedures consistently over the collection, safekeeping and recording of program income.

Recommendation

We recommend the City update and enforce internal controls around the collection, safekeeping and recording of program income.

Views of Responsible City Officials and Planned Corrective Actions

Effective January 2015, the Department of Real Estate and Housing updated its internal controls to address the deficiencies outlined in the finding. In addition, all checks are date stamped the day the checks are received and restrictively endorsed upon receipt.

The Department of Finance will ensure the cashiers sign all "Daily Receipts - Miscellaneous" forms upon completion of the payment process.

Responsible Persons: Nailah B. Gilliam, Director - Department of Real Estate and Housing
Stephanie Collins, Deputy Finance Director

Anticipated Completion Date - June 30, 2015

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

United States Department of Housing and Urban Development (HUD)
Reference Number: 2014-011
Program: 14.218 - Community Development Block Grants/Entitlement Grants
Type of Finding: Significant Deficiency
Compliance Requirement: Cash Management

Criteria

The A-102 Common Rule (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Among the Control Activities identified in the Office of Management and Budget A-133 Compliance Supplement are sound internal controls that should determine essential cash flow needs for requesting cash advances as close as is administratively possible to actual cash outlays.

Condition

During cash management and reporting internal controls and compliance test work, we noted the Department of Real Estate and Housing and the Department of Public Works drew Federal funds for reimbursement of expenditures on an infrequent basis during FY 2014 resulting in cash flows from the Federal Government to the City not aligned with program expenditures and the need for the General Fund to cover temporary shortages. While the expenditures were for allowable activities, the reimbursement requests made during FY 2014 were frequently for expenditures incurred months prior to requesting reimbursement. A similar finding was reported last year as finding 2013-05 for the Department of Real Estate and Housing Federal programs.

Questioned Costs

Questioned costs are not determined.

Context

During our testing of reimbursement requests, we noted that requests were made on an infrequent basis during FY 2014 and/or included requests for reimbursement for expenses from prior periods.

Effect

Funds are not drawn timely, resulting in irregular cash flows to the City. Untimely requests for reimbursement may also impact the Department's ability to accurately report activity to awarding agencies.

Cause

The City had drawn down funds on an infrequent basis during FY 2014. For HUD programs, transactions recorded in MUNIS are not always entered into IDIS in a timely manner.

City of Wilmington, Delaware

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Recommendation

We recommend the various departments review their existing policies and procedures and implement those that will ensure draws are made on a regular and timely basis. Management should ensure proper training is provided to designated staff that has the capacity to perform this financial responsibility. Along with internal audit, we again recommend that the City adopt a formal written policy requiring staff to submit draws by the 25th of each month.

We recommend that transactions (such as cash receipts and program income) should be entered into IDIS at least monthly.

Views of Responsible City Officials and Planned Corrective Actions

The Department of Finance has implemented policies and procedures to provide for the timely draw down of Federal funds. The Department of Finance will work with the Citywide departments to ensure the draw downs are in compliance with those policies and procedures and ensure the draws are done on a timely basis.

The Department of Real Estate and Housing has implemented policies and procedures to ensure timely draw down of Federal funds. The Department of Real Estate and Housing is working with Finance Department to ensure compliance in this regard and will continue to improve the process.

The Department of Finance agrees that draws will be done no later than the 25th of each month for the prior month's activity effective with the February 2015 draws.

Responsible Persons: Nailah B. Gilliam, Director, Department of Real Estate and Housing
Sheila A. Winfrey-Brown, Finance Director, Department of Finance

Anticipated Completion Date - June 30, 20

City of Wilmington, Delaware

Summary Schedule of Prior Audit Findings and Corrective Action Plan For the Year Ended June 30, 2014

Federal Awards Findings

Finding 2013-03: Police Department - Cash Management - Reporting; Noncompliance; Significant Deficiency

There were funds drawn in excess of program expenditures as of September 30, 2012 amounting to \$271,799. Per Grant Payment Request System (GPRS), these funds had previously been received. These excess funds were offset against the subsequent draws during FY 2013, with a cumulative excess through June 30, 2013 of \$12,582 recorded as deferred revenue (excess of revenue received but not yet expended).

Current Year Status:

Management's corrective action was implemented.

Finding 2013-04: Department of Parks and Recreation - Allowable Activities and Allowable Costs; Noncompliance; Significant Deficiency

While timesheets appeared to include both an employee and managerial sign-off, timesheets were not consistently reviewed *properly*, as employee breaks were not always being deducted in arriving at total temporary employee hours worked. This finding was originally reported by the City of Wilmington Auditor's Office based on an internal audit performed covering a period during FY 2013. Results of their test work indicated that two (2) of the sixty-eight (68) summer food employees were paid for breaks.

Current Year Status:

Management's corrective action was implemented.

Finding 2013-05: Various Departments - Cash Management - Reporting; Noncompliance; Significant Deficiency

The Department of Real Estate and Housing drew Federal funds for reimbursement of expenditures on an infrequent basis during FY 2013 resulting in cash flows from the Federal Government to the City not aligned with program expenditures and the need for the General Fund to cover temporary shortages. While the expenditures were for allowable activities, the reimbursement requests made during FY 2013 were frequently for expenditures incurred in the prior fiscal year.

Requests for funds relating to the COPS, EOC and AFG Federal programs were submitted infrequently during FY 2013, resulting in cash flows from the Federal Government to the City not aligned with program expenditures and the need for the General Fund to cover temporary shortages. While the expenditures were for allowable activities, the reimbursement requests made during FY 2013 were at times for expenditures incurred in the prior fiscal year.

City of Wilmington, Delaware

Summary Schedule of Prior Audit Findings and Corrective Action Plan For the Year Ended June 30, 2014

Current Year Status:

Management's corrective action was not implemented with respect to the Department of Real Estate and Housing Federal programs. Support is being submitted to the Department of Finance/Accounting with each draw request; however, it is unclear as to the level of review performed by the Finance department since the change in staff and drawdowns are still being performed on an irregular basis with a majority of expenses having been incurred several months before the actual reimbursement request is made to the Federal agency. See current year finding 2014-12.

Management's corrective action was implemented for the COPS and AFG Federal programs, as the requests for reimbursement were submitted around one (1) months' time following the quarter in which the expenditures had occurred. The AFG and EOC grants were closed during FY 2014, and the awarding agencies have acknowledged closeout.

Finding 2013-06: Department of Real Estate & Housing - Allowable Costs (Effort Reporting); Noncompliance; Significant Deficiency

The Department of Real Estate and Housing uses estimated or budgeted salaries to allocate costs where employees work in multiple Federal programs; therefore, it did not comply with the above noted criteria.

Current Year Status:

Management's corrective action was not implemented. Based on discussion with management during the fiscal year and supporting audit test work, additional progress has been made in reconciling the time per Kronos to specific projects and MUNIS during FY 2014. However, there is no formal review of the quarterly reconciliation performed by the Department, and entries are not recorded until fiscal year-end. See current year finding 2014-006.

Finding 2013-07: Department of Real Estate & Housing - Reporting - Noncompliance; Significant Deficiency

The City had not submitted all required FFATA reports for its subaward to subrecipients meeting the criteria for FFATA reporting. Program management was not fully aware of the FFATA reporting requirements.

Current Year Status:

Management's corrective action was partially implemented as the Department has implemented a monthly review and reporting procedure in which all newly executed contracts are updated in the Federal system, however, current year testing noted an exception for the CDBG Federal program. See current year finding 2014-007.

Finding 2013-08: Department of Real Estate & Housing - Subrecipient Monitoring; Noncompliance; Significant Deficiency

City of Wilmington, Delaware

Summary Schedule of Prior Audit Findings and Corrective Action Plan For the Year Ended June 30, 2014

The City did not fulfill its responsibility to provide strong grant oversight and during-the-award monitoring.

For the DeLead subrecipient and five (5) of the NSP1/NSP2 subrecipients selected for testing, the City was unable to provide adequate documentation that it ensured the following during FY 2013: 1) required audits were performed, 2) the proper CFDA# and Federal program were identified in the subrecipients' SEFA, if applicable, and 3) the total amount provided to subrecipients from each Federal program were agreed to the City's records.

The City does not differentiate between its awards to subrecipients under the NSP1 and NSP2 Federal programs. Rather than differentiate between the two programs, there is general language in Part K of the contract indicating that "Funds made available under the Neighborhood Stabilization Program authorized under Division B, Title III of the Housing and Economic Recovery Act of 2008 or the American Recovery and Reinvestment Act of 2009". In one instance, it was noted that program expenditures were recorded under NSP1 within the City's accounting records, however, the first amendment to the agreement stated that the funds were established under Title XII of the American Recovery and Reinvestment Act of 2009.

Current Year Status:

Management's corrective action was partially implemented. The Department of Real Estate and Housing has implemented a semi-annually period in which all Program Administrators will review their files to ensure they have the most recent A-133 for all subrecipients. This is evidenced by the Department maintaining the A-133 request e-mail to subrecipients, and through the physical signature of the Program Administrator on the subrecipient's latest A-133 reporting package documenting the review.

There were no new subrecipients for the NSP1 and/or NSP2 Federal programs during FY 2014. As such, the Department has not revised the language in its contracts for these programs. Going forward, the need to communicate the Federal program and CFDA number to subrecipients will be reflected in their contracts with subrecipients across all Federal programs in this Department.

Results of a monitoring visit performed by the State of Delaware (DSHA) revealed several noncompliance issues in its letter to the City dated August 25, 2014.

The City had terminated its relationship and sub-grant agreement with the Latin American Community Center April 11, 2013 due to significant grant non-compliance violations noted in prior year's Schedule of Findings and Questioned Costs. There were no other sub-grant agreements entered into between the City and any subrecipient post-termination. The City is now performing all program and administrative functions in-house. The Department has continued to report weekly on the progress of the DeLead Federal program to HUD GTR, Yolanda Brown. The Department has been approved for a one (1) year extension, with no additional funding. The period of performance has been extended through October 31, 2015. The City must complete a certain agreed upon number of units on a quarterly basis beginning for the quarter ending December 31, 2014 through September 30, 2015. The department is currently on track to meet or exceed this requirement, and be removed from high risk.

City of Wilmington, Delaware

Summary Schedule of Prior Audit Findings and Corrective Action Plan For the Year Ended June 30, 2014

Finding 2013-09: Department of Real Estate & Housing - Special Tests and Provisions; Noncompliance

It was noted in a separate monitoring visit by the Office of Community Planning and Development (CPD) that two (2) of the four (4) properties reviewed indicated that the forms that the City uses as evaluation tools to determine exemptions from the rule were filled out incorrectly.

Current Year Status:

Management's corrective action has been implemented. The Department has amended the Lead Safe Housing Determination Form, and the Department of Housing and Urban Development has provided a letter which cleared the finding.

Finding 2013-10: Department of Emergency Management - Davis Bacon Act; Noncompliance; Significant Deficiency

During a walkthrough of the internal controls surrounding the Davis Bacon Act compliance requirement, documentation including certified payrolls did not include evidence that management's review of the certified payrolls and communication of the requirements to selected contractors was performed.

Current Year Status:

Management's corrective action was implemented. The Department of Finance updated its grant manual (April 2013) requiring all departments receiving Federal grant funds to comply with the requirements of the Davis Bacon Act.

Finding 2013-11: Department of Real Estate & Housing - Matching, Level of Effort, Earmarking; Noncompliance; Significant Deficiency

The City did not have adequate controls in place over the earmarking requirements pertaining to DeLead funds.

The City had passed-through these funds to a subrecipient. It was noted that the subrecipient had recorded all personnel charges within the Personnel (Direct Labor) line item in their detailed budget as administrative charges. These charges, along with the City's own personnel charges were over the earmarking threshold stated in the program guidance.

Current Year Status:

Management's corrective action was implemented. A revised DeLead Wilmington Budget was adopted, approved by HUD, and is operations for the balance of the original grant life (October 31, 2014). This revised operating budget is compliant and reflects HUD Share - Administrative costs of less than 10.0%. There have been no changes in budget categories since its implementation on July 1, 2013 and DeLead Wilmington is operating within the July 1, 2013 line-item allocations.