

**Federal Single Audit
and
State Single Audit
of the
City of New London, Connecticut
For the Year Ended June 30, 2022**

City of New London, Connecticut

For the Year Ended June 30, 2022

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**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 Auditors' Report

**City Council
City of New London, 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 New London, Connecticut ("City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2023.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the audited 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 30, 2023

**Federal
Single
Audit**

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

**City Council
City of New London, Connecticut**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of New London, Connecticut's ("City") compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated March 30, 2023, which contained unmodified opinions on those financial statements.

Our audit was performed 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 30, 2023

City of New London, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| Federal Awarding Agency/Program or Cluster Title | Federal AL Number | Name of Funder Pass Through Entity | Identifying Number Assigned by Funder Pass Through Entity | Provided to Subrecipients | Total Expenditures |
|--|-------------------|--|---|---------------------------|--------------------|
| <u>U.S. Department of Agriculture:</u> | | | | | |
| Child Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | State Department of Education | 12060-SDE64370-20508 | \$ - | \$ 568,496 |
| National School Lunch Program - Cash | 10.555 | State Department of Education | 12060-SDE64370-20560 | - | 1,667,133 |
| National School Lunch Program - Commodities | 10.555 | State Department of Education | N/A | - | 159,914 |
| COVID-19 National School Lunch Emergency Operating Costs Reimbursement | 10.555 | State Department of Education | 12060-SDE64370-23085 | - | 16,472 |
| Summer Food Service Program for Children | 10.559 | State Department of Education | 12060-SDE64370-20540 | - | 195,860 |
| Summer Food Service Program for Children | 10.559 | State Department of Education | 12060-SDE64370-20548 | - | 20,099 |
| Fresh Fruit and Vegetable Program - Cash | 10.582 | State Department of Education | 12060-SDE64370-22051 | - | 144,209 |
| Fresh Fruit and Vegetable Program - Commodities | 10.582 | State Department of Education | N/A | - | <u>90,004</u> |
| Total Child Nutrition Cluster | | | | | \$ 2,862,187 |
| Child and Adult Care Food Program | | State Department of Education | 12060-SDE64370-23089 | - | 49,848 |
| Child and Adult Care Food Program | | State Department of Education | 12060-SDE64370-20518 | - | 130,666 |
| Child and Adult Care Food Program - Cash in Lieu of Commodities | | State Department of Education | 12060-SDE64370-20544 | - | <u>9,281</u> |
| Total Child and Adult Care Food Program | 10.558 | | | | 189,795 |
| State Administrative Expenses for Child Nutrition | 10.560 | State Department of Education | 12060-SDE64370-23126 | - | 48,350 |
| COVID-19 Pandemic EBT Administrative Costs | 10.649 | State Department of Education | 12060-SDE64370-29802 | - | 3,684 |
| National Fish and Wildlife Foundation | 10.683 | Direct | N/A | - | <u>36,446</u> |
| Total U.S. Department of Agriculture | | | | | <u>3,140,462</u> |
| <u>U.S. Department of Housing and Urban Development:</u> | | | | | |
| CDBG - Entitlement Grants Cluster: | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | Direct | N/A | - | 1,118,492 |
| Lead-Based Paint Hazard Control in Privately-Owned Housing | 14.900 | Direct | N/A | - | <u>249,196</u> |
| Total U.S. Department of Housing and Urban Development | | | | | <u>1,367,688</u> |
| <u>U.S. Department of the Interior:</u> | | | | | |
| Clean Vessel Act | 15.616 | State Department of Energy and Environmental Protection | 12060-DEP44434-20954 | - | <u>8,634</u> |
| <u>U.S. Department of Justice:</u> | | | | | |
| Coronavirus Emergency Supplemental Funding Program | 16.034 | Direct | N/A | - | 6,509 |
| Project Safe Neighborhoods | 16.609 | Direct | N/A | - | 25,800 |
| Public Safety Partnership and Community Policing Grants | 16.710 | Direct | N/A | - | 622,187 |
| Edward Byrne Memorial Justice Assistance Grant Program | | State Office of Policy and Management | 12060-OPM20350-21921 | - | 13,587 |
| Edward Byrne Memorial Justice Assistance Grant Program | | Direct | N/A | - | 42,822 |
| Edward Byrne Memorial Justice Assistance Grant Program | | State Department of Emergency Services and Public Protection | 12060-DPS32523-26230 | - | <u>2,341</u> |
| Total Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | | <u>58,750</u> |
| Total U.S. Department of Justice | | | | | <u>713,246</u> |

(Continued)

City of New London, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| Federal Awarding Agency/Program or Cluster Title | Federal AL Number | Name of Funder Pass Through Entity | Identifying Number Assigned by Funder Pass Through Entity | Provided to Subrecipients | Total Expenditures |
|---|-------------------|---|--|---------------------------|------------------------------|
| <u>U.S. Department of Labor:</u> COVID-19 Unemployment Insurance | 17.225 | State Department of Labor | N/A | \$ - | \$ 46,337 |
| <u>U.S. Department of Transportation:</u> Highway Planning and Construction Cluster: Highway Planning and Construction Highway Planning and Construction | | State Department of Transportation State Department of Transportation | 12062-DOT57151-22108 12062-DOT57191-22108 | - - | \$ 1,193,085 19,850 |
| Total Highway Planning and Construction Cluster | 20.205 | | | | 1,212,935 |
| Highway Safety Cluster: State and Community Highway Safety | 20.600 | Direct | 12062-DOT57513-20559 | - | 3,113 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | Direct | 12062-DOT57513-22091 | - | 5,911 |
| Total U.S. Department of Transportation | | | | | 1,221,959 |
| <u>U.S. Department of the Treasury:</u> Coronavirus Relief Fund Coronavirus State and Local Fiscal Recovery Funds | 21.019 21.027 | State Office of Policy and Management Direct | 12060-OPM20600-29561 N/A | - 783,769 | 369,446 3,802,913 |
| Total U.S. Department of the Treasury | | | | | 4,172,359 |
| <u>U.S. Department of Education:</u> Adult Education - Basic Grants to States | 84.002 | State Department of Education | 12060-SDE64370-20784-84002-2021 | - | 249,580 |
| Title I Grants to Local Educational Agencies | | State Department of Education | 12060-SDE64370-20679-82070-2019 | - | 8,869 |
| Title I Grants to Local Educational Agencies | | State Department of Education | 12060-SDE64370-20679-82070-2021 | - | 337,577 |
| Title I Grants to Local Educational Agencies | | State Department of Education | 12060-SDE64370-20679-82070-2022 | - | 1,682,004 |
| Title I Grants to Local Educational Agencies | | State Department of Education | 12060-SDE64370-20679-82071-2021 | - | 244,402 |
| Title I Grants to Local Educational Agencies | | State Department of Education | 12060-SDE64370-20679-82071-2022 | - | 377,536 |
| Total Title I Grants to Local Educational Agencies | 84.010 | | | | 2,650,388 |
| Special Education Cluster (IDEA): COVID-19 Special Education - Grants to States (IDEA, Part B) Special Education - Grants to States (IDEA, Part B) Special Education - Grants to States (IDEA, Part B) | | State Department of Education State Department of Education State Department of Education | 12060-SDE64370-20977-2020-170101 12060-SDE64370-20977-2021-170002 12060-SDE64370-20977-2022-170002 | - - - | 18,488 613,950 782,315 |
| Total Special Education - Grants to States (IDEA, Part B) | 84.027 | | | | 1,414,753 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | State Department of Education | 12060-SDE64370-20983-2022 | - | 30,523 |
| Total Special Education Cluster (IDEA) | | | | | 1,445,276 |
| Education for Homeless Children and Youth | 84.196 | State Department of Education | 12060-SDE64370-20770-82079-2022 | - | 54,000 |

(Continued)

City of New London, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| Federal Awarding Agency/Program or Cluster Title | Federal AL Number | Name of Funder Pass Through Entity | Identifying Number Assigned by Funder Pass Through Entity | Provided to Subrecipients | Total Expenditures |
|---|-------------------|--|---|---------------------------|--------------------|
| Innovative Approaches to Literacy | 84.215 | Direct | N/A | \$ - | \$ 94,352 |
| Twenty-First Century Community Learning Centers | | State Department of Education | 12060-SDE64370-20863-84131-2021 | - | \$ 187,495 |
| Twenty-First Century Community Learning Centers | | State Department of Education | 12060-SDE64370-20863-84131-2022 | - | 133,856 |
| Total Twenty-First Century Community Learning Centers | 84.287 | | | | 321,351 |
| English Language Acquisition State Grants | | State Department of Education | 12060-SDE64370-20868-82075-2021 | - | 101,817 |
| English Language Acquisition State Grants | | State Department of Education | 12060-SDE64370-20868-82076-2021 | - | 20,000 |
| Total English Language Acquisition State Grants | 84.365 | | | | 121,817 |
| Supporting Effective Instruction State Grant | | State Department of Education | 12060-SDE64370-20858-84131-2019 | - | 1,238 |
| Supporting Effective Instruction State Grant | | State Department of Education | 12060-SDE64370-20858-84131-2021 | - | 106,190 |
| Supporting Effective Instruction State Grant | | State Department of Education | 12060-SDE64370-20858-84131-2022 | - | 8,472 |
| Total Supporting Effective Instruction State Grant | 84.367 | | | | 115,900 |
| Student Support and Academic Enrichment Grants | | State Department of Education | 12060-SDE64370-22854-82079-2019 | - | 49,955 |
| Student Support and Academic Enrichment Grants | | State Department of Education | 12060-SDE64370-22854-82079-2021 | - | 155,480 |
| Total Student Support and Academic Enrichment Grants | 84.424 | | | | 205,435 |
| Education Stabilization Fund (ESF): | | | | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | State Department of Education | 12060-SDE64370-29571-2020 | - | 1,566,624 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | State Department of Education | 12060-SDE64370-29571-2021 | - | 1,947,673 |
| COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund | 84.425U | State Department of Education | 12060-SDE64370-29636-2021 | - | 466,760 |
| COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth | 84.425W | State Department of Education | 12060-SDE64370-29650-2021 | - | 63,440 |
| Total Education Stabilization Fund (ESF) | 84.425 | | | | 4,044,497 |
| Total U.S. Department of Education | | | | | 9,302,596 |
| <u>U.S. Department of Health and Human Services:</u> | | | | | |
| Drug-Free Communities Support Program Grants | 93.276 | Direct | N/A | - | 63,376 |
| CCDF Cluster: | | | | | |
| Child Care and Development Block Grant | 93.575 | Office of Early Childhood | 12060-OEC64845-29646 | - | 495,903 |
| <u>U.S. Department of Homeland Security:</u> | | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State Department of Emergency Services and Public Protection | 12060-DPS32990-21891 | - | 60,869 |
| Assistance to Firefighters Grants | 97.044 | Direct | N/A | - | 435,571 |
| Homeland Security Grant Program | 97.067 | State Department of Emergency Services and Public Protection | 12060-DPS32160-21881 | - | 9,516 |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | Direct | N/A | - | 53,659 |
| Total U.S. Department of Homeland Security | | | | | 559,615 |
| Total Federal Awards | | | | \$ 783,769 | \$ 21,092,175 |

N/A - Not applicable or not available.

(Concluded)

City of New London, Connecticut

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

1. Basis of presentation

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

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

2. Summary of significant accounting policies

- A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. The City has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Noncash awards at fair value

The City received and expended USDA donated commodities of \$159,914 and \$90,004 under the National School Lunch Program and the Fresh Fruit and Vegetable Program, respectively.

City of New London, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-001 (2007)

Condition

The City and Education Department did not perform adequate reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

Current status

The finding has been repeated as Finding 2022-001.

Reason for recurrence

Due to staff turnover, not all account reconciliations were performed at the time of the close.

Finding 2021-002 (2007)

Condition

Currently, a general ledger is not used to account for the financial activity of the Cafeteria fund. There are material adjustments at year end to reconcile the Cafeteria fund offline accounting records to the general ledger.

Current status

The finding has been repeated as Finding 2022-002.

Reason for recurrence

Due to staffing issues created by COVID, the Education Department was unable to implement the planned corrective action by year end.

Finding 2021-003 (2017)

Condition

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the water and sewer billing systems and the general ledger system. We noted that not all water and sewer billings were recorded (interfaced) into the City's general ledger. Finally, receivables were not reconciled monthly or at year end and, therefore, required adjustments as part of the audit process.

Current status

The finding has been repeated as Finding 2022-003.

Reason for recurrence

Due to staff turnover and the planned hiring of a new employee to be responsible for accounts receivable reconciliation postponed due to COVID, the City has been unable to implement the planned corrective action.

City of New London, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

| | | | |
|---|---------------------------|-----------------------|------------------------|
| Type of auditors' report issued: | <u>Unmodified opinion</u> | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | <u> x </u> yes | <u> </u> no | <u> </u> none |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> reported | |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> x </u> no | |

Federal Awards

| | | | |
|--|---------------------------|-----------------------|------------------------|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | <u> </u> yes | <u> x </u> no | <u> </u> none |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> reported | |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified opinion</u> | | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | <u> </u> yes | <u> x </u> no | |

Identification of major programs:

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 16.710 | Public Safety Partnership and Community Policing Grants |
| 20.205 | Highway Planning and Construction Cluster |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 84.425 | Education Stabilization Fund (ESF) |

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

| | | |
|--|-----------------------|-----------------|
| Auditee qualified as low-risk auditee? | <u> </u> yes | <u> x </u> no |
|--|-----------------------|-----------------|

City of New London, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

II. Findings – Financial Statement Audit

Finding 2022-001 (Material Weakness)

Criteria

The City and Education Department should have internal controls and related policies and procedures in place to ensure timely and accurate financial reporting. Monthly and year end closing procedures should include all funds. The policies and procedures should include detailed analysis of all general ledger and balance sheet accounts to ensure that monthly financial reports are accurate.

Condition

The City and Education Department did not perform adequate reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

Context

Not applicable.

Effect

The effect is that monthly financial reporting may not be accurate as errors may not be detected and corrected on a timely basis. Therefore, the City Council and Board of Education are relying on reports to manage current operations that are neither timely nor accurate.

Cause

The cause is lack of staffing and resources due to staff turnover and staffing issues related to COVID.

Recommendation

The City and Education Department should develop and implement formal monthly and year-end closing procedures. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. The procedures should include detailed analysis, reconciliation and supporting schedules for all significant balance sheet accounts.

Views of responsible officials and planned corrective actions

Staffing and turnover in the Finance Department and Education Business Office has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the City and Education Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits.

City of New London, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-002 (Material Weakness)

Criteria

All financial activity for all funds should be recorded and controlled using a complete general ledger (balance sheet and operating statement accounts). The Cafeteria fund transactions should be recorded in the new general ledger software and all general ledger accounts should be balanced and reconciled on a monthly basis.

Condition

Currently, a general ledger is not used to account for the financial activity of the Cafeteria fund. There are material adjustments at year end to reconcile the Cafeteria fund offline accounting records to the general ledger.

Context

Not applicable.

Effect

Without properly recording transactions as they occur and reconciling all accounts on a monthly basis, significant errors and discrepancies may exist and go undetected.

Cause

The cause is due to lack of resources.

Recommendation

All activity for the Cafeteria fund should be recorded through the general ledger software and timely and accurate reconciliations should be performed for all accounts on a monthly basis.

Views of responsible officials and planned corrective actions

This fund is managed by the Cafeteria Department and was not initially included in the implementation of the general ledger software. The Cafeteria fund will be recorded in the general ledger for the next audit.

City of New London, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-003 (Material Weakness)

Criteria

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed.

Condition

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billings were recorded (interfaced) into the City's general ledger. Finally, receivables were not reconciled monthly or at year end and, therefore, required adjustments as part of the audit process.

Context

Not applicable.

Effect

Without proper reconciling of both collections and receivable balances on a monthly basis, significant errors, omission of activity, or fraud may occur and go undetected.

Cause

The cause is due to lack of resources.

Recommendation

A timely reconciliation of collections and receivable balances should be performed on a monthly basis between the water and sewer billing and collections software and the City's general ledger to ensure that all activity is properly recorded and that all monies are being properly deposited in the bank.

Views of responsible officials and planned corrective actions

Due to staff turnover and the planned hiring of a new employee to be responsible for accounts receivable reconciliation postponed due to COVID, the City has been unable to implement the planned corrective action.

III. Findings – Major Federal Award Programs Audit

None.

**State
Single
Audit**

**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of State Financial
Assistance Required by the State Single Audit Act**

Independent Auditors' Report

**City Council
City of New London, Connecticut**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of New London, Connecticut's ("City") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the 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, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated March 30, 2023, which contained unmodified opinions on those financial statements.

Our audit was performed 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 30, 2023

City of New London, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2022**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grantor Program Core-CT Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Expenditures</u> |
|--|---|--|-------------------------------|
| Connecticut State Library: | | | |
| Historic Documents Preservation Grants | 12060-CSL66094-35150 | \$ - | \$ 7,500 |
| Department of Education: | | | |
| Primary Mental Health | 11000-SDE64370-12198 | - | 23,315 |
| Commissioner's Network | 11000-SDE64370-12547 | - | 1,481,930 |
| Magnet School - Transportation (Non-Sheff) | 11000-SDE64370-12632 | - | 234,900 |
| Child Nutrition State Matching Grant | 11000-SDE64370-16211 | - | 31,955 |
| Healthy Foods Initiative | 11000-SDE64370-16212 | - | 44,847 |
| Adult Education | 11000-SDE64370-17030 | - | 1,377,912 |
| Health Services | 11000-SDE64370-17034 | - | 65,295 |
| Alliance District | 11000-SDE64370-17041 | - | 6,781,031 |
| Bilingual Education | 11000-SDE64370-17042 | - | 42,183 |
| Priority School Districts | 11000-SDE64370-17043 | - | 829,435 |
| School Breakfast | 11000-SDE64370-17046 | - | 15,894 |
| Magnet Schools - Transportation | 11000-SDE64370-17057-82061 | - | 337,114 |
| Magnet Schools - Operating | 11000-SDE64370-17057-82062 | - | 6,492,357 |
| Extended School Hours Program Grant | 11000-SDE64370-17108 | - | 60,950 |
| Summer School Accountability Grant | 11000-SDE64370-17109 | - | 69,040 |
| Low Performing Schools | 12052-SDE64370-43728 | - | 42,941 |
| School Based Diversion Initiative and "Second Chance Society" | 12060-SDE64370-12587 | - | 28,682 |
| Office of Early Childhood: | | | |
| Even Start Family Literacy Program | 11000-OEC64845-12569 | - | 98,477 |
| Smart Start | 11000-OEC64845-16279 | - | 75,000 |
| Department of Emergency Services and Public Protection: | | | |
| Drug Asset Forfeiture Revolving Fund | 12060-DPS32155-35142 | - | 7,922 |
| Nuclear Safety Fund | 12060-DPS32982-90428 | - | 46,505 |
| Department of Transportation: | | | |
| Town Aid Road Grants Transportation Fund | 12052-DOT57131-43455 | - | 192,353 |
| Town Aid Road Grants Transportation Fund - STO | 13033-DOT57131-43459 | - | 192,353 |
| Department of Children and Families: | | | |
| Juvenile Review Boards | 11000-DCF91100-16280 | - | 18,460 |
| Youth Services Bureau | 11000-DCF91141-17052 | - | 24,092 |
| Youth Services Bureau - Enhancement | 11000-DCF91141-17107 | - | 10,866 |
| Department of Economic and Community Development: | | | |
| Urban Action Bonds | 13019-ECD46250-41240 | - | 983,971 |

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of New London, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2022**

| <u>State Grantor/Pass Through Grantor/Program Title</u> | <u>State Grantor Program Core-CT Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Expenditures</u> |
|--|---|--|-------------------------------|
| Office of Policy and Management: | | | |
| Property Tax Relief on Property of Totally Disabled Persons Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities | 11000-OPM20600-17011 | - | \$ 3,026 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | - | 7,772 |
| Tiered Payment in Lieu of Taxes (PILOT) | 11000-OPM20600-17111 | - | 3,485 |
| Local Capital Improvement Program | 12050-OPM20600-40254 | - | 5,646,421 |
| Municipal Grants-In-Aid | 12052-OPM20600-43587 | - | 348,567 |
| Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities | 12052-OPM20600-43750 | - | 33,169 |
| Tiered Payment in Lieu of Taxes (PILOT) - MRSA | 12060-OPM20600-35691 | - | 25,345 |
| | | | 2,006,535 |
| Department of Social Services: | | | |
| Medicaid | 11000-DSS60000-16020 | - | 111,691 |
| Department of Energy and Environmental Protection: | | | |
| CT Bikeway, Pedestrian, Recreational Rail and Greenway Program | 12052-DEP44321-43314 | - | 265,000 |
| Contaminated Industrial Sites | 12052-DEP43750-43578 | - | 2,000,000 |
| Total State Financial Assistance Before Exempt Programs | | | <u>30,068,291</u> |
| Exempt Programs | | | |
| Department of Education: | | | |
| Education Cost Sharing | 11000-SDE64370-17041-82002 | - | 458,811 |
| Education Cost Sharing | 11000-SDE64370-17041-82010 | - | 22,372,717 |
| Special Education - Excess Cost - Student Based | 11000-SDE64370-17047 | - | 837,122 |
| Department of Administrative Services: | | | |
| School Construction Progress | 13010-DAS27635-43744 | - | 29,581,089 |
| Office of Policy and Management: | | | |
| Municipal Stabilization Grant | 11000-OPM20600-17104 | - | 1,112,913 |
| Mashantucket Pequot/Mohegan Fund | 12009-OPM20600-17005 | - | 1,667,837 |
| Total Exempt Programs | | | <u>56,030,489</u> |
| Total State Financial Assistance | | <u>\$ -</u> | <u>\$ 86,098,780</u> |
| | | | (Concluded) |

See Notes to Schedule of Expenditures of State Financial Assistance.

City of New London, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2022**

1. Basis of presentation

The accompanying schedule of expenditures of state financial assistance (“Schedule”) includes state grant activity of the City of New London, Connecticut (“City”), under programs of the State of Connecticut. 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 general government, public safety, public works, health and welfare, recreation and culture and education.

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 fund balance, changes in net position, or cash flows of the City.

2. Summary of significant accounting policies

The accounting policies of the City, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board.

The information in the Schedule 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 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.

3. Loan programs

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule shall include loans and loan activities. The following is a summary of the various loan program activity:

Department of Energy and Environmental Protection:

| <u>Description</u> | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance July 1, 2021</u> | <u>Retired</u> | <u>Balance June 30, 2022</u> |
|---|-------------------|----------------------|------------------------|-----------------------------|----------------|------------------------------|
| <u>Clean Water Funds 21015-OTT14000-42318:</u> | | | | | | |
| 455PDC | 02/28/02 | 2.0% | \$ 2,014,170 | \$ 16,783 | \$ 8,406 | \$ 8,377 |
| <u>Drinking Water Program 21018-DPH48500-42319:</u> | | | | | | |
| 2013-7025 | 01/31/17 | 2.0% | \$ 5,534,628 | \$ 4,207,372 | \$ 251,005 | \$ 3,956,367 |

City of New London, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

Finding 2021-001 (2007)

Condition

The City and Education Department did not perform adequate reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

Current status

The finding has been repeated as Finding 2022-001.

Reason for recurrence

Although the City and Education Department closed the financial records on a timely basis, due to staff turnover, not all account reconciliations were performed at the time of the close.

Finding 2021-002 (2007)

Condition

Currently, a general ledger is not used to account for the financial activity of the Cafeteria fund. There are material adjustments at year end to reconcile the Cafeteria fund offline accounting records to the general ledger.

Current status

The finding has been repeated as Finding 2022-002.

Reason for recurrence

Due to staffing issues created by COVID, the Education Department was unable to implement the planned corrective action by year end.

Finding 2021-003 (2017)

Condition

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the water and sewer billing systems and the general ledger system. We noted that not all water and sewer billings were recorded (interfaced) into the City's general ledger. Finally, receivables were not reconciled monthly or at year end and, therefore, required adjustments as part of the audit process.

Current status

The finding has been repeated as Finding 2022-003.

Reason for recurrence

Due to staff turnover and the planned hiring of a new employee to be responsible for accounts receivable reconciliation postponed due to COVID, the City has been unable to implement the planned corrective action.

City of New London, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

| | | |
|---|---------------------------|---------------------------|
| Type of auditors' report issued: | <u>Unmodified opinion</u> | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | <u> x </u> yes | <u> </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> x </u> no |

State Financial Assistance

| | | |
|---|---------------------------|---------------------------|
| Internal control over major programs: | | |
| Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> reported |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified opinion</u> | |
| 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? | <u> </u> yes | <u> x </u> no |

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

| <u>State Grantor and Program</u> | <u>State Core-CT Number</u> | <u>Expenditures</u> |
|--|-----------------------------|---------------------|
| Department of Education: | | |
| Adult Education | 11000-SDE64370-17030 | \$ 1,377,912 |
| Priority School Districts | 11000-SDE64370-17043 | 829,435 |
| Magnet Schools - Transportation | 11000-SDE64370-17057-82061 | 337,114 |
| Magnet Schools - Operating | 11000-SDE64370-17057-82062 | 6,492,357 |
| Department of Economic and Community Development: | | |
| Urban Action Bonds | 13019-ECD46250-41240 | 983,971 |
| Office of Policy and Management: | | |
| Tiered Payment in Lieu of Taxes (PILOT) | 11000-OPM20600-17111 | 5,646,421 |
| Tiered Payment in Lieu of Taxes (PILOT) - MRSA | 12060-OPM20600-35691 | 2,006,535 |
| Department of Energy and Environmental Protection: | | |
| Contaminated Industrial Sites | 12052-DEP43750-43578 | 2,000,000 |

Dollar threshold used to distinguish between type A and type B programs: \$601,366

City of New London, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

II. Findings – Financial Statement Audit

Finding 2022-001 (Material Weakness)

Criteria

The City and Education Department should have internal controls and related policies and procedures in place to ensure timely and accurate financial reporting. Monthly and year end closing procedures should include all funds. The policies and procedures should include detailed analysis of all general ledger and balance sheet accounts to ensure that monthly financial reports are accurate.

Condition

The City and Education Department did not perform adequate reconciliation procedures to financial data prior to closing; consequently, the financial information was found to contain material misstatements that had to be corrected via the audit process.

Context

Not applicable.

Effect

The effect is that monthly financial reporting may not be accurate as errors may not be detected and corrected on a timely basis. Therefore, the City Council and Board of Education are relying on reports to manage current operations that are neither timely nor accurate.

Cause

The cause is lack of staffing and resources due to staff turnover and staffing issues related to COVID.

Recommendation

The City and Education Department should develop and implement formal monthly and year-end closing procedures. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. The procedures should include detailed analysis, reconciliation and supporting schedules for all significant balance sheet accounts.

Views of responsible officials and planned corrective actions

Staffing and turnover in the Finance Department and Education Business Office has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the City and Education Department will develop a closing process to be followed on a monthly basis to eliminate this comment in future audits.

City of New London, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-002 (Material Weakness)

Criteria

All financial activity for all funds should be recorded and controlled using a complete general ledger (balance sheet and operating statement accounts). The Cafeteria fund transactions should be recorded in the new general ledger software and all general ledger accounts should be balanced and reconciled on a monthly basis.

Condition

Currently, a general ledger is not used to account for the financial activity of the Cafeteria fund. There are material adjustments at year end to reconcile the Cafeteria fund offline accounting records to the general ledger.

Context

Not applicable.

Effect

Without properly recording transactions as they occur and reconciling all accounts on a monthly basis, significant errors and discrepancies may exist and go undetected.

Cause

The cause is due to lack of resources.

Recommendation

All activity for the Cafeteria fund should be recorded through the general ledger software and timely and accurate reconciliations should be performed for all accounts on a monthly basis.

Views of responsible officials and planned corrective actions

This fund is managed by the Cafeteria Department and was not initially included in the implementation of the general ledger software. The Cafeteria fund will be recorded in the general ledger for the next audit.

City of New London, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Finding 2022-003 (Material Weakness)

Criteria

Currently, the billing and collection activity for the water and sewer funds is recorded in the City's general ledger via an interface from the billing and collection software. There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed.

Condition

There is no additional reporting or reconciliation of the collections and outstanding receivable balances being performed between the two systems. We noted that not all water and sewer billings were recorded (interfaced) into the City's general ledger. Finally, receivables were not reconciled monthly or at year end and, therefore, required adjustments as part of the audit process.

Context

Not applicable.

Effect

Without proper reconciling of both collections and receivable balances on a monthly basis, significant errors, omission of activity, or fraud may occur and go undetected.

Cause

The cause is due to lack of resources.

Recommendation

A timely reconciliation of collections and receivable balances should be performed on a monthly basis between the water and sewer billing and collections software and the City's general ledger to ensure that all activity is properly recorded and that all monies are being properly deposited in the bank.

Views of responsible officials and planned corrective actions

Due to staff turnover and the planned hiring of a new employee to be responsible for accounts receivable reconciliation postponed due to COVID, the City has been unable to implement the planned corrective action.

III. Findings – State Financial Assistance

None.