

CITY OF WAUKESHA

Waukesha, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2013

CITY OF WAUKESHA

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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

To the Common Council
City of Waukesha
Waukesha, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements and have issued our report thereon dated July 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Waukesha's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Waukesha's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha'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 a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2013-001.

To the Common Council
City of Waukesha

Compliance and Other Matters

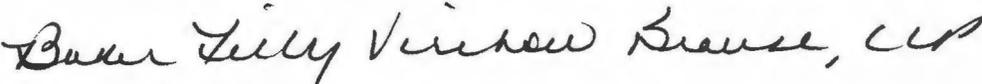
As part of obtaining reasonable assurance about whether the City of Waukesha's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Waukesha's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Milwaukee, Wisconsin
July 9, 2014

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

Independent Auditors' Report

To the Common Council
City of Waukesha
Waukesha, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Waukesha, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Waukesha's major federal and major state programs for the year ended December 31, 2013. The City of Waukesha's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Waukesha's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* 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 or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Waukesha'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 and major state program. However, our audit does not provide a legal determination of the City of Waukesha's compliance.

To the Common Council
City of Waukesha

Opinion on Each Major Federal and Major State Program

In our opinion, the City of Waukesha 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 and major state programs for the year ended December 31, 2013.

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 or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003. Our opinion on each major federal and major state program is not modified with respect to these matters.

City of Waukesha's Response to Findings

The City of Waukesha's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Waukesha'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 of Waukesha is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Waukesha's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 or 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003 to be material weaknesses.

To the Common Council
City of Waukesha

City of Waukesha's Response to Findings

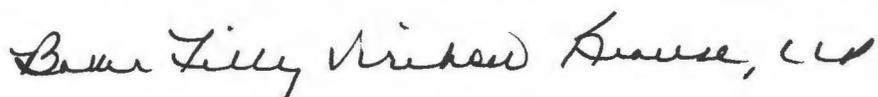
The City of Waukesha's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Waukesha's responses were not subjected to the auditing procedures applied in the audit of compliance and,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

Purpose of this Report

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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements. We issued our report thereon dated July 9, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Handwritten signature of Bruce Tilly in cursive script.

Milwaukee, Wisconsin

September 15, 2014, except for our report on the schedule of expenditures of federal and state awards, for which the date is July 9, 2014.

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues					Expenditures				
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total	
FEDERAL PROGRAMS														
U.S. Department of Housing and Urban Development														
Community Development Block Grant/Entitlement Grants														
2010	14.218	WC	N/A	\$ 245,000	\$ (5,000)	\$ (5,000)	\$ -	\$ -	\$ -	\$ (5,000)	\$ (5,000)	\$ -	\$ (5,000)	
2011	14.218	WC	N/A	238,000	(62,262)	(11,600)	50,662	-	-	(11,600)	(11,600)	-	(11,600)	
2012	14.218	WC	N/A	187,206	(41,651)	78,868	7,601	112,918	-	78,868	78,868	-	78,868	
2013	14.218	WC	N/A	198,310	-	53,762	-	53,762	-	53,762	53,762	-	53,762	
Program income	14.218	WC	N/A	-	(103,177)	-	-	103,177	-	-	-	-	-	
Total Community Development Block Grant/Entitlement Grants					(212,090)	116,030	58,263	269,857	-	116,030	116,030	-	116,030	
Lead-Based Paint Hazard Control in Privately-Owned Property	14 900	N/A	N/A	1,100,000	(162,013)	436,289	135,717	462,585	61,608	497,897	436,289	61,608	497,897	
Total U.S. Department of Housing and Urban Development					(374,103)	552,319	193,980	732,442	61,608	613,927	552,319	61,608	613,927	
U.S. Department of Justice														
Bulletproof Vest Partnership Program	16 607	N/A	N/A	51,490	-	10,342	10,342	-	-	10,342	10,342	-	10,342	
Edward Byrne Memorial Justice Assistance														
2010-DJ-BX-0565	16.738	N/A	N/A	16,355	5,989	6,250	-	261	-	6,250	6,250	-	6,250	
2011-DJ-BX-2676	16.738	N/A	N/A	13,472	3,425	3,115	-	(310)	-	3,115	3,115	-	3,115	
2012-DJ-BX-1172	16.738	N/A	N/A	11,676	-	11,676	11,676	-	-	11,676	11,676	-	11,676	
Total Edward Byrne Memorial Justice Assistance					9,414	21,041	11,676	(49)	-	21,041	21,041	-	21,041	
Total U.S. Department of Justice					9,414	31,383	22,018	(49)	-	31,383	31,383	-	31,383	
U.S. Department of Transportation														
Highway Safety Cluster														
State and Community Highway Safety														
2013	20.600	DOT	2013-40-05-PT	34,700	(3,676)	9,909	13,585	-	-	9,909	9,909	-	9,909	
Alcohol Impaired Driving Countermeasures Incentive Grants I														
2013	20.601	DOT	2013-31-05-K8	29,600	(3,353)	25,322	28,675	-	-	25,322	25,322	-	25,322	
2014	20.601	DOT	2014-31-05-K8	34,900	-	2,209	1,131	1,078	-	2,209	2,209	-	2,209	
Total Highway Safety Cluster					(7,029)	37,440	43,391	1,078	-	37,440	37,440	-	37,440	

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues						Expenditures		
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total
FEDERAL PROGRAMS (cont.)													
U.S. Department of Transportation (cont.)													
Federal Transit Cluster													
Federal Transit Formula Grants													
WI-90-0545	20.507	DOT	N/A	\$ 1,108,365	\$ (5,307)	\$ 7,726	\$ 7,752	\$ 5,281	\$ -	\$ 7,726	\$ 7,726	\$ -	\$ 7,726
WI-90-0589	20.507	DOT	N/A	994,169	(242,712)	29,765	262,535	9,942	-	29,765	29,765	-	29,765
WI-90-0649	20.507	DOT	N/A	967,563	-	9,677	-	9,677	-	9,677	9,677	-	9,677
WI-90-0568	20.507	DOT	N/A	1,055,421	-	10,629	-	10,629	-	10,629	10,629	-	10,629
WI-90-0749	20.507	DOT	N/A	1,027,910	-	982,453	732,092	250,361	-	982,453	982,453	-	982,453
ARRA-WI-95-0017	20.507	DOT	N/A	1,477,951	(458,676)	434,563	890,279	2,960	-	434,563	434,563	-	434,563
Total Federal Transit Formula Grants					(706,695)	1,474,813	1,892,658	288,850	-	1,474,813	1,474,813	-	1,474,813
Federal Transit - Capital Investment Grants	20.500	N/A	N/A	123,200	(39,075)	-	39,075	-	-	-	-	-	-
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-X035	71,500	(4,184)	31,579	34,170	1,593	-	31,579	31,579	-	31,579
Total Federal Transit Cluster					(749,954)	1,506,392	1,965,903	290,443	-	1,506,392	1,506,392	-	1,506,392
Total U.S. Department of Transportation					(756,983)	1,543,832	2,009,294	291,521	-	1,543,832	1,543,832	-	1,543,832
U.S. Department of Education													
Twenty-First Century Community Learning Centers	84.287	N/A	N/A	100,000	-	27,169	-	27,169	-	27,169	27,169	-	27,169
Total U.S. Department of Education					-	27,169	-	27,169	-	27,169	27,169	-	27,169
U.S. Department of Homeland Security													
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DMA	FEMA-1768-DR-WI	123,944	768	-	-	(768)	-	-	-	-	-
Assistance to Firefighters Grant	97.044	N/A	N/A	21,680	(21,137)	(21,137)	-	-	-	(21,137)	(21,137)	-	(21,137)
Assistance to Firefighters Grant	97.044	N/A	N/A	119,000	-	119,000	119,000	-	-	119,000	119,000	-	119,000
Total Assistance to Firefighters Grant					(21,137)	97,863	119,000	-	-	97,863	97,863	-	97,863
Total U.S. Department of Homeland Security					(20,369)	97,863	119,000	(768)	-	97,863	97,863	-	97,863
U.S. Environmental Protection Agency													
Safe Drinking Water Loan Program	66.468	DOA	N/A	124,178	-	124,178	-	124,178	-	124,178	124,178	-	124,178
Total U.S. Environmental Protection Agency					-	124,178	-	124,178	-	124,178	124,178	-	124,178
TOTAL FEDERAL PROGRAMS					\$(1,142,041)	\$ 2,376,744	\$ 2,344,292	\$ 1,174,493	\$ 61,608	\$ 2,438,352	\$ 2,376,744	\$ 61,608	\$ 2,438,352

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2013

Grantor Agency / Pass-Through Agency / Program Title	State ID Number	Award Amount	Revenues						Expenditures		
			(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Expenditures
STATE PROGRAMS											
Wisconsin Department of Transportation											
2009 Transit Operating Aids	395.104	\$ 4,777,366	\$ 119,511	\$ -	\$ -	\$ (119,511)	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Transit Operating Aids	395.104	4,521,788	(398,770)	-	-	398,770	-	-	-	-	-
2011 Transit Operating Aids	395.104	4,725,241	(357,762)	-	-	357,762	-	-	-	-	-
2012 Transit Operating Aids	395.104	4,242,261	(249,250)	-	-	249,250	-	-	-	-	-
2013 Transit Operating Aids	395.104	4,343,456	-	3,934,008	3,909,110	24,898	-	3,934,008	3,934,008	-	3,934,008
2013 Paratransit Aids Through 85.205	395.104	79,266	-	79,266	79,266	-	-	79,266	79,266	-	79,266
Total Wisconsin Department of Transportation			(886,271)	4,013,274	3,988,376	911,169	-	4,013,274	4,013,274	-	4,013,274
Wisconsin Department of Natural Resources											
Acquisition and Development of Local Parks	370.TA10	249,650	105,000	249,650	-	144,650	215,971	465,621	249,650	215,971	465,621
Total Wisconsin Department of Natural Resources			105,000	249,650	-	144,650	215,971	465,621	249,650	215,971	465,621
TOTAL STATE PROGRAMS			\$ (781,271)	\$ 4,262,924	\$ 3,988,376	\$ 1,055,819	\$ 215,971	\$ 4,478,895	\$ 4,262,924	\$ 215,971	\$ 4,478,895

CITY OF WAUKESHA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state grant activity of the City of Waukesha under programs of the federal and state government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Waukesha, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Waukesha.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – PRIOR YEAR FINDINGS

The finding from 2012 reported as 2012-01 is still valid in 2013 and has been repeated as finding No. 2013-001. The finding from 2012 reported as 2012-02 was resolved.

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- WC – Waukesha County
- DOT – Wisconsin Department of Transportation
- DMA – Wisconsin Department of Military Affairs
- DOA – Wisconsin Department of Administration

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 X yes no

 Federal Programs State Programs

Auditee qualified as low-risk auditee?

 yes X no yes X no

Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

14.900

Lead-Based Paint Hazard Control In Privately-Owned Property

20.500 and 20.507

Federal Transit Cluster

 Federal State

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

\$ 300,000 \$ 100,000

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids
370.TA10	Acquisition and Development of Local Parks

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING No. 2013-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Statement on Auditing Standards No. 115 requires communication of significant deficiencies and material weaknesses in the year end reporting process.

Condition: We as your auditors prepared your annual financial statements and performed the initial review of the schedule of expenditures of federal and state awards.

Cause: The City's personnel do not presently have the necessary time needed to prepare the financial statements, in accordance with generally accepted accounting principles. Accordingly, the City presently contracts with its audit firm to perform this function. Also, there was no review of the final version of the schedule of expenditures of federal and state awards prepared by the City prior to submission to the auditors, other than that done by the preparer and finance director on preliminary versions, due to timing of the completion of the schedule.

Effect: Preparation of the year end financial statements is not currently done. Also, a review of the final version of the schedule of federal and state awards by City personnel is not currently done being performed prior to submission of data to the auditors.

Recommendation: Management should evaluate if the benefits achieved by resolving this internal control deficiency warrants the additional cost to hire additional finance staff to achieve the goal of having its external financial statements prepared by City personnel.

Management's Response: Although City staff does not currently have time to prepare the financial statements, the staff does review the auditor completed financial statements in detail. City staff also prepares the schedule of federal and state expenditures and reviews preliminary drafts prior to submission to the auditors. In the future, City finance director will review a final version of the schedule of federal and state expenditures prior to submission to the auditors.

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING No. 2013-002: 14.900, LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED PROPERTY

Criteria: OMB Circular A-102 (Common Rule) states that federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order.

Condition/Context: During our testing, it was noted that there was no evidence for the three projects tested that the City reviewed the excluded parties list in 2013 for the vendors procured by the City to complete lead projects.

Cause: Unknown.

Effect: The City could be paying vendors for work completed with federal funds after the vendor has been suspended or debarred.

Questioned Costs: None noted.

Recommendation: We recommend that the City review its control procedures to ensure the excluded parties list is reviewed annually for all vendors procured to complete lead projects.

Management's Response: All contractors that bid on the Lead Hazard Control projects are preapproved. As part of the preapproval process the staff ensures that the contractors are not disbarred or suspended however, documentation of this verification is not maintained. Staff will maintain documentation of this process effective immediately.

Finding No. 2013-003: 14.900, Lead-Based Paint Hazard Control in Privately-Owned Property

Criteria: HUD requires that a SF-425 (Federal Financial Report) be submitted. Also, to ensure internal control over reporting, there should be an independent review and approval of all reports submitted by someone other than the preparer. The review and approval of those reports should be documented.

Condition/Context: During our testing of the lead grant program it was noted that the required SF-425 report was not submitted. Also, we noted that no review was completed other than by the preparers of the Office of Healthy Homes and Lead Hazard Control Grantee Quarterly Progress Reports and the Annual HUD forms (HUD-27061 and HUD-60002) before they were submitted.

Cause: The City was not aware that the SF-425 was a required report to be submitted to HUD.

Effect: A required report was not submitted to the grantor. Also, the reports that were submitted by the City could contain errors.

Questioned Costs: None noted.

Recommendation: We recommend that the City review its internal control procedures to ensure that all required reports are submitted. We also recommend that all reports are reviewed by an independent employee before they are submitted. This review should be documented.

Management's Response: The SF-425 report had not been filed as of the time of the audit, however, all reports have been subsequently filed and are currently up to date. In the future, Community Development will also provide them to the finance department for review prior to submission.

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ yes X no

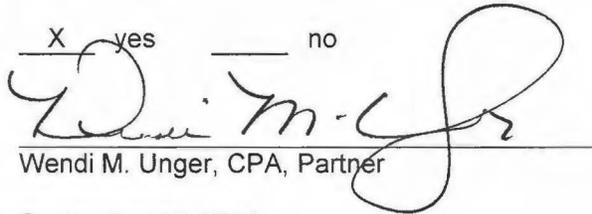
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation _____ yes X no
Department of Natural Resources _____ yes X no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

X yes _____ no

4. Name and signature of partner



Wendi M. Unger, CPA, Partner

5. Date of report

September 15, 2014