

# **CITY OF RACINE**

Racine, Wisconsin

## REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2014

# CITY OF RACINE

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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 Mayor and Common Council  
City of Racine  
Racine, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 6, 2015. Our report includes a reference to other auditors who audited the financial statements of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1, as described in our report on the City of Racine's financial statements. The financial statements of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1 were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

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

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

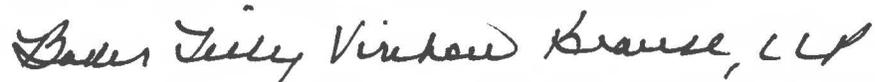
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Racine'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*.

***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 6, 2015

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 Mayor and Common Council  
City of Racine  
Racine, Wisconsin

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

We have audited the City of Racine, 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 Racine's major federal and major state programs for the year ended December 31, 2014. The City of Racine'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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Racine'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 Racine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Mayor and Common Council  
City of Racine

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 Racine's compliance.

### ***Opinion on Each Major Federal and Major State Program***

In our opinion, the City of Racine 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, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-006. Our opinion on each major federal and major state program is not modified with respect to these matters.

### ***City of Racine's Response to Findings***

The City of Racine's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Racine'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 Racine 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 Racine'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 Racine'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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 2014-007 and 2014-008 to be material weaknesses.

To the Mayor and Common Council  
City of Racine

### **City of Racine's Response to the Finding**

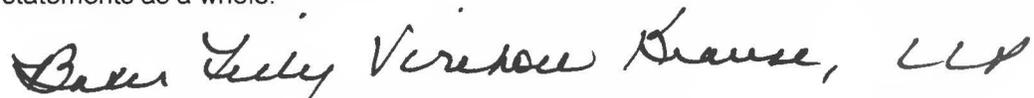
The City of Racine's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Racine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, 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 and Schedule of Settlement of DHS Cost Reimbursement Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements. We issued our report thereon dated July 6, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of Racine Water and Wastewater Utilities, and the Downtown Racine Business Improvement District #1, as described in our report on the City of Racine's financial statements. The accompanying schedule of expenditures of federal and state awards and schedule of settlement of DHS cost reimbursement awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and are 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 schedules of expenditure of federal and state awards and schedule of settlement of DHS cost reimbursement awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



Milwaukee, Wisconsin

September 16, 2015, except for our report on the schedule of expenditures of federal and state awards and the schedule of settlement of DHS cost reimbursement awards, for which the date is July 6, 2015.

**Schedule of Expenditures of  
Federal Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor/Pass Through Grantor/Program Title	Revenues						Expenditures			Subrecipient Expenditures
	Federal CFDA Number	(Accrued)	Grantor Receipts	Accrued	Local Revenue	Total Revenues	Grantor	Local	Total	
		Deferred Revenue 12/31/2013		(Deferred) Revenue 12/31/2014						
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>										
Community Development Block Grants/Entitlement Grants	14.218*									
2014 Award		\$ -	1,126,580	155,749	-	1,282,329	1,282,329	-	1,282,329	296,313
2013 Award		(177,335)	581,502	98,921	-	503,088	503,088	-	503,088	45,164
2010 Award		(18,226)	20,462	-	-	2,236	2,236	-	2,236	2,236
2011 Award		-	65,213	-	-	65,213	65,213	-	65,213	65,213
2012 Award		(19,866)	65,277	-	-	45,411	45,411	-	45,411	13,269
Passed through State of Wisconsin										
Department of Administration										
Neighborhood Stabilization Program	14.218*	(143,077)	315,943	92,756	49,603	315,225	265,622	49,603	315,225	-
Neighborhood Stabilization Program	14.218*	(114,467)	65,021	70,104	51,363	72,021	20,658	49,603	70,261	-
Total Community Development Block Grant		(472,971)	2,239,998	417,530	100,966	2,285,523	2,184,557	99,206	2,283,763	422,195
HOME Investment Partnership Program	14.239	(142,578)	419,483	181,991	17,288	476,184	458,896	17,288	476,184	60,144
Emergency Solutions Grants Program	14.231									
2013 Award		(72,380)	103,258	3,057	-	33,935	33,935	-	33,935	30,372
2014 Award		-	-	76,644	-	76,644	76,644	-	76,644	72,924
2012 Award		(6,661)	10,098	-	-	3,437	3,437	-	3,437	2,951
<b>U.S. DEPARTMENT OF THE INTERIOR-NATIONAL PARKS SERVICE</b>										
Passed through State of Wisconsin Historical Society										
Historic Preservation Fund Grants-In-Aid	15.904	-	-	19,000	-	19,000	19,000	-	19,000	-
<b>U.S. DEPARTMENT OF JUSTICE</b>										
2012 Edward Byrne Memorial Justice Assistance Grant	16.738	(28,429)	28,429	-	-	-	-	-	-	-
2013 Edward Byrne Memorial Justice Assistance Grant	16.738	-	-	14,123	-	14,123	14,123	-	14,123	-
2014 Edward Byrne Memorial Justice Assistance Grant	16.738	-	-	-	-	-	-	-	-	-
Total JAG Program Cluster		(28,429)	28,429	14,123	-	14,123	14,123	-	14,123	-
Second Chance Act Prisoner Reentry Initiative-Demonstration	16.812	(13,877)	140,398	-	-	126,521	126,521	-	126,521	140,398
Second Chance Act Prisoner Reentry Initiative-Demonstration	16.812	-	49,471	23,169	-	72,640	72,640	-	72,640	72,640

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			Subrecipient Expenditures	
		(Accrued) Deferred Revenue	Grantor Receipts	Accrued (Deferred) Revenue	Local Revenue	Total Revenues	Grantor	Local		Total
		12/31/2013		12/31/2014						
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>										
Urban Mass Transportation Administration										
Federal Transit - Formula Grant	20.507*	\$ -	2,670,330	-	-	2,670,330	2,670,330	-	2,670,330	
Federal Transit - Capital Investment Grant-2011 Award Year	20.500*	(8,584)	8,584	-	-	-	-	-	-	
Total Federal Transit Cluster		(8,584)	2,678,914	-	-	2,670,330	2,670,330	-	2,670,330	
Congestion Mitigation & Air Quality	20.205	(13,250)	42,439	20,625	98,417	148,231	49,814	98,417	148,231	
Congestion Mitigation & Air Quality	20.205	(19,940)	19,940	-	-	-	-	-	-	
Congestion Mitigation & Air Quality	20.205	(256,362)	256,362	-	-	-	-	-	-	
Congestion Mitigation & Air Quality	20.205	(142,697)	142,697	-	-	-	-	-	-	
Passed through State of Wisconsin										
Department of Transportation										
Highway Safety Cluster										
Seat Belt Enforcement Grant	20.600	-	4,999	-	-	4,999	4,999	-	4,999	
Pedestrian Safety	20.600	-	6,000	-	-	6,000	6,000	-	6,000	
Alcohol Enforcement	20.600	-	20,190	4,405	-	24,595	24,595	-	24,595	
Alcohol Enforcement	20.600	(4,294)	6,608	-	-	2,314	2,314	-	2,314	
Enforcement Zone (EZ) Grant	20.609	-	-	14,206	-	14,206	14,206	-	14,206	
Total Highway Safety Cluster		(4,294)	37,797	18,611	-	52,114	52,114	-	52,114	
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>										
Brownfields Cleanup Revolving Loan Fund	66.818*	(1,613)	95,617	149,128	-	243,132	243,132	-	243,132	
Brownfields Cleanup Revolving Loan Fund	66.818*	(17,553)	194,726	3,065	-	180,238	180,238	-	180,238	
Site Assessment Grant	66.818*	-	-	87,814	-	87,814	87,814	-	87,814	
Passed through University of Wisconsin-Oshkosh										
Great Lakes Restoration Initiative-2013	66.469	(34,078)	68,919	128,742	-	163,583	163,583	-	163,583	
Great Lakes Restoration Initiative-2012	66.469	(44,430)	51,829	89,364	-	96,763	96,763	-	96,763	
Great Lakes Program - Pershing Meyers	66.469	-	-	17,250	17,250	34,500	17,250	17,250	34,500	
Passed through the Wisconsin Department of Natural Resources										
BEACH Act Program	66.472	-	26,080	(144)	-	25,936	25,936	-	25,936	
<b>U.S. DEPARTMENT OF ENERGY</b>										
Energy Efficiency and Conservation Block Grant - ARRA	81.128	(31,877)	104,162	(43,029)	-	29,256	29,256	-	29,256	

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

**CITY OF RACINE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			Subrecipient Expenditures	
		(Accrued) Deferred Revenue 12/31/2013	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2014	Local Revenue	Total Revenues	Grantor	Local		Total
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
IDA-Assets for Independence Program Passed through State of Wisconsin Department of Health Services	93.602	\$ 22,000	-	(17,000)	-	5,000	5,000	-	5,000	-
Bio Terro-CDC Focus-2013	93.069	3,168	52,903	-	-	56,071	56,071	-	56,071	-
Bio Terro-CDC Focus-2014	93.069	-	21,282	14,513	-	35,795	35,795	-	35,795	-
Cities Readiness Initiative-2013	93.069	(4,007)	20,496	-	-	16,489	16,489	-	16,489	-
Cities Readiness Initiative-2014	93.069	-	7,012	19,736	-	26,748	26,748	-	26,748	-
Passed through State of Wisconsin Department of Health Services (cont) Immunization Cluster										
Immunization Grant	93.268	(27,103)	45,771	17,469	-	36,137	36,137	-	36,137	-
Total Immunization Cluster		(27,103)	45,771	17,469	-	36,137	36,137	-	36,137	-
Maternal and Child Health Grant	93.778	(1,219)	1,679	1,162	-	1,622	1,622	-	1,622	-
Partner Referral (HIV) Services	93.940	(9,750)	15,076	7,674	-	13,000	13,000	-	13,000	-
Preventive Health & Health Services	93.991	-	1,928	-	-	1,928	1,928	-	1,928	-
Maternal and Child Health Grant	93.994	(16,313)	22,467	15,557	-	21,711	21,711	-	21,711	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>										
Assistance to Firefighters Grant Program Passed through the City of Milwaukee	97.044	-	-	114,794	7,715	122,509	114,794	7,715	122,509	-
Port Security Grant Program	97.056	-	-	42,750	-	42,750	42,750	-	42,750	-
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ (1,344,798)</b>	<b>\$ 6,899,231</b>	<b>\$ 1,423,595</b>	<b>\$ 241,636</b>	<b>\$ 7,219,664</b>	<b>\$ 6,978,028</b>	<b>\$ 239,876</b>	<b>\$ 7,217,904</b>	<b>\$ 801,624</b>

\* Represents a major federal program.

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

**Schedule of Expenditures of  
State Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended December 31, 2014

State Agency/Program Title	State ID Number	Revenues					Expenditures			Subrecipient Expenditures
		(Accrued) Deferred Revenue 12/31/2013	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2014	Local Revenue	Total Revenues	Grantor	Local	Total	
<b>WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE, AND CONSUMER PROTECTION</b>										
Prescription Dug Program	115.04	\$ (6,000)	6,000	5,900	-	5,900	5,900	-	5,900	-
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>										
Boating Facilities Grant		-	3,210	-	-	3,210	3,210	-	3,210	-
Urban Non-Point Source Grant	USP-SE03-51276-12A	(8,036)	7,066	970	-	-	-	-	-	-
Urban Non-Point Source Grant	USC-SE03-51276-12	(88,503)	88,776	-	-	273	273	-	273	-
Urban Non-Point Source Grant	USP-SE03-51276-12B	(50,257)	50,257	-	-	-	-	-	-	-
Urban Non-Point Source Grant	USP-SE03-51279-13	-	-	149,112	322,651	471,763	149,112	322,651	471,763	-
Urban Forestry Grant	UF-1135-13	(25,000)	25,000	-	-	-	-	-	-	-
Recycling Grants to Responsible Units	370.670*	-	295,585	-	-	295,585	295,585	-	295,585	-
Recycling Consolidation Grants	370.673*	-	20,495	-	-	20,495	20,495	-	20,495	-
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>										
Transit Operating Aids	395.104*									
2005 Award Year		(56,602)	56,602	-	-	-	-	-	-	-
2006 Award Year		(62,609)	62,609	-	-	-	-	-	-	-
2007 Award Year		(61,938)	61,938	-	-	-	-	-	-	-
2008 Award Year		(64,292)	64,292	-	-	-	-	-	-	-
2009 Award Year		(139,061)	137,421	-	-	(1,640)	(1,640)	-	(1,640)	-
2010 Award Year		(214,484)	214,484	-	-	-	-	-	-	-
2011 Award Year		(276,385)	276,385	-	-	-	-	-	-	-
2012 Award Year		(212,101)	212,101	-	-	-	-	-	-	-
2013 Award Year		(205,771)	-	205,771	-	-	-	-	-	-
2014 Award Year		-	1,811,752	201,306	-	2,013,058	2,013,058	-	2,013,058	-
2014 Award Year -Chapter 85.205		-	82,976	-	-	82,976	82,976	-	82,976	-
Passed Through Racine County										
2014 Award Year -Chapter 85.205		-	-	20,000	-	20,000	20,000	-	20,000	-
2013 Award Year -Chapter 85.205		(111,000)	111,000	-	-	-	-	-	-	-
<b>WISCONSIN DEPARTMENT OF HEALTH SERVICES</b>										
Infant Mortality	435.110*	(33,092)	231,559	(4,922)	-	193,545	193,545	-	193,545	193,545
Consolidated Contract-WWWP CDC	435.157	(8,955)	88,669	-	-	79,714	79,714	-	79,714	-
Consolidated Contract-Childhood Lead	435.157	(7,504)	32,940	1,564	-	27,000	27,000	-	27,000	-
Maternal and Child Health Grant	435.159	(1,219)	1,679	1,162	-	1,622	1,622	-	1,622	-
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>										
Passed through the City of Kenosha										
Coastal Management Program	AD-119502	-	-	46,178	-	46,178	46,178	-	46,178	-
Youth Gang Diversion Program Grant	505.639									
2014 Award Year		-	-	40,226	-	40,226	40,226	-	40,226	40,226
2013 Award Year		(46,541)	81,900	-	-	35,359	35,359	-	35,359	35,359
Uniform Beat Patrol Officers Grant	505.603	-	121,434	-	86,590	208,024	121,434	86,590	208,024	-
<b>TOTAL STATE AWARDS</b>		<b>\$ (1,679,350)</b>	<b>\$ 4,146,130</b>	<b>\$ 667,267</b>	<b>\$ 409,241</b>	<b>\$ 3,543,288</b>	<b>\$ 3,134,047</b>	<b>\$ 409,241</b>	<b>\$ 3,543,288</b>	<b>\$ 269,130</b>

\* Represents a major state program.

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

# CITY OF RACINE

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2014

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### NOTE 1 – BASIS OF PRESENTATION

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The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state grant activity of the City of Racine under programs of the federal and state government for the year ended December 31, 2014. The information in these schedules 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 Racine it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Racine.

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Expenditures reported on the schedule are reported on the 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.

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### NOTE 3 – PRIOR YEAR FINDINGS

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The finding from 2013 reported as 2013-001 is still valid in 2014 and has been repeated as finding No. 2014-001. The findings reported as 2013-002 and 2013-003 were resolved.

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### NOTE 4 – SUBRECIPIENTS

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Of the federal expenditures presented in the schedule of expenditures of federal and state awards, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Second Chance Act Prisoner Tentry Initiative	16.812	\$ 213,038
Community Development Block Grant Program	14.253	422,195
HOME Investment Partnership Program	14.239	60,144
Emergency Solutions Grants Program	14.231	106,247
		<u>\$ 801,624</u>

**CITY OF RACINE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014**

*Financial Statements*

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no

*Federal or State Awards*

Internal control over major programs:		
Material weakness(es) identified?	<u>  X  </u> yes	_____ none reported
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> 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 Circular A-133, Section .510(a)?	<u>  X  </u> yes	_____ no
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Dollar threshold used to distinguish between Type A and Type B programs:	
Federal programs	<u>  \$ 300,000  </u>
State programs	<u>  \$ 100,000  </u>

Auditee qualified as low-risk auditee?		
Federal programs	_____ yes	<u>  X  </u> no
State programs	_____ yes	<u>  X  </u> no

Identification of major federal programs

**CFDA NUMBER(S)**

14.218  
20.500 / 20.507  
66.818

**Name of Federal Program or Cluster**

Community Development Block Grant  
Federal Transit Cluster  
Brownsfields Cleanup Revolving Loan Fund

Identification of major state programs

**STATE ID NUMBER(S)**

395.104  
435.110  
370.670 / 370.673

**Name of State Program**

Transit Operating Aids  
Infant Mortality  
Recycling Grants to Responsible Units and Recycling Consolidation Grants

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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

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There were no findings required to be reported in accordance with Auditing Standards Generally Accepted in the United States of America.

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

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2014-001 *Programs:* 20.500 / 20.507 Federal Transit Cluster

*Criteria:* According to A-133 federal single audit requirements all vendors should be reviewed to verify that they are not suspended or debarred.

*Condition:* The City did not properly review whether or not a vendor was suspended or debarred for 29 vendors.

*Questioned Costs:* Unknown

*Context:* Population: Greater than 250 Sample size: 40

*Effect:* Inadequate review on suspended or debarred vendors may result in federal funds being expended to unallowed vendors.

*Recommendation:* We recommend that the City properly verify that the vendor is not suspended or debarred per the SAMS website prior to making payment.

*Management's Response:* Management agrees with this finding. The City will implement a process to look at all vendors before items are purchased to make sure they are not on the suspended or debarred listing.

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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### SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

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2014-002 Program: 14.218 Community Development Block Grant

*Criteria:* All federal financial, quarterly progress and annual performance reports should be reviewed before being submitted. According to the Federal Funding Accountability and Transparency Act (FFATA), the City is required to report any first-tier subawards to the federal government. Any applicable original obligations and amendments must be reported no later than the last day of the following month in which the subaward was made or modified.

*Condition:* The City did not properly review two federal financial reports, four quarterly progress reports and one annual performance report prior to their submissions. The City did not report to the federal government payments made to subawardees within the required timeframes for the federal programs listed above, and did not have the proper controls in place to ensure the appropriate reports were filed in the appropriate timeframe.

*Questioned Costs:* Unknown

*Context:* Population: 22 Sample size: 9

*Effect:* Inadequate review of the federal financial, quarterly progress, and annual performance reports could lead to an improper amount of expenses claimed on the report. Subawards were not appropriately reported.

*Recommendation:* We recommend that the City properly approve federal financial, quarterly progress, and annual performance reports prior to being submitted and that the City ensures that reporting under FFATA is completed accurately based on the subaward information and in a timely matter.

*Management's Response:* Management agrees with this finding. The City will implement a process to make sure that all reports are reviewed and approved by a supervisor prior to filing.

2014-003 Program: 14.218 Community Development Block Grant

*Criteria:* According to A-133 federal single audit requirements all vendors should be reviewed to verify that they are not suspended or debarred.

*Condition:* The City did not properly review whether or not a vendor was suspended or debarred for 28 vendors.

*Questioned Costs:* Unknown

*Context:* Population: Greater than 250 Sample size: 40

*Effect:* Inadequate review on suspended or debarred vendors may result in federal funds being expended to unallowed vendors.

*Recommendation:* We recommend that the City properly verify that the vendor is not suspended or debarred per the SAMS website prior to making payment.

*Management's Response:* Management agrees with this finding. The City will implement a process to look at all vendors before items are purchased to make sure they are not on the suspended or debarred listing.

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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### SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

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2014-004 Program: 66.818 Brownfields Cleanup Revolving Loan Fund

*Criteria:* Cash draws should be reviewed and approved by someone other than the original preparer.

*Condition:* An Accountant prepares cash draws, but there is no review of cash draws prior to its submission.

*Questioned Costs:* Unknown

*Context:* Population: 4 Sample size: 2

*Effect:* Inadequate review of cash draws could lead to an improper amount of expenses claimed on the report.

*Recommendation:* We recommend that the City properly approve cash draws prior to being submitted.

*Management's Response:* Management agrees with this finding. The City will implement a process to make sure all cash draws are reviewed before being submitted.

2014-005 Program: 66.818 Brownfields Cleanup Revolving Loan Fund

*Criteria:* Reports should be reviewed and approved by someone other than the original preparer who is a City employee. MBE/WBE reports are required to be submitted within 30 days of the end of the semi-annual reporting periods.

*Condition:* Performance and progress reports are prepared and submitted by Racine County Economic Development Corporation, but there is no review of the reports by the City prior to submission. MBE/WBE reports are due semi-annually. Two MBE/WBE reports were selected for testing. One of the reports was not submitted within 30 days of the semi-annual reporting period. The client had no evidence that other report was submitted.

*Questioned Costs:* Unknown

*Context:* Population: 13 Sample size: 5

*Effect:* There could be errors in the amounts reported.

*Recommendation:* We recommend that a City employee review and approve all reports prior to submission to the EPA. The City should have a process in place to verify reports are being submitted timely.

*Management's Response:* Management agrees with this finding. Management has discussed the required process with RCEDC and other consultants. Report and draw requests will be sent to the Department of City Development for review prior to submissions. City Development will review the reports and give approval prior to submission.

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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### SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

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2014-006 Program: 66.818 Brownfields Cleanup Revolving Loan Fund

*Criteria:* According to A-133 federal single audit requirements all vendors should be reviewed to verify that they are not suspended or debarred.

*Condition:* The City did not properly review whether or not a vendor was suspended or debarred for 1 vendor.

*Questioned Costs:* Unknown

*Context:* Population: 39 Sample size: 4

*Effect:* Inadequate review on suspended or debarred vendors may result in federal funds being expended to unallowed vendors.

*Recommendation:* We recommend that the City properly verify that the vendor is not suspended or debarred per the SAMS website prior to making payment.

*Management's Response:* Management agrees with this finding. The City will implement a process to look at all vendors before items are purchased to make sure they are not on the suspended or debarred listing.

2014-007 Program: 66.818 Brownfields Cleanup Revolving Loan Fund

*Criteria:* Matching requirements are specified in the grant agreements.

*Condition:* Matching is tracked by the Racine Economic Development Corporation, but is not reviewed and monitored by the City.

*Questioned Costs:* Unknown

*Context:* None

*Effect:* Matching requirements may not be met if matching is not monitored by the City.

*Recommendation:* We recommend that the City implement a process to track the matching requirement for each grant at least annually.

*Management's Response:* Management agrees with this finding. Management has discussed the required process with RCEDC. All matching reports/documents will be sent to the Department of City Development for review prior to submissions. City Development will review the reports and give approval prior to submission.

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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### SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

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2014-008 *Program:* 370.670 Recycling Grant to Responsible Units

*Criteria:* To ensure accuracy and have proper internal controls in place, the Annual Report should be reviewed by an individual other than the original preparer before they are submitted to the granting agency.

*Condition:* During testing, it was noted that the Annual Report was not reviewed by an individual, separate from the individual who prepared the report.

*Questioned Costs:* Unknown

*Context:* None

*Effect:* Reports could be submitted that contain errors.

*Recommendation:* We recommend that an employee other than the preparer, reviews the Annual Report before it is submitted to grantor.

*Management's Response:* Management agrees with this finding. The annual report will be completed and then reviewed and approved by a supervisor prior to submission.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014

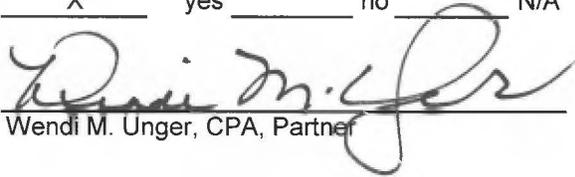
Section IV: Other Issues

1. 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 \_\_\_\_\_ N/A

2. 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 Health Services	_____	yes	<u> X </u>	no	_____	N/A
Department of Transportation	_____	yes	<u> X </u>	no	_____	N/A
Department of Natural Resources	<u> X </u>	yes	_____	no	_____	N/A
Department of Administration	_____	yes	<u> X </u>	no	_____	N/A
Department of Agriculture, Trade & Consumer Protection	_____	yes	<u> X </u>	no	_____	N/A

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  X  yes \_\_\_\_\_ no \_\_\_\_\_ N/A

4. Name and signature of partner   
Wendi M. Unger, CPA, Partner

5. Date of report September 16, 2015

City of Racine  
Schedule of Settlement of DHS Cost Reimbursement Awards  
For the Year Ended December 31, 2014

Agency 341113 Type 560 DHS Identification Number CARS Profile #	110190	155015	155190								Total
Award amount	\$ 445,400	\$ 64,991	\$ 26,748								\$ 537,139
Award period	07/01/13-06/30/15	07/01/14-06/30/15	07/01/14-06/30/15								
Period of award within audit period	01/01/14-12/31/14	07/01/14-12/31/14	07/01/14-12/31/14								
<b>A Expenditures reported to DHS for payment</b>	\$ 193,545	\$ 35,795	\$ 26,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,088
<b>B Actual Allowable cost of award</b>											
<b>Program Expenses</b>											
2 Supplies, etc	\$ 193,545	\$ 35,795	\$ 26,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,088
7 Employee salaries & wages											
8 Employee Pension plan contributions											
9 Employee Hlth,Disability,Life Ins benefits											
<b>Total Program Expenses</b>	\$ 193,545	\$ 35,795	\$ 26,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,088
<b>C Less program revenue &amp; other offsets to costs (identify in notes)</b>											
<b>F Total allowable costs</b>	\$ 193,545	\$ 35,795	\$ 26,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,088

Agency 341113 Type 460 DHS Identification Number CARS Profile #	155015	155020	155050	155190	155191	155957	157000	157720	159221	159320	Total
Award amount	\$ 64,991	\$ 36,137	\$ 4,160	\$ 26,748	\$ 435	\$ 13,000	\$ 79,715	\$ 24,857	\$ 4,044	\$ 24,955	\$ 279,042
Award period	07/01/13-06/30/14	01/01/14-12/31/14	07/01/13-06/30/14	07/01/13-06/30/14	07/01/13-06/30/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	
Period of award within audit period	01/01/14-06/30/14	01/01/14-12/31/14	01/01/14-06/30/14	01/01/14-06/30/14	01/01/14-06/30/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	01/01/14-12/31/14	
<b>A Expenditures reported to DHS for payment</b>	\$ 51,911	\$ 36,137	\$ 4,160	\$ 16,052	\$ 435	\$ 13,000	\$ 79,715	\$ 24,857	\$ 1,928	\$ 24,955	\$ 253,150
<b>B Actual Allowable cost of award</b>											
<b>Program Expenses</b>											
2 Supplies, etc	\$ 50,904	\$ 12,528	\$ 4,160	\$ 16,052	\$ 435	\$ 5,390	\$ 1,417	\$ 7,649	\$ -	\$ 833	\$ 99,368
7 Employee salaries & wages	1,007	23,609	-	-	-	7,610	78,298	17,208	1,928	24,122	153,782
8 Employee Pension plan contributions											
9 Employee Hlth,Disability,Life Ins benefits											
<b>Total Program Expenses</b>	\$ 51,911	\$ 36,137	\$ 4,160	\$ 16,052	\$ 435	\$ 13,000	\$ 79,715	\$ 24,857	\$ 1,928	\$ 24,955	\$ 253,150
<b>C Less program revenue &amp; other offsets to costs (identify in notes)</b>											
<b>F Total allowable costs</b>	\$ 51,911	\$ 36,137	\$ 4,160	\$ 16,052	\$ 435	\$ 13,000	\$ 79,715	\$ 24,857	\$ 1,928	\$ 24,955	\$ 253,150