

CITY OF DOVER, DELAWARE
REPORT ON SINGLE AUDIT
YEAR ENDED JUNE 30, 2019

**CITY OF DOVER, DELAWARE
TABLE OF CONTENTS
JUNE 30, 2019**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' 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	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the
City Council of Dover, Delaware
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, Delaware (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 17, 2020.

Internal Control Over Financial Reporting

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

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

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the schedule of findings and questioned costs as 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Finding

The City's response to the finding identified in our audit is described in the schedule of findings and questioned costs. The City'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 result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 17, 2020



**INDEPENDENT AUDITORS' 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**

The Honorable Mayor and Members of the
City Council of Dover, Delaware
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited the City of Dover, Delaware's (the City) compliance with the types of compliance requirements described 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, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

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

The Honorable Mayor and Members of the
City Council of Dover, Delaware

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 result of that testing based on the requirements of 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 24, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
March 16, 2020

CITY OF DOVER, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing & Urban Development:				
Direct				
Community Development Block Grant	14.218	B-17-MC-10-0002	\$ 18,441	\$ 19,288
Community Development Block Grant	14.218	B-18-MC-10-0002	32,830	68,924
Community Development Block Grant	14.218	B-19-MC-10-0002	26,334	129,479
			<u>77,605</u>	<u>217,691</u>
Total U.S. Department of Housing & Urban Development			<u>77,605</u>	<u>217,691</u>
U.S. Department of Justice:				
Passed through State of Delaware Office of Management and Budget				
The Edward J. Byrne Memorial Justice Assistance Grant	16.738	2017-DB-P/T-2092	-	1,080
The Edward J. Byrne Memorial Justice Assistance Grant	16.738	2016 DB-P/T-1704	-	2,458
Direct				
The Edward J. Byrne Memorial Justice Assistance Grant	16.738	2018-DJ-BX-0364	-	3,529
The Edward J. Byrne Memorial Justice Assistance Grant	16.738	2017-DJ-BX-0404	-	58,327
The Edward J. Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0122	-	8,386
			-	73,780
Direct				
Equitable Sharing Program	16.922	DE0010100	-	17,002
Total U.S. Department of Justice			-	<u>90,782</u>
U. S. Department of Transportation:				
Passed through State of Delaware Office of Highway Safety				
Highway Safety Cluster				
National Priority Safety Programs	20.616	69A3751830000405hDE0	-	3,363
National Priority Safety Programs	20.616	69A3751930000405hDE0	-	4,693
National Priority Safety Programs	20.616	69A3751930000402DE0	-	4,999
National Priority Safety Programs	20.616	18X920405DDE16	-	311
			-	13,366
State and Community Highway Safety	20.600	69A3751830000402DE0	-	929
State and Community Highway Safety	20.600	169A37518300004020DE0	-	1,840
State and Community Highway Safety	20.600	69A6751930000405hDE0	-	2,755
State and Community Highway Safety	20.600	169A37518300004020DE0	-	15,030
State and Community Highway Safety	20.600	69A3751930000402DE0	-	943
State and Community Highway Safety	20.600	69A3751930000402DE0	-	1,048
State and Community Highway Safety	20.600	69A37519300004020DE0	-	930
State and Community Highway Safety	20.600	69A37519300004020DE0	-	783
State and Community Highway Safety	20.600	69A3751930000402DE0	-	2,712
State and Community Highway Safety	20.600	69A3751930000402DE0	-	1,181
			-	28,151
Total Highway Safety Cluster			-	<u>41,517</u>
Alcohol Open Container Requirements	20.607	18X9205-464DE17	-	582
Alcohol Open Container Requirements	20.607	18X9205464DE17	-	859
Alcohol Open Container Requirements	20.607	18X9205464DE17	-	573
Alcohol Open Container Requirements	20.607	69A3751800001540DEA	-	555
Alcohol Open Container Requirements	20.607	69A3751800001540DEA	-	1,468
Alcohol Open Container Requirements	20.607	69A3751800001540DEA	-	597
Alcohol Open Container Requirements	20.607	69A3751800001540DEA	-	511
			-	5,145
Total U.S. Department of Transportation			-	<u>46,662</u>
National Endowment for the Arts:				
Direct				
Promotion of the Arts Partnership Agreements	45.025	2019-8450	-	2,500
U.S. Environmental Protection Agency:				
Passed through State of Delaware Department of Natural Resources				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	21000082	-	3,506,607
Passed through State of Delaware Department of Health and Social Services				
Capitalization Grants for Clean Water State Revolving Funds	66.458	12000090	-	596,294
Total U.S. Environmental Protection Agency			-	<u>4,102,901</u>
U.S. Department of Homeland Security:				
Passed through State of Delaware Department of Homeland Security				
Homeland Security Grant Program	97.067		-	13,811
TOTAL			<u>\$ 77,605</u>	<u>\$ 4,474,347</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF DOVER, DELAWARE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 BASIS OF ACCOUNTING

The schedule of expenditures of federal awards (the Schedule) presents the activity of all Federal award programs of the City of Dover, Delaware (the City), as defined in Note 1(a) to the City's basic financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies or other entities are included in the Schedule.

The accompanying Schedule is presented using the modified accrual basis of accounting. It includes all Federal awards to the City which had expenditure activity during the year ended June 30, 2019. The information on this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 INDIRECT COSTS

The City did not elect the 10% de minimis indirect cost rate.

**CITY OF DOVER, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Independent Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____none reported
3. Noncompliance material to financial statements noted? _____yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____no

Identification of Major Federal Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____yes <u> x </u> no

CITY OF DOVER, DELAWARE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

Finding 2019-001 Significant Deficiency in Internal Control Over Financial Reporting (Audit Adjustments)

Criteria

Management is responsible for establishing and maintaining internal controls over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). In accordance with GAAP, all liabilities and related expenses should be recorded in the period when the goods are purchased or when the services are performed. In addition proceeds from debt issuances should be recorded as liabilities when received.

Condition

The City's process for identifying and recording liabilities did not detect liabilities relating to construction retainages and construction in progress which were required to be recorded. In addition, the City did not record liabilities related to proceeds from debt issuances in a timely manner.

Context

During our testing to search for unrecorded liabilities, we noted that several invoices totaling approximately \$547,000 for services performed prior to the year-end were not recorded as payables as of June 30, 2019. In addition, the City did not record \$2.7 million of proceeds as debt obligations during the year ended June 30, 2019.

Cause

The City's review process did not detect the invoices and therefore were not included in its accrual. In addition, the review process did not detect the omission of the debt obligations in a timely manner.

Effect

Not recording expenses in the proper period could lead to liabilities, expenses and the financial statements of the City being materially misstated.

Recommendation

We recommend that management review and strengthen its policies and procedures to ensure accurate GAAP financial reporting.

Views of responsible officials and planned corrective actions

Finance has now put steps in place to correct the finding by adding additional processes to the year-end checklist.

**CITY OF DOVER, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Federal Award Findings and Questioned Costs

Finding Reference: 2019-002

Federal Agency:	Environmental Protection Agency
CFDA Number:	66.468
Federal Program:	Capitalization Grants for Drinking Water State Revolving Funds
Grant Award:	21000082
Compliance Requirement:	Suspension and Debarment
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance

Criteria

2 CFR Section 200.213 Suspension and Debarment restricts awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

To achieve this compliance objective 2 CFR 180.300 states that an entity that enters into a covered transaction with a vendor or grant recipient must verify that the vendor or grant recipient is not suspended or debarred by:

- a) Checking SAM (System for Award Management); or
- b) Collecting a certification from that person/vendor; or
- c) Adding a clause or condition to the covered transaction with that person/vendor.

Condition

The City was unable to provide supporting documentation of a vendor's suspension or debarment status as required by federal regulations.

Context

The suspension and debarment status for the sole vendor awarded under the contract was not documented.

Cause

The suspension and debarment language was omitted from the contract.

Effect

The City may pay federal award amounts to an ineligible vendor.

Questioned Costs

There are no questioned costs related to this finding as the vendor was not federally suspended or debarred.

Recommendation

We recommend the City adhere to its existing policies and procedures regarding suspension and debarment and ensure contracts are in compliance.

Views of responsible officials and planned corrective actions:

Steps have been put into place to have the City of Dover check the status of each bidder within our Statement of Qualifications chapter of the Invitation to Bidders section of our bidding documents.



The City of Dover, Delaware respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 – June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. These findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 Audit Adjustments

Recommendation: We recommend that management review and strengthen its policies and procedures to ensure accurate GAAP financial reporting.

There is no disagreement with the audit finding.

Action taken in response to finding: Finance has put steps in place to correct the finding by adding additional processes to the month-end and year-end checklists. City Departments will be asked to archive in a shared drive Reimbursement Requests at time of submission to funding agencies to allow Finance more timely processing of transactions. Finance will utilize the new ERP system to create and track these transactions to help with efficiencies. All departments will also be asked to provide a list of vendors for which there is an active contract with the City of Dover at fiscal year end. This listing will assist the finance office in reviewing the open contracts to determine if retainage was deducted from the last invoice of the fiscal year; if so, this retainage would be accrued.

Name(s) of the contact person(s) responsible for corrective action: Lori Peddicord, Controller/Treasurer

Planned completion date for corrective action plan: March 2020.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2019-002 Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Funds – CFDA No. 66.468

Recommendation: We recommend the City adhere to its existing policies and procedures regarding suspension and debarment and ensure our contracts are in compliance.

There is no disagreement with the audit finding.

Action taken in response to finding: Steps have been put into place to have the City of Dover check the status of each bidder within our Statement of Qualifications chapter of the Invitation to Bidders section of our bidding documents. The Statement of Qualifications section is always checked by staff prior to recommending approval through our Council process.

Name(s) of the contact person(s) responsible for corrective action: Jason Lyon, Assistant Public Works Director

Planned completion date for corrective action plan: March 2020.