

TOWN OF CAPE ELIZABETH, MAINE

**Reports Required by *Government Auditing
Standards* and the Uniform Guidance**

For the Year Ended June 30, 2022

TOWN OF CAPE ELIZABETH, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2022

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

Members of the Town Council
and School Board
Town of Cape Elizabeth, Maine

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, each major fund, and the aggregate remaining fund information of the Town of Cape Elizabeth, Maine as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Cape Elizabeth, Maine’s basic financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cape Elizabeth, Maine’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cape Elizabeth, Maine’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cape Elizabeth, Maine’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 Town’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 or significant deficiencies may exist that were not identified.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Report on Compliance and Other Matters

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

We noted certain other matters involving internal controls over financial reporting that we have reported as “other comments”.

Town of Cape Elizabeth, Maine’s Responses to the Other Comments

The Town of Cape Elizabeth, Maine’s responses to the other comments identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Cape Elizabeth, Maine’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



March 31, 2023
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Town Council
and School Board
Town of Cape Elizabeth, Maine

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Town of Cape Elizabeth, Maine's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Town of Cape Elizabeth, Maine's major federal programs for the year ended June 30, 2022. The Town of Cape Elizabeth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Town of Cape Elizabeth, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Cape Elizabeth, Maine 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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

Matters Giving Rise to Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the Town of Cape Elizabeth, Maine did not comply with requirements regarding Assistance Listing Numbers 10.553-10.559 Child Nutrition Cluster as described in finding number 2022-001 for Allowable Activities and 2022-002 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the Town of Cape Elizabeth, Maine to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Cape Elizabeth, Maine's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town of Cape Elizabeth, Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cape Elizabeth, Maine as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Cape Elizabeth, Maine's basic financial statements. We issued our report thereon dated March 31, 2023, 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.



March 31, 2023
South Portland, Maine

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| Federal Grantor/Pass-through Grantor/Program Title | Federal Listing Number | Pass-through Number | Total Federal Expenditures | Cluster/Listing Totals | Passed Through to Subrecipients |
|---|------------------------|---------------------|----------------------------|------------------------|---------------------------------|
| U. S. Department of Education, | | | | | |
| passed through Maine Department of Education: | | | | | |
| Title IA Disadvantaged | 84.010 | 3107 | \$ 32,059 | | - |
| Title IIA Supporting Effective Instruction | 84.367 | 3042 | 41,690 | | - |
| Covid - GEAR | 84.425 | 7004 | 500 | | - |
| Covid - Elementary and Secondary Emergency Relief Funds #3 | 84.425D | N/A | 179,977 | 180,477 | - |
| Special Education Cluster: | | | | | |
| Local Entitlement | 84.027 | 3046 | 326,640 | | - |
| Covid - Local Entitlement ARPA | 84.027X | N/A | 28,014 | | - |
| Total Special Education Cluster | | | | 354,654 | |
| Total U. S. Department of Education | | | 608,880 | | - |
| U. S. Department of Agriculture, | | | | | |
| passed through Maine Department of Education: | | | | | |
| Child Nutrition Cluster: | | | | | |
| National school lunch program | 10.555 | 3022/3024 | 580,018 | | - |
| School breakfast program | 10.553 | 3014 | 108,082 | | - |
| Healthy meals | 10.555 | 6662 | 3,505 | | - |
| Summer food service | 10.559 | 3016/3018 | 30,185 | | - |
| Donated Commodities | 10.555 | N/A | 28,315 | | - |
| Total Child Nutrition Cluster | | | | 750,105 | |
| State Administrative Expense Funds (Supply Chain Assistance) | 10.560 | 6670 | 29,992 | | - |
| Covid - EBT Administrative Costs Grant (SNAP) | 10.649 | 6184 | 1,842 | | - |
| Total U. S. Department of Agriculture | | | 781,939 | | - |
| U.S. Department of Justice, | | | | | |
| passed through Windham Police Department: | | | | | |
| Byrne Jag Grant | 16.738 | N/A | 114 | | - |
| passed through Cumberland County, passed through | | | | | |
| Windham Police Department: | | | | | |
| Covid - Coronavirus Emergency Supplemental Funding | 16.034 | N/A | 12,325 | | - |
| Total U. S. Department of Justice | | | 12,439 | | - |
| U.S. Department of Treasury, | | | | | |
| Covid - Child Care Stabilization Grants - ARPA | 21.027 | N/A | 108,050 | | - |
| Covid - Coronavirus State and Local Fiscal Recovery Funds (ARPA) | 21.027 | N/A | 506,210 | | - |
| Covid - Library grant - ARPA | 21.027 | N/A | 2,500 | 616,760 | - |
| Total U. S. Department of Treasury | | | 616,760 | | - |
| U.S. Department of Transportation, | | | | | |
| passed through the Maine Bureau of Highway Safety: | | | | | |
| Highway Safety Cluster: | | | | | |
| HV Distracted Driving Enforcement | 20.616 | N/A | 7,232 | | - |
| Drive Sober or Get Pulled Over | 20.616 | N/A | 526 | | - |
| Click It or Ticket | 20.616 | N/A | 2,975 | | - |
| Total Highway Safety Cluster | | | | 10,733 | |
| Total U.S. Department of Transportation | | | 10,733 | | - |
| U.S. Department of Homeland Security, | | | | | |
| passed through Maine Emergency Management Agency: | | | | | |
| COVID - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | N/A | 17,391 | | - |
| Total U. S. Department of Homeland Security | | | 17,391 | | - |
| Total federal awards | | | \$ 2,048,142 | | - |

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF CAPE ELIZABETH, MAINE
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

PURPOSE OF THE SCHEDULE

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Assistance Listings in the System for Awards Management.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Town of Cape Elizabeth, Maine for the fiscal year ended June 30, 2022. The reporting entity is defined in the Notes to Basic Financial Statements of the Town of Cape Elizabeth, Maine.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

 - 2. Major Programs - the Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the Town of Cape Elizabeth, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.

- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Town of Cape Elizabeth, Maine's fund financial statements.

- D. Indirect Cost Rate - The Town of Cape Elizabeth, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs
June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

| <u>Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------|--|
| 10.553-10.559 | Child Nutrition Cluster |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds (ARPA) |

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

Auditee qualified as low-risk auditee? No

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

Section II - Findings Required to be Reported Under *Government Auditing Standards*

OTHER COMMENTS (NOT SIGNIFICANT DEFICIENCIES)

Segregation of Duties (repeat)

Segregation of duties involves the assignment of responsibilities in such a way that different employees handle different parts of the same transaction. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors or irregularities. Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities. Internal accounting control is enhanced when the employee who handles the accounting for an asset, such as cash, is denied access to the asset. An example would be the Planning and Codes office, where one person collects the cash, accounts for the receipts, and prepares the deposit. Because of the small size of the accounting staff, ideal segregation of duties is not practical. Certain functions, ideally performed by separate individuals, cannot be accomplished and therefore, internal accounting controls are not as strong as they might otherwise be. Because of the limitations of the small size of the Town's staff, we suggest that cautious review of financial transactions, such as a review of bank reconciliations, be performed for all funds by responsible officials. We also recommend that monthly financial reports continue to be prepared and reviewed for all funds to identify possible financial fluctuations of an unusual nature.

Management's Response and Corrective Action Plan: Management notes that this or a similar comment is included every year. Monthly financial reports continue to be reviewed for all funds. The appropriations and revenue control reports are also posted online every month and a link is provided from the monthly council and school board agendas. The council chair and the finance chair sign all warrants. The majority of school board members sign school all warrants. Bank statements are reconciled monthly, generally within the first week of the next month. Cash receipts and cash disbursements are segregated, with the Tax Office receiving and entering most of the incoming payments. Other offices with responsibility for cash receipts and deposits are Codes Enforcement, Police, Community Services, Recycling Center, Library, Portland Head Light, and School Lunch Program. Except for Codes Enforcement, all receipts and deposit activities are entered into the accounting system by the finance office. Cash Disbursements for both accounts payable and payroll are made through the School Business Office. A member of management, Town Manager, School Business Manager or Finance Director must authorize electronic ACH payments. A member of the School Business Office runs and distributes the weekly and monthly expense and revenue reports. Ambulance and Sewer receivables are reconciled monthly to the statements from Medical Reimbursement Services and Portland Water District. During FY 2022, the School Business Office added an Accounting Manager position, which is overseeing the payroll withholdings and other accounts and reconciling payroll tax reports and accounts, as well as other accounting functions. This additional position is providing the School Business Manager with additional resources for maintaining the integrity of the general ledger and payroll liabilities.

Payroll Disbursements

As part of our audit procedures, we judgmentally selected twenty Town payroll disbursements to test. Of those twenty, three employees had salary change authorization forms that were not signed by the Town Manager as required. In addition, we identified two employees from the Community Services department that were earning more than minimum wage, but the authorization for their pay rates, including changes to those rates, were not documented. To improve internal controls over payroll disbursements, all wage rates, including changes to wage rates, should be documented and have the required authorizing signatures.

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

Section II - Findings Required to be Reported Under *Government Auditing Standards*

OTHER COMMENTS (NOT SIGNIFICANT DEFICIENCIES), CONTINUED

Management's Response and Corrective Action Plan: *The School Business Manager will review this finding with staff. The Human Resource Manager and the Payroll Coordinator will follow up before entering a change in payroll rate to assure that the Town Manager has authorized the change in rates. If the authorizations by the Town Manager are missing one or the other will walk the payroll change form to the Town Manager for authorization and then process then Payroll change.*

Community Services Cash Receipts

During our review of the Community Services Department cash receipts procedures, we selected two weeks of cash receipts to test. Of the fifteen deposits selected for testing, thirteen had daily deposit summaries that were not signed by a supervisor, even though signatures are required. To ensure controls over cash receipts are functioning as intended, management should ensure that a supervisor is reviewing and signing off on the daily deposit summaries.

Management's Response and Corrective Action Plan: *The Community Services Director will review this finding with staff and will assure that all required steps are taken.*

High School Activity Fund

During our review of the High School's bank reconciliation as of June 30, 2022, we noted several old, outstanding items, some of which should not have still been outstanding, including 4 deposits made between May 28, 2021 and December 17, 2021. In addition, there was a transfer of \$500 dated June 15, 2022 on the list of outstanding items that should not be a reconciling item. To improve the accuracy of the bank reconciliation, the school should investigate and eliminate any items on the reconciliation that should not be outstanding.

Management's Response and Corrective Action Plan: *The School Business Manager will meet with the high school administrative assistant to monitor current year reconciling items to ensure this doesn't happen again. These corrections have been made since the audit for fiscal year 2022.*

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

Section II - Findings Required to be Reported Under *Government Auditing Standards*

OTHER COMMENTS (NOT SIGNIFICANT DEFICIENCIES), CONTINUED

Capital Assets (repeat)

During our review of the Town's capital asset records, we determined that the list of construction in progress projects had only been partially updated and the other capital asset spreadsheets had not been updated for current year additions and disposals. In order to improve controls over capital assets and eliminate future errors, the following procedures should be conducted by a Town employee with sufficient knowledge of the Town's projects and of capital assets:

- Review the construction in progress list each year and identify the following:
 - Projects that were completed during the fiscal year should be removed from the list and capitalized, taking into consideration any current year activity on the project.
 - Non-capital projects or maintenance should be left off of the list.
 - Projects that were started in the current year but not completed, and that are capital in nature should be added to the list.
- Review the capital asset spreadsheet when it is rolled forward and ensure that all subtotals agree with the prior year financial statements, including the following:
 - Total cost by individual category (e.g., buildings and building improvements).
 - Total cost of all assets on the list.
 - Total accumulated depreciation.
 - Any adjustments needed should flow through the current year activity, unless a prior period adjustment is warranted.
- Review the capital asset spreadsheet to ensure all current year additions have been added, including:
 - All retirements from construction in progress that are being capitalized.
 - All current year capital asset purchases/projects that were not included in construction in progress. These should include any assets paid out of the School Department or Town operating budgets, assets paid with debt proceeds (e.g., lease proceeds), and assets paid for with grant proceeds.
- Review the capital asset spreadsheet to ensure that depreciation calculations are correct as follows:
 - Current year depreciation for additions is on a half-year basis.
 - Current year depreciation for all other assets is for a full year.
 - Current year depreciation for assets at the end of their useful lives should also be on a half-year basis.
 - Total accumulated depreciation does not exceed the original cost of the asset (net book value is not negative).
- Review the capital asset spreadsheet to ensure that all current year disposals have been identified. Amounts that were disposed in the prior years should be removed from the spreadsheet.

In addition, the Town should consider investing in a capital asset software/module to track its capital assets and calculate depreciation. Such software would avoid errors in the depreciation calculations.

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

Section II - Findings Required to be Reported Under *Government Auditing Standards*

OTHER COMMENTS (NOT SIGNIFICANT DEFICIENCIES), CONTINUED

Management's Response and Corrective Action Plan: During FY 2023 and FY 2024, the Town and School Offices will further review this comment and work together with the departments to better track and record acquisitions and deletions. The Town is replacing internal financial management system, and it will come online for FY 2024. This will be a major upgrade in our financial management system and requires significant dedicated resources to bring the replacement system on-line. We anticipate growing pains as the new system is brought online and employees become familiar with its capabilities and the processes, but expect to see significant improvements in our accounting and controls.

As part of the change in the internal financial management system, the Town will be looking at the use of the fixed asset program in the new program. It will likely be FY 2025 before such a change would be implemented, given the effort required for the base program.

State Department of Education Reporting

As part of our audit, we reviewed the financial information that was uploaded to the State of Maine Department of Education's portal. We identified several errors, including expenditure lines that were coded to the incorrect categories, expenditure lines that were not uploaded, and an expenditure account that was overstated by \$1,350,000. In order to improve controls over the State reporting, management should review the uploaded information to ensure that it is complete and accurate.

Management's Response and Corrective Action Plan: The business manager will ensure the text file uploaded from Northern Data Systems (soon to be ERP through Tyler Technologies) will reconcile to the actuals in the financial system. The business office will have a two-person review going forward so that expenditure codes and actuals uploaded do not get transposed.

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

Section III - Findings and Questioned Costs for Federal Awards

2022-001 U.S. Department of Agriculture, Assistance Listing #10.555-10.559 Child Nutrition Cluster for the period July 1, 2021 through June 30, 2022

Criteria: Accurate meal counts are required for the proper calculation of federal subsidy.

Condition: The School Department over reported meal counts for the month of January 2022 and under reported the meal counts for the month of April 2022, for a net under reporting of 198 meals.

Cause: Manual sheets were used to track meal counts during the months in question, which are prone to error.

Effect: The School Department may have been reimbursed less in federal funds than it should have been.

Questioned Costs: None

Recommendation: Management should ensure that supporting documentation from the individual schools for meal counts agree with the total meals reported to the State.

Management's Response/Corrective Action Plan: The school business manager will ensure all supporting documentation supports the reported meal counts for school claims. The school manager has met with the new school nutrition director to create a plan. The correction has been made for fiscal year 2023.

2022-002 U.S. Department of Agriculture, Assistance Listing #10.555-10.559 Child Nutrition Cluster for the period July 1, 2021 through June 30, 2022

Criteria: The Department of Agriculture requires that data used in the claims review process to be maintained on file. Records are required to be retained for a period of three years after submission of the final claim for reimbursement for the fiscal year.

Condition: The School Department was unable to locate manual meal count sheets for all schools for the month of October 2021, for two of the schools for the month of November 2021, and for one of the schools for December 2021.

Cause: Manual sheets were used to track meal counts during the months in question, which were not retained in support of the monthly claim forms.

Effect: Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question.

Recommendation: Management should ensure that supporting documentation for all monthly claims are retained as required.

Questioned Costs: None

Management's Response/Corrective Action Plan: The business manager and school nutrition director will ensure all documentation are maintained for each claim for audit purposes. The meal counts are now in the new point of sale system this fiscal year, which was not available last year for all students. All documents will be maintained correctly.

TOWN OF CAPE ELIZABETH, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

**Section IV – Summary Schedule of Status of Prior Audit Findings and Questioned Costs for Federal Awards and
*Government Auditing Standards***

NONE