

CITY OF MADISON

Madison, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2016

CITY OF MADISON

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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 City Council
City of Madison
Madison, Wisconsin

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Madison's basic financial statements, and have issued our report thereon dated June 28, 2017. Our report includes a reference to other auditors who audited the financial statements of the Olbrich Botanical Society and Olbrich Botanical Society Foundation, Library Foundation, and Madison Parks Foundation, component units of the city, the limited liability corporations (LLCs) presented as component units of the Community Development Authority of the City of Madison (CDA), and Monona Shores, a major fund of the CDA, as described in our report on the City of Madison's financial statements. The financial statements of the Olbrich Botanical Society and Olbrich Botanical Society Foundation, Library Foundation, Madison Parks Foundation, the LLCs of the CDA, and Monona Shores of the CDA were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

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

To the City Council
City of Madison

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Madison's Response to Findings

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 28, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Madison
Madison, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Madison's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Madison's major federal and major state programs for the year ended December 31, 2016. The City of Madison's major federal and major state 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 and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Madison'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; 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), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, 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 a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Madison's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the City Council
City of Madison

Opinion on Each Major Federal and Major State Program

In our opinion, the City of Madison 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal and major state program is not modified with respect to this matter.

City of Madison's Response to Finding

The City of Madison's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Madison'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

Management of the City of Madison 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 Madison'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 or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 Madison'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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-004, that we consider to be a significant deficiency.

To the City Council
City of Madison

City of Madison's Response to Finding

The City of Madison'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 of Madison's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance 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 the Uniform Guidance and the *State Single Audit Guidelines*

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 Madison, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Madison's basic financial statements. We issued our report thereon dated June 28, 2017, 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 the Olbrich Botanical Society and Olbrich Botanical Society Foundation, Library Foundation, and Madison Parks Foundation, component units of the city, the limited liability corporations (LLCs) presented as component units of the Community Development Authority of the City of Madison (CDA), and Monona Shores, a major fund of the CDA, as described in our report on the City of Madison's financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 28, 2017

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Expenditures	Payments to Subrecipients
FEDERAL AWARDS						
U.S. Department of Agriculture						
Food Insecurity Nutrition Incentive Grants Program	10.331	N/A	201670025-25246	\$ 93,055	\$ 35,079	\$ -
Total U.S. Department of Agriculture					<u>35,079</u>	<u>-</u>
U.S. Department of Housing and Urban Development						
Multifamily Housing Service Coordinators	14.191					
Service Coordinator Multifamily		N/A	WI39HS02009	191,987	62,558	-
Service Coordinator Multifamily		N/A	WI39P003501-04	198,893	108,419	-
					<u>170,977</u>	<u>-</u>
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program						
New Construction/Substantial Rehabilitation	14.195					
Housing Assistance Payments - Karabis		N/A	N/A	N/A	159,429	-
Housing Assistance Payments - Parkside		WHEDA	N/A	N/A	416,126	-
Total Section 8 Project-Based Cluster					<u>575,555</u>	<u>-</u>
CDBG - Entitlement Grants Cluster						
Community Development Block Grants/Entitlement Grants (CDBG)	14.218					
Community Development Block Grants/Entitlement Grants		N/A	B**-MC-55-0005	N/A	1,123,849	875,008
Community Development Block Grants - Program Income		N/A	N/A	N/A	1,348,278	-
Total CDBG - Entitlement Grants Cluster					<u>2,472,127</u>	<u>875,008</u>
Community Development Block Grants/State's Program	14.228					
Neighborhood Stabilization Program (NSP)		WI DOA	NSP 09-15	N/A	93	-
Emergency Solutions Grants Program (ESG)	14.231					
Emergency Solutions Grant		N/A	E**-MC-55-0005	N/A	150,589	136,368
Emergency Solutions Grant		WI DOA	ETH **-11	N/A	291,027	275,460
					<u>441,616</u>	<u>411,828</u>
HOME Investment Partnerships Program (HOME)	14.239					
HOME Investment Partnership Program		N/A	M**-MC-55-0201	N/A	1,471,345	362,911
HOME Investment Partnership Program - Program Income		N/A	N/A	N/A	373,559	-
					<u>1,844,904</u>	<u>362,911</u>
Continuum of Care Program (CoC)	14.267					
Continuum of Care Program Grant FY14		N/A	WI0161L5I031400	38,739	38,739	38,739
Public and Indian Housing	14.850					
Low Income Assistance Program - Operating Subsidy		N/A	N/A	N/A	1,257,351	-
Resident Opportunity & Support Services - Service Coordinators	14.870	N/A	WI003RPS081A012	243,000	13,542	-
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	14.871					
Housing Choice Voucher Program		N/A	WI003VO0119 (2010)	N/A	14,073,607	-
Total Housing Voucher Cluster					<u>14,073,607</u>	<u>-</u>

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Expenditures	Payments to Subrecipients
FEDERAL AWARDS						
U.S. Department of Housing and Urban Development (cont.)						
Public Housing Capital Fund	14.872					
Capital Fund Program FY12		N/A	WI39P00350112	\$ 842,833	\$ 375	\$ -
Capital Fund Program FY13		N/A	WI39P00350113	852,861	134,196	-
Capital Fund Program FY14		N/A	WI39P00350114	913,769	413,916	-
Capital Fund Program FY15		N/A	WI39P00350115	934,240	557,431	-
					<u>1,105,918</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development					<u>21,994,429</u>	<u>1,688,486</u>
U.S. Department of Interior						
Outdoor Recreation, Acquisition, Development and Planning	15.916	WI DNR	55-01885	295,308	1,199	-
Total U.S. Department of Interior					<u>1,199</u>	<u>-</u>
U.S. Department of Justice						
Criminal Division - U.S. Marshals Service	16.710					
COPS Hiring		N/A	2015-UL-WX-0025	500,000	57,608	-
COPS Hiring		N/A	2014-UL-WX-0009	375,000	132,657	-
					<u>190,265</u>	<u>-</u>
Juvenile Justice and Delinquency Prevention (Allocation to States)	16.548					
Municipal Court DMC Reduction Initiative Grant		WI DOJ	2012/13-JB-15X-11227	40,000	40,000	40,000
Office of Juvenile Justice and Delinquency Prevention	16.543					
Missing Children's Assistance		WI DOJ	2015-MC-FX-K029	35,000	2,118	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738					
E. Byrne Memorial Justice Assistance		N/A	2015-DJ-BX-0609	91,272	62,326	22,385
E. Byrne Memorial Justice Assistance		N/A	2014-DJ-BX-0731	108,034	4,581	-
E. Byrne Memorial Justice Assistance		N/A	2013-DJ-BX-1180	103,161	3,215	379
E. Byrne Memorial Justice Assistance TRGT		Dane Co	2015-DJ-01-11722	90,000	77,605	-
					<u>147,727</u>	<u>22,764</u>
Byrne Criminal Justice Innovation Program	16.817					
Byrne Criminal Justice Innovation: Planning		N/A	2015-AJ-BX-0008	155,522	49,019	49,019
Equitable Sharing Program	16.922					
Asset Forfeiture Program - Task Force		Dane Co	WI0132700	267,902	267,902	-
Asset Forfeiture Program - Police Department		Dane Co	WI0130100	14,655	14,655	-
					<u>282,557</u>	<u>-</u>
Total U.S. Department of Justice					<u>711,685</u>	<u>111,783</u>
U.S. Department of Labor						
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	N/A	WB-29275	155,317	6,607	5,870
Total U.S. Department of Interior					<u>6,607</u>	<u>5,870</u>
U.S. Department of Transportation						
Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205					
Ped/Bike Safety		WI DOT	5992-08-33(2016)	69,600	69,600	-
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users		WI DOT	5992-01-95-97	3,149,651	19,184	-
Total Highway Planning and Construction Cluster					<u>88,784</u>	<u>-</u>

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Expenditures	Payments to Subrecipients
FEDERAL AWARDS						
U.S. Department of Transportation (cont.)						
Federal Transit - Metropolitan Planning Grants	20.505					
Federal Highway Planning Grant		WI DOT	0095-55-75	\$ 704,226	\$ 122,756	\$ -
State Highway Planning Grant		WI DOT	W095-55-75	47,020	8,197	-
Federal Highway Planning Grant		WI DOT	0095-65-75	704,226	595,831	-
Federal STP Rideshare Grant		WI DOT	5992-08-27	81,600	74,558	-
State Highway Planning Grant		WI DOT	W095-65-75	47,020	39,787	-
					<u>841,130</u>	<u>-</u>
Federal Transit Cluster						
Federal Transit - Formula Grants	20.507					
Section 5307 - Capital and Planning		N/A	90-X595	7,120,494	265,241	-
Section 5307 - Capital and Planning		N/A	WI-2016-028	8,126,877	6,135,002	-
FY15 Surface Transportation Program (STP)		N/A	95-X052	4,437,000	1,025,000	-
					<u>7,425,243</u>	<u>-</u>
Federal Transit - State of Good Repair Formula	20.525					
Section 5337 - Capital		N/A	54-X003	750,371	750,371	-
Section 5337 - Capital		N/A	WI-2016-026	1,590,745	744,249	-
					<u>1,494,620</u>	<u>-</u>
Federal Transit - Bus & Bus Facilities Formula	20.526					
Section 5339 - Capital		N/A	34-X006	787,029	787,029	-
Section 5339 - Capital		N/A	WI-2016-026	1,519,918	789,192	-
					<u>1,576,221</u>	<u>-</u>
Total Federal Transit Cluster					<u>10,496,084</u>	<u>-</u>
Transit Services Programs Cluster						
Federal Transit - Enhanced Mobility Formula	20.513					
Section 5310 - Enhanced Mobility		N/A	16-X005	539,184	105,337	30,519
Section 5310 - Enhanced Mobility			WI-2016-040	193,125	126,819	125,269
Total Transit Services Programs Cluster					<u>232,156</u>	<u>155,788</u>
Public Transportation Research	20.514					
Section 5314 - Capital & Planning		N/A	26-X012	990,000	148,829	-
Alternatives Analysis	20.522					
Section 5339 - Capital & Planning		N/A	39-X002	750,000	44,218	-
Highway Safety Cluster						
State and Community Highway Safety	20.600					
Bicycle Safety 2016		WI DOT	0955-80-14	4,000	3,222	-
Mobilization 2016		WI DOT	0956-30-27	4,000	4,000	-
Motorcycle Enforcement 2016		Dane Co	0956-70-03	6,000	5,866	-
Speed Enforcement 2016		WI DOT	0955-40-20	129,990	129,732	73,278
Impaired Driving Enforcement 2015		DeForest	0955-00-40	10,000	-	-
Impaired Driving Enforcement 2016		DeForest	0966-0-10	20,000	9,878	-
Pedestrian Safety 2016		WI DOT	0956-80-06	24,996	17,797	-
					<u>170,494</u>	<u>73,278</u>
National Priority Safety Program	20.616					
Alcohol Enforcement 2017		Dane Co	3950957-31-08	100,000	15,361	-
Seatbelt Enforcement 2017		Dane Co	3950957-25-07	81,105	10,730	-
Alcohol Enforcement 2016		WI DOT	0955-31-11	69,988	51,546	-
Seatbelt Enforcement 2015		Dane Co	0956-25-57	60,000	55,443	-
					<u>133,079</u>	<u>-</u>
Total Highway Safety Cluster					<u>303,574</u>	<u>73,278</u>

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Expenditures	Payments to Subrecipients
FEDERAL AWARDS						
U.S. Department of Transportation (cont.)						
National Infrastructure Investments	20.933					
TIGER II Capital & Planning		N/A	79-1000	\$ 950,000	\$ 384,244	\$ -
TIGER VI Capital & Planning		N/A	79-1001	300,000	145,007	-
					<u>529,251</u>	<u>-</u>
Total U.S. Department of Transportation					<u>12,684,025</u>	<u>229,065</u>
U.S. Equal Employment Opportunity Commission						
Employment Discrimination - Title VII of the Civil Rights Act of 1964	30.001					
Title VII Processing Contract		N/A	2016	40,500	40,500	-
					<u>40,500</u>	<u>-</u>
Total U.S. Equal Employment Opportunity Commission					<u>40,500</u>	<u>-</u>
Institute of Museum and Library Services						
National Leadership Grants	45.312	JW-Madiso	NLG-LIBRARIES-FY14	118,780	50,567	-
					<u>50,567</u>	<u>-</u>
Total Institute of Museum and Library Services					<u>50,567</u>	<u>-</u>
U.S. Environmental Protection Agency						
Community-Wide Brownfield Assessment	66.818	N/A	BF-00E01047	400,000	103,831	-
					<u>103,831</u>	<u>-</u>
Total U.S. Environmental Protection Agency					<u>103,831</u>	<u>-</u>
U.S. Department Of Energy						
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128					
Wisconsin Energy Efficiency Project		MKE	N/A	1,674,756	142,996	-
					<u>142,996</u>	<u>-</u>
Total U.S. Department of Energy					<u>142,996</u>	<u>-</u>
National Institute of Health						
Aging Research	93.866	JW-Madiso	629K753	294,189	68,456	-
					<u>68,456</u>	<u>-</u>
Total National Institute of Health					<u>68,456</u>	<u>-</u>
U.S. Department of Homeland Security						
Hazard Mitigation Grant Program	97.039	WEM	FEMA-1966-DR-WI	1,176,158	18,474	-
Assistance to Firefighters Grant	97.044	WI DMA	2014-HSW-02A-10732	56,826	56,826	-
					<u>75,300</u>	<u>-</u>
Total U.S. Department of Homeland Security					<u>75,300</u>	<u>-</u>
TOTAL FEDERAL AWARDS					<u>\$ 35,914,675</u>	<u>\$ 2,035,204</u>

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2016

State Grantor/Program Title	State ID Number	Grant Number	Program or Award Amount	Expenditures	Payments to Subrecipients
STATE AWARDS					
State Historical Society of WI	100.141				
CLG National Register Nomination		2016	\$ 12,500	\$ 3,750	\$ -
Total for State Historical Society of WI				3,750	-
Wisconsin Department of Natural Resources					
Aids in Lieu of Taxes	370.503	N/A	N/A	21	-
Lake Protection and Classification Grants	370.663				
Nakoma Park Streambank Restoration		LR08-13251-15	120,038	93,824	-
Recycling Grants to Responsible Units	370.670	N/A	N/A	701,827	-
RU Consolidated Grant	370.673	N/A	N/A	63,436	-
Total for Wisconsin Department of Natural Resources				859,087	-
Wisconsin Department of Transportation					
Transit Operating Aids	395.104	2016	17,370,419	17,370,419	-
Total for Wisconsin Department of Transportation				17,370,419	-
Wisconsin Department of Justice					
Law Enforcement Specialized Training: Canine Tactical Operations	455.231	2017-LEO1-12121	10,000	10,000	-
Beat Patrol	455.275	2016-BP-01-11587	126,714	126,714	-
Total for Wisconsin Department of Justice				136,714	-
Wisconsin Department of Military Affairs					
Regional Emergency Response Teams	465.306	07/01/2015-06/30/2017	320,168	161,446	-
Total for Wisconsin Department of Military Affairs				161,446	-
Wisconsin Department of Administration					
Housing Cost Reduction Initiative	505.703A	N/A	N/A	192,304	-
Housing Cost Reduction Initiative - Program Income		N/A	N/A	60,000	-
				252,304	-
Homelessness Prevention Program	505.703B	N/A	N/A	96,594	96,594
Transitional Housing Grant Program	505.707B	N/A	N/A	29,978	29,978
Total for Wisconsin Department of Administration				378,876	126,572
Wisconsin Economic Development Corporation					
Idle Industrial Sites Redevelopment Grant	N/A	ISR FY14-22202	534,000	514,857	-
Total for Wisconsin Economic Development Corporation				514,857	-
Wisconsin Department of Tourism					
WI Arts Board	N/A	2016	10,510	9,510	-
Total for Wisconsin Department of Tourism				9,510	-
TOTAL STATE AWARDS				\$ 19,434,659	\$ 126,572

See notes to schedules of expenditures of federal and state awards.

CITY OF MADISON

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedule”) includes the federal and state award activity of the City of Madison under programs of the federal and state government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Madison, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Madison.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB circular A-87 when applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

NOTE 3 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

WHEDA – Wisconsin Housing and Economic
Development Authority
WI DOJ – Wisconsin Department of Justice
WI DOT – Wisconsin Department of
Transportation
WI DOA – Wisconsin Department of
Administration
WI DMA – Wisconsin Department of Military
Affairs

MKE – City of Milwaukee, Wisconsin
Dane Co – Dane County, Wisconsin
WI DNR – Wisconsin Department of Natural
Resources
DeForest – Village of DeForest, Wisconsin
UW-Madison – University of Wisconsin –
Madison
WEM – Wisconsin Emergency Management

CITY OF MADISON

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

NOTE 4 – INDIRECT COST RATE

The City of Madison is eligible for, but has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

	<u>Federal Programs</u>		<u>State Programs</u>	
> Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	<u> </u> yes	<u> X </u> no
> Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported	<u> X </u> yes	<u> </u> none reported

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

<u>unmodified</u>	<u>unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

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

<u> </u> yes	<u> X </u> no	<u> </u> yes	<u> X </u> no
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Dollar threshold used to distinguish between type A and type B programs:

<u>\$</u> <u>1,070,819</u>	<u>\$</u> <u>250,000</u>
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CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

<u>CDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
	Federal Transit Cluster
20.507	Federal Transit – Formula Grants
20.525	Federal Transit – State of Good Repair Grants Program
20.526	Federal Transit – Bus and Bus Facilities Formula Program

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids
505.703A	Housing Cost Reduction Initiative
N/A	Idle Industrial Sites Redevelopment Grant

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

FINDING 2016-001: SIGNIFICANT DEFICIENCY – INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of a portion of Finding 2015-001

Criteria: Auditing Standards contained in AU-C Sec. 265 state that the city should have internal control procedures that enable the preparation of financial statements by city personnel that are free from material errors.

Condition: Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of the city's year-end financial reporting process and preparation of your financial statements, including the schedule of expenditures of federal and state awards. A properly designed system of internal control allows for the presentation of year-end financial data and financial statements without material errors. At this time, the city does not have internal controls in place that allow for the preparation of complete and accurate financial statements, including an independent review by someone other than the preparer. As a result, we consider this to be a significant deficiency in internal control over the city's financial reporting.

Cause: Due to staffing constraints, the city relies on the auditors to prepare some financial statement disclosures. Errors in the general ledger and financial statements were not identified by city personnel.

Effect: The auditors assisted with the preparation of the annual financial statements and identified audit entries or changes to the city-prepared financial statements.

Recommendation: The city may consider and implement additional internal control procedures in order to prepare its year-end financial statements.

Management's Response

Our external audit teams from Baker Tilly, do assist with the preparation of the entity-wide financial statements, combining statements for cash flows, and some of the required footnote disclosures. However, Finance Department staff prepares fund financial statements, conversion entries for the financial statement reconciliations, some footnote disclosures, MD & A, required supplementary information, and the statistical section of the Comprehensive Annual Financial Report (CAFR). We have reviewed, approved, and accepted responsibility for the audited financial statements, and related notes. Additionally, city management does formally review the fund financial statements prior to external audit teams' arrival. We will continue to make progress towards completing the full CAFR annually, but still rely on our auditor's expertise to more efficiently assist us given GFOA's CAFR submission deadline of June 30.

Further, city management hired a professional grant manager during the last quarter of 2016. This position has further established and improved internal controls within the City's ERP software including grant master workflow approvals for applications and project set-up, as well as recording and maintaining reporting effective dates. Written policies and procedures were also developed to better assist and train city agency staff whom are responsible for reporting and requesting both federal and state awards. City staff are currently implementing more formal reviews for grant applications, and management approvals of expenditures and revenues prior to their timely report submissions. It is planned that these reviews and approvals will be monitored semi-annually and/or more frequently during subsequent fiscal periods.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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

FINDING 2016-002: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT

Repeat of portion of Finding 2015-004

Criteria: We performed our audit under Auditing Standard AU-C Sec. 315, which required us to review the city’s internal controls over information technology. As a result, we identified certain controls that we considered to be key controls that were not in place during the year under audit.

Condition: The City of Madison has internal controls in place to help safeguard the city’s assets. During our audit, we noted certain areas where internal controls over information technology should be strengthened, including the following:

IT Area	IT Finding	Management Response
<i>Backup and Restoration</i>	<i>Financial system data restoration is not tested.</i>	While we don’t have a formal backup testing procedure, we are restoring production data from backup to the test environment on an almost weekly basis. We will coordinate with the Finance Department and our software vendor to develop a formal backup testing procedure as soon as practical.
<i>Automated / Scheduled Processes</i>	<i>Some automated jobs send out notifications only if the job failed. However, certain system failures prevent the notification from being sent. As a result, some job failure went unnoticed.</i>	We agree and will explore ways to assess the status of automated jobs as soon as practical.
<i>Unique User Authentication</i>	<i>BT reviewed the user list for financial systems and noted usage of some generic accounts.</i>	IT will review the generic accounts list with Finance Department staff and our software vendor to determine which accounts can be removed and develop a plan to remove them. Another system is scheduled for obsolescence as a managed data source in late 2017.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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

FINDING 2016-002: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)

IT Area	IT Finding	Management Response
<i>Private Information Security</i>	<i>Certain sensitive information is emailed to employees without proper security.</i>	We agree and will work with the Finance Department and our software vendor to implement this as soon as practical. In regards to password management, employees do have the ability today to change their own passwords for the portal, but not for viewing the PDF file. The latter becomes a moot point if the document is no longer attached to email.
<i>Password</i>	<i>Passwords of certain systems have weaker settings.</i>	This issue relates to 3 rd party systems. IT will coordinate with the Finance Department and Water Utility to reach out to those vendors and pursue Active Directory integration. Another system is scheduled for obsolescence as a managed data source in late 2017.
<i>Privileged Accounts</i>	<i>Changes are approved and tested. However, the developer of the change also implements the change in the production environment.</i>	Complete segregation of duties is not possible due to a small staff size. However, internal code reviews do take place for substantive changes that can affect data integrity. We will work to formalize this. IT staff utilizes a change process that includes an electronic form as part of our call and change tracking system. Changes are detailed, reviewed by affected parties and approved by supervisory staff.

Cause: Due to staffing constraints, some technology controls have not been implemented.

Effect: Weaknesses in the internal controls over information technology may increase the possibility of misstatements due to errors or fraud.

Recommendation: The city may consider and implement additional policies, processes, and internal controls over its information technology to reduce the risk of misstatements to the financial records.

Management’s Response

See table above for management responses.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

FINDING 2016-003

Program State ID Number and Title: 505.703A Housing Cost Reduction Initiative
State Award Year: 2015
State Grantor: Wisconsin Department of Administration
Pass-through Agency: N/A

Criteria: Per the grant agreement, the City must prepare and submit Quarterly Activity Reports and these reports are due 30 calendar days following the end of each contract quarter.

Condition/Context: During testing it was noted that the City did not have support showing that the quarterly reports were submitted within 30 calendar days following the end of each contract quarter. Our sample was not statistically valid.

Cause: The City did not have a process in place to retain support for when the quarterly reports were submitted.

Effect: Reports may not have been submitted by the due date, impacting the timeliness of information received by the grantor.

Questioned Costs: None noted.

Recommendation: We recommend that the City keep all emails or other support as evidence that the Quarterly Activity Reports are being submitted on time.

Management's Response

The City understands the importance of ensuring that reports are submitted to State of Wisconsin in a timely fashion. All quarterly reports for 2016 were provided to Baker Tilly to review and were submitted to the State of Wisconsin in a timely fashion. Linette Rhodes, Grants Administrator, had copies of all quarterly reports but did not save or print the sent emails to the contract folder to verify the date of submission.

City of Madison has updated the procedures for submitting quarterly reports to print and save emails to the contract folder for all reports submitted to the State of Wisconsin.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

FINDING 2016-004

Program State ID Number and Title: N/A *Idle Industrial Sites Redevelopment Grant*
State Award Year: 2014
State Grantor: Wisconsin Economic Development Corporation
Pass-through Agency: N/A

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

Condition/Context: During testing it was noted that the two Semi-Annual Performance Reports related to 2016 expenditures were not reviewed by an independent person before submission to the WEDC. Our sample was not statistically valid.

Cause: The city does not have procedures in place requiring that an independent person review the reports before submission.

Effect: Reports could be submitted that contain errors.

Questioned Costs: None noted.

Recommendation: We recommend that an individual other than the preparer review all reports before they are submitted to the grantor.

Management's Response

City Engineering has instituted new grant management procedures including a requirement that all narrative and financial reports be reviewed by the head of the section managing the grant. The section head will recommend revisions as appropriate and then sign off on the report prior to submittal to the grantor. These reports are then also forwarded to the Engineering Financial Manager.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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

Department of Natural Resources	_____	yes	<u> X </u>	no
Department of Tourism	_____	yes	<u> X </u>	no
Department of Justice	_____	yes	<u> X </u>	no
Department of Transportation	_____	yes	<u> X </u>	no
Department of Military Affairs	_____	yes	<u> X </u>	no
Department of Administration	<u> X </u>	yes	_____	no
Wisconsin Economic Development Corporation	<u> X </u>	yes	_____	no
State Historical Society of Wisconsin	_____	yes	<u> X </u>	no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

Amanda Blomberg

Name and signature of firm director

Amanda Blomberg, CPA, Firm Director

Date of report

June 28, 2017