

**CITY OF MADISON**

Madison, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2017

# 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 the City of Madison, Wisconsin as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the the City of Madison's basic financial statements, and have issued our report thereon dated June 20, 2018. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

### **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*.

### **The City of Madison's Response to Findings**

The City of Madison's response to the findings identified in our audit are 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 20, 2018

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, 2017. 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 and state statutes, regulations, and the terms and conditions of its federal and state 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.

### ***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, 2017.

### ***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 and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. 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 and 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 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 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 have not been 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 2017-003, that we consider to be a significant deficiency.

## 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, 2017, 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 20, 2018, 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.



Madison, Wisconsin  
June 20, 2018

**CITY OF MADISON**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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
<b>FEDERAL AWARDS</b>						
<b>U. S. Department of Agriculture</b>						
Food Insecurity Nutrition Incentive Grants Program	10.331	N/A	201670025-25246	\$ 93,055	\$ 55,325	\$ -
Wisconsin Gypsy Moth Suppression Program	10.680	WIDNR	GM11417	6,110	6,110	-
Invasive Plant Suppression Funds	10.680	WIDNR	2017	2,798	2,798	-
					<u>8,908</u>	<u>-</u>
Total U.S. Department of Agriculture					<u>64,233</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>						
Multifamily Housing Service Coordinators	14.191					
Service Coordinator Multifamily		N/A	WI39HS02009	947,012	78,490	-
Service Coordinator Multifamily		N/A	WI39HS03002	900,610	75,166	-
					<u>153,656</u>	<u>-</u>
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program						
New Construction/Substantial Rehabilitation	14.195					
Housing Assistance Payments - Karabis		WHEDA	N/A	N/A	164,697	-
Housing Assistance Payments - Parkside		WHEDA	N/A	N/A	419,122	-
Total Section 8 Project-Based Cluster					<u>583,819</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	1,336,288	797,735
Community Development Block Grants - Program Income		N/A	N/A	N/A	1,916,979	1,197,091
Total CDBG - Entitlement Grants Cluster					<u>3,253,267</u>	<u>1,994,826</u>
Emergency Solutions Grants Program (ESG)	14.231					
Emergency Solutions Grant		N/A	E**-MC-55-0005	N/A	148,173	136,710
Emergency Solutions Grant		WI DOA	ETH **-11	N/A	477,903	425,587
					<u>626,076</u>	<u>562,297</u>
HOME Investment Partnerships Program (HOME)	14.239					
HOME Investment Partnerships Program		N/A	M**-MC-55-0201	N/A	339,474	187,461
HOME Investment Partnerships Program - Program Income		N/A	N/A	N/A	53,095	-
					<u>392,569</u>	<u>187,461</u>
Continuum of Care Program (CoC)	14.267					
Continuum of Care Program Grant FY15		N/A	WI0170L5I031500	94,546	87,371	-
Public and Indian Housing	14.850					
Low Income Assistance Program - Operating Subsidy		N/A	N/A	N/A	1,231,052	-
Resident Opportunity & Self Sufficiency	14.870					
		N/A	WI003RPS083A015	216,264	93,952	-
					<u>93,952</u>	<u>-</u>
Housing Voucher Cluster	14.871					
Section 8 Housing Choice Vouchers		N/A	WI003VO0119 (2010)	N/A	13,921,252	-
Housing Choice Voucher Program					<u>13,921,252</u>	<u>-</u>
Total Housing Voucher Cluster						
Public Housing Capital Fund	14.872					
Capital Fund Program FY13		N/A	WI39P00350113	852,861	130,748	-
Capital Fund Program FY14		N/A	WI39P00350114	913,769	68,865	-
Capital Fund Program FY15		N/A	WI39P00350115	934,240	238,219	-
Capital Fund Program FY16		N/A	WI39P00350116	1,050,702	809,786	-
					<u>1,247,618</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development					<u>21,590,632</u>	<u>2,744,584</u>

**CITY OF MADISON**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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
<b>FEDERAL AWARDS (cont.)</b>						
<b>U.S. Fish and Wildlife Service</b>						
Partners for Fish and Wildlife Program	15.631	WI PLO/ WI WFA	F15AC00235	\$ 5,000	\$ 5,000	\$ -
Total U.S. Fish and Wildlife Services					<u>5,000</u>	<u>-</u>
<b>U.S. Department of Justice</b>						
OJJDP FY 2016 Safe and Thriving Communities Madison's Northside: A Safe and Thriving Community Grant	16.123	N/A	2016-MU-MU-K010	750,000	111,818	65,000
Juvenile Justice and Delinquency Prevention Internet Crimes Against Children (ICAC) Task Force Invited	16.543	WI DOJ	2015-MC-FX-K029	35,000	12,026	-
Public Safety Partnership and Community Policing Grants	16.710					
COPS Community Policing Development (CPD)		N/A	2016-CK-WX-0020	37,880	20,872	17,455
COPS Hiring		N/A	2015-UL-WX-0025	500,000	227,430	-
COPS Hiring		N/A	2014-UL-WX-0009	375,000	133,090	-
					<u>381,392</u>	<u>17,455</u>
Edward Byrne Memorial Justice Assistance Grant Program Smart Policing Initiative: Smart Policing Innovation	16.738	N/A	2016-WY-BX-0004	700,000	79,310	72,389
E. Byrne Memorial Justice Assistance		N/A	2016-DJ-BX-1018	96,148	60,817	23,400
E. Byrne Memorial Justice Assistance		N/A	2015-DJ-BX-0609	91,272	29,341	-
E. Byrne Memorial Justice Assistance TRGT		Dane Co	16-DJ-01-12241	72,970	72,780	-
E. Byrne Memorial Justice Assistance TRGT		Dane Co	2015-DJ-01-11722	90,000	-	-
					<u>242,248</u>	<u>95,789</u>
Byrne Criminal Justice Innovation Program Byrne Criminal Justice Innovation: Planning	16.817	N/A	2015-AJ-BX-0008	155,522	106,459	91,303
Equitable Sharing Program Asset Forfeiture Program - Task Force	16.922	Dane Co	WI0132700	N/A	245,764	-
Asset Forfeiture Program - Police Department		Dane Co	WI0130100	N/A	7,558	-
					<u>253,322</u>	<u>-</u>
Drug Enforcement Administration Wisconsin Cannabis Enforcement and Suppression Effort (CEAS) Organized Crime Drug Enforcement Task Force (OCDETF)	16. unknown 16. unknown	WI DOJ N/A	2017 GL-WIW-0079	1,089 20,516	1,089 20,512	- -
					<u>21,601</u>	<u>-</u>
Total U.S. Department of Justice					<u>1,128,866</u>	<u>269,547</u>
<b>U.S. Department of Labor</b>						
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	N/A	WB-29275	155,317	139,686	139,686
Total U.S. Department of Labor					<u>139,686</u>	<u>139,686</u>

**CITY OF MADISON**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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
<b>FEDERAL AWARDS (cont.)</b>						
<b>U.S. Department of Transportation</b>						
Highway Planning and Construction Cluster						
Highway Planning and Construction						
	20.205					
Ped/Bike Safety		WI DOT	5992-08-33(2017)	\$ 72,000	\$ 72,000	\$ -
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users		WI DOT	5992-01-95-97	3,149,651	<u>1,064,000</u>	-
Total Highway Planning and Construction Cluster					<u>1,136,000</u>	-
Federal Transit - Metropolitan Planning Grants						
	20.505					
Federal Highway Planning Grant		WI DOT	0095-65-75	704,226	112,930	-
State Highway Planning Grant		WI DOT	W095-65-75	47,020	7,541	-
Federal Highway Planning Grant		WI DOT	0095-75-75	741,602	662,632	-
Federal STP Rideshare Grant		WI DOT	5992-08-28	84,000	84,000	-
State Highway Planning Grant		WI DOT	W095-75-75	47,020	41,994	-
Federal Highway Planning Grant		Dane Co	0430-74-48	8,000	<u>7,850</u>	-
					<u>916,947</u>	-
Federal Transit Cluster						
Federal Transit - Capital Investment Grants						
	20.500					
Section 5309 Capital		N/A	04-0042	150,000	84,022	-
Federal Transit - Formula Grants						
	20.507					
Section 5307 - Capital and Planning		N/A	90-X765	7,710,316	566,800	-
Section 5307 - Capital and Planning		N/A	90-X595	7,120,494	44,097	-
Section 5307 - Capital and Planning		N/A	90-X573	7,065,939	150,136	-
Section 5307 - Capital and Planning		N/A	WI-2016-003	7,493,023	856,377	-
Section 5307 - Capital and Planning		N/A	WI-2016-028	8,126,877	1,160,989	-
Section 5307 - Capital and Planning		N/A	WI-2017-030	7,661,814	6,049,864	-
FY15 Surface Transportation Program (STP)		N/A	95-X052	4,437,000	<u>892,000</u>	<u>59,037</u>
					<u>9,720,263</u>	<u>59,037</u>
Federal Transit - State of Good Repair Formula						
	20.525					
Section 5337 - Capital		N/A	WI-2016-026	1,590,745	<u>846,496</u>	-
					<u>846,496</u>	-
Federal Transit - Bus & Bus Facilities Formula						
	20.526					
Section 5339 - Capital		N/A	WI-2016-026	1,519,918	<u>730,726</u>	-
					<u>730,726</u>	-
Total Federal Transit Cluster					<u>11,381,507</u>	<u>59,037</u>
Transit Services Programs Cluster						
Federal Transit - Enhanced Mobility Formula						
	20.513					
Section 5310 - Enhanced Mobility		N/A	16-X005	539,184	10,617	10,217
Section 5310 - Enhanced Mobility		N/A	WI-2016-040	193,125	66,306	39,496
Section 5310 - Enhanced Mobility		N/A	WI-2017-010	258,735	<u>242,580</u>	<u>177,356</u>
Total Transit Services Programs Cluster				991,044	<u>319,503</u>	<u>227,069</u>
Highway Safety Cluster						
State and Community Highway Safety						
	20.600					
Speed Enforcement 2016		WI DOT	0955-40-20	129,990	163	-
Speed Enforcement 2017		Dane Co	3950957-40-09	59,986	<u>51,980</u>	-
					<u>52,143</u>	-
National Priority Safety Program						
	20.616					
Alcohol Enforcement 2018		Dane Co	FG-2018-DANE CO-04095	99,696	23,687	-
Seatbelt Enforcement 2018		Dane Co	FG-2018-DANE CO-04092	79,968	15,365	-
Alcohol Enforcement 2017		Dane Co	3950957-31-08	100,000	76,918	-
Seatbelt Enforcement 2017		Dane Co	3950957-25-07	81,105	54,316	-
Training 2017		WI DOT	3950957-31-31	9,500	9,500	-
Pedestrian Safety 2016		WI DOT	3950957-80-06	24,998	<u>18,899</u>	<u>4,092</u>
					<u>198,685</u>	<u>4,092</u>
Total Highway Safety Cluster					<u>250,828</u>	<u>4,092</u>

**CITY OF MADISON**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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
<b>FEDERAL AWARDS (cont.)</b>						
<b>U.S. Department of Transportation (cont.)</b>						
National Infrastructure Investments	20.933					
TIGER II Capital & Planning		N/A	79-1000	\$ 950,000	\$ 181,078	\$ -
TIGER VI Capital & Planning		N/A	79-1001	300,000	<u>37,613</u>	<u>-</u>
					<u>218,691</u>	<u>-</u>
Total U.S. Department of Transportation					<u>14,223,476</u>	<u>290,198</u>
<b>U.S. Equal Employment Opportunity Commission</b>						
Employment Discrimination - Title VII of the Civil Rights Act of 1964	30.001					
Title VII Processing Contract		N/A	2017	44,000	<u>32,550</u>	<u>-</u>
Total U.S. Equal Employment Opportunity Commission					<u>32,550</u>	<u>-</u>
<b>Institute of Museum and Library Services</b>						
Bubler @ Madison Public Libraries	45.312	UW-Madison	NLG-LIBRARIES-FY14	118,780	28,964	-
National Award for Library Service	45.312	N/A	N/A	5,000	<u>4,939</u>	<u>-</u>
					<u>33,903</u>	<u>-</u>
Inclusive Internship Initiative (III)	45.313	ALA	RE00-17-0129-17	5,250	<u>5,250</u>	<u>-</u>
Total Institute of Museum and Library Services					<u>39,153</u>	<u>-</u>
<b>U.S. Department of Energy</b>						
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128					
Wisconsin Energy Efficiency Project		MKE	N/A	1,674,756	<u>48,161</u>	<u>9,000</u>
Total U.S. Department of Energy					<u>48,161</u>	<u>9,000</u>
<b>U.S. Department of Health and Human Services</b>						
Children's Justice Act						
Basic Forensic Interview Training	93.643	WI DOA	N/A	4,550	<u>4,550</u>	<u>-</u>
Research and Development Cluster						
Aging Research	93.866	UW-Madison	629K753	294,189	<u>97,184</u>	<u>-</u>
Total Research and Development Cluster					<u>97,184</u>	<u>-</u>
Total U.S. Department of Health and Human Services					<u>101,734</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>						
Hazard Mitigation Grant Program	97.039	WEM	FEMA-1966-DR-WI	1,232,453	<u>21,940</u>	<u>-</u>
Total U.S. Department of Homeland Security					<u>21,940</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>					<b><u>\$ 37,395,431</u></b>	<b><u>\$ 3,453,015</u></b>

**CITY OF MADISON**

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended December 31, 2017

State Grantor/Program Title	State ID Number	Grant Number	Program or Award Amount	Expenditures	Payments to Subrecipients
<b>STATE AWARDS</b>					
<b>State Historical Society of Wisconsin</b>					
CLG National Register Nomination	100.141	2017	\$ 12,500	\$ 12,500	\$ -
Total for State Historical Society of Wisconsin				<u>12,500</u>	<u>-</u>
<b>Wisconsin Department of Natural Resources</b>					
Aids in Lieu of Taxes	370.503	N/A	N/A	419	-
Lake Protection and Classification Grants Nakoma Park Streambank Restoration	370.663	LR08-13251-15	120,038	1,300	-
Municipal Flood Control 3629 Marsh Road Acquisition	370.656	MFC-13032-16	83,750	72,251	-
Recycling Grants to Responsible Units	370.670	N/A	N/A	739,293	-
RU Consolidated Grant	370.673	N/A	N/A	<u>63,372</u>	<u>-</u>
Total for Wisconsin Department of Natural Resources				<u>876,635</u>	<u>-</u>
<b>Wisconsin Department of Transportation</b>					
Transit Operating Aids	395.104	2017	17,414,239	<u>17,414,239</u>	<u>-</u>
Total for Wisconsin Department of Transportation				<u>17,414,239</u>	<u>-</u>
<b>Wisconsin Department of Justice</b>					
Beat Patrol	455.275	2016-BP-01-11587-2	126,714	<u>126,714</u>	<u>-</u>
Total for Wisconsin Department of Justice				<u>126,714</u>	<u>-</u>
<b>Wisconsin Department of Military Affairs</b>					
Regional Emergency Response Teams	465.306	07/01/2015-06/30/2017	320,168	96,128	-
Regional Emergency Response Teams	465.306	07/01/2017-06/30/2019	320,168	<u>87,169</u>	<u>-</u>
Total for Wisconsin Department of Military Affairs				<u>183,297</u>	<u>-</u>
<b>Wisconsin Department of Administration</b>					
Housing Cost Reduction Initiative (HCRI)	505.703A				
Housing Cost Reduction Initiative		N/A	N/A	204,351	-
Housing Cost Reduction Initiative - Program Income		N/A	N/A	<u>138,661</u>	<u>-</u>
				<u>343,012</u>	<u>-</u>
Homelessness Prevention Program (HPP)	505.703B	ETH **-11	N/A	112,494	112,494
Transitional Housing Grant Program (THP)	505.707B	ETH **-11	N/A	<u>60,454</u>	<u>60,454</u>
Total for Wisconsin Department of Administration				<u>515,960</u>	<u>172,948</u>
<b>Wisconsin Department of Tourism</b>					
Wisconsin Arts Board	N/A	2016	10,510	1,000	-
Wisconsin Arts Board		2017	10,510	<u>2,250</u>	<u>-</u>
Total for Wisconsin Department of Tourism				<u>3,250</u>	<u>-</u>
<b>TOTAL STATE AWARDS</b>				<b>\$ 19,132,595</b>	<b>\$ 172,948</b>

## CITY OF MADISON

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2017

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#### **NOTE 1 – BASIS OF PRESENTATION**

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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, 2017. 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.

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the accrual 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.

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#### **NOTE 3 – PASS-THROUGH GRANTORS**

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Federal funds have been passed through the following grantors:

WHEDA – Wisconsin Housing and Economic Development Authority	MKE – City of Milwaukee, Wisconsin
WI DOJ – Wisconsin Department of Justice	Dane Co – Dane County, Wisconsin
WI DOT – Wisconsin Department of Transportation	WI DNR – Wisconsin Department of Natural Resources
WI DOA – Wisconsin Department of Administration	UW-Madison – University of Wisconsin – Madison
WI PLOWI WFA – Wisconsin Private Lands Office/WI Water Fowl Association	WEM – Wisconsin Emergency Management

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#### **NOTE 4 – INDIRECT COST RATE**

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The City of Madison 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, 2017

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

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#### *FEDERAL AND STATE AWARDS* (cont.)

Identification of major federal programs:

<u>CDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants – Entitlement Grants (CDBG)
20.205	Highway Planning and Construction Federal Transit Cluster
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.525	Federal Transit – State of Good Repair Formula 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>
370.670	Recycling Grants to Responsible Units
395.104	Transit Operating Aids

## CITY OF MADISON

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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

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##### **FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING**

###### **Repeat of Finding 2016-001**

**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, and material adjusting entries were found by the auditors.

**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, some of the required footnote disclosures as well as consolidation and financial statement reconciliations. However, Finance Department staff prepares fund financial statements, cash flow 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. 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.

Additionally, City staff have procured CAFR preparation software during the first half of fiscal year 2018. Finance staff are currently working to map external audit trial balances as of 12/31/2017, to Microsoft Excel prior to implementation. The staff plans to utilize the 2017 CAFR to build the City's first electronic version of the entity-wide financial statements with reconciliations and footnotes for fiscal year 2018, in order to improve the internal controls over financial reporting and to rely less on external audit staff consolidation work efforts.

**CITY OF MADISON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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

**FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)**

**Management’s Response (cont.)**

Further, city management formally reviews the fund financial statements prior to external audit teams’ arrival. During these formal reviews, we highlight and discuss significant account variations between years, to help identify material misstatements. In 2018, accounting supervisors will begin to sample high dollar transactions quarterly, to ensure account propriety, and more accurate recording within the general ledger. City management has also implemented a more formalized month-end close process city-wide, to further assist staff with projections, account analysis, and transactional completion for financial statement purposes.

In 2017, the City implemented workflows to have grant materials submitted and tracked through the enterprise resource and planning software. City management held a series of training sessions for relevant agency staff outlining the proper business procedures for tracking grants. Moving forward, city staff intends to build upon these initial steps to formalize a city-wide grant management program, in order to increase internal controls over completing an accurate schedule of expenditures of federal and state awards.

**FINDING 2017-002: INFORMATION TECHNOLOGY CONTROL ENVIRONMENT**

**Repeat of portion of Finding 2016-002**

**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>Unique User Authentication</i>	<i>Baker Tilly reviewed the user list for financial systems and noted some usage of generic accounts.</i>	In 2018, user and/or generic accounts within the financial system were disabled due to inactivity during the first half of the year.

**CITY OF MADISON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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

**FINDING 2017-002: INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)**

IT Area	IT Finding	Management Response
<i>Password</i>	<i>Passwords of certain systems have weaker settings.</i>	These systems are 3 <sup>rd</sup> party software solutions. Information Technology staff have worked with the two identified providers to ensure the password settings are as strong as they allow. In addition, we continue to work with them to pursue City Active Directory integration for increased security and to strengthen the information technology control environment.

**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.

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

**FINDING 2017-003**

*Program CFDA Number and Title:* 14.218 Community Development Block Grants/Entitlement Grants (CDBG)  
*Federal Award Number:* B-17-MC-55-0005  
*Federal Grantor:* U.S. Department of Housing and Urban Development  
*Pass-through Agency:* N/A

**Criteria:** According to 2 CFR sections 200.318(h) and 200.213, entities are prohibited from contracting with or making subawards to parties that are suspended or debarred or otherwise excluded from or ineligible for participating in federal assistance programs or activities.

## CITY OF MADISON

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2017

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

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##### **FINDING 2017-003** (cont.)

**Condition/Context:** The city has a process in place to ensure that all contractors for the CDBG program are not included on the suspended or debarred listing, however, this was not completed for one out of five the contractors tested. Further testing determined that this contractor was not suspended or debarred. Our sample was not statistically valid.

**Cause:** The city did not follow its process to ensure all contractors for the CDBG program are not included on the suspended or debarred list. This exception was an oversight resulting from turnover in program staff.

**Effect:** Payments could be made to a contractor that is not eligible to participate in federal assistance programs or activities.

**Questioned Costs:** None noted.

**Recommendation:** We recommend that the city review its contracting procedures to determine how the oversight occurred and to implement controls that will identify such situations.

##### **Management's Response**

The City understands the importance of ensuring that vendors who receive federal funds are not suspended or debarred. When a contract is routed for the signature of the Mayor, Finance, Risk Management, Attorney and City Clerk the CDBG Program Assistant checks the System for Award Management <https://www.sam.gov/portal/SAM/#1> and verifies all vendors are registered and in compliance. A checklist is included on the cover page of each contract that the CDBG Program Assistant inputs the SAM expiration date and the CDBG Program Assistant saves an electronic copy of the SAM verification to the contract file.

Under MGO 4.26(3) and (5) the Finance Director or designee are able to sign a purchase of service contract at or \$25,000. CDD staff were not sending CDBG funded contracts at or below \$25,000 through the contract routing system overseen by the CDBG Program Assistant in order to streamline the process and receive a signature from Finance directly. Due to this oversight, contracts funded at or below \$25,000 were not checked for suspension or debarment.

CDD has updated contract routing procedures that all contracts, no matter the funding amount, are sent to the CDBG Program Assistant for routing. All contracts are returned to the Community Development Grants Supervisor prior to being returned to the contract manger to ensure all items on the routing checklist have been completed.

