

CITY OF MADISON

Madison, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2015

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 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, 2015, 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 July 15, 2016. 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, and the limited liability corporations (LLCs) presented as component units of the Community Development Authority of the City of Madison (CDA), as described in our report on the City of Madison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Olbrich Botanical Society and Olbrich Botanical Society Foundation, Library Foundation, Madison Parks Foundation, and the LLCs of the CDA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of 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 opinions 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

To the City Council
City of Madison

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2015-001, 2015-002, and 2015-003.

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 2015-004 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*.

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 result 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 Vuchow Krause, LLP
Madison, Wisconsin
July 15, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY 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, Wisconsin'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, 2015. The City of Madison's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 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 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2015-005 and 2015-006. Our opinion on each major federal and major state program is not modified with respect to these matters.

City of Madison's Response to Findings

The City of Madison's response to the noncompliance 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 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 a 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 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 deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-006, that we consider to be a significant deficiency.

To the City Council
City of Madison

City of Madison's Response to Findings

The City of Madison's response to the internal control over compliance 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 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, 2015 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 July 15, 2016, 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, and the limited liability corporations (LLCs) presented as component units of the Community Development Authority of the City of Madison (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
July 15, 2016

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Agency	Direct Pass-Through Grantor's Number	Program or Award Amount	(Accrued)/Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustment	(Accrued)/Deferred Ending Balance	Payments to Subrecipients
FEDERAL AWARDS										
U.S. Department of Housing and Urban Development										
Lower Income Housing Assistance Program - Section 8										
New Construction/Substantial Rehabilitation										
Housing Assistance Payments - Karabis	14.182	N/A	N/A	N/A	\$ -	\$ 139,347	\$ 139,347	\$ -	\$ -	\$ -
Housing Assistance Payments - Parkside		WHEDA	N/A	N/A	-	421,527	421,527	-	-	-
					<u>-</u>	<u>560,874</u>	<u>560,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Multifamily Housing Service Coordinators										
Service Coordinator Multifamily	14.191	N/A	WI39HS02009	\$ 191,987	(2,001)	84,782	59,459	-	23,322	-
Service Coordinator Multifamily		N/A	WI39P003501-04	198,893	(13,232)	65,000	59,459	-	(7,691)	-
					<u>(15,233)</u>	<u>149,782</u>	<u>118,918</u>	<u>-</u>	<u>15,631</u>	<u>-</u>
Community Development Block Grants/Entitlement Grants										
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	N/A	(802,037)	1,720,037	2,202,855	-	(1,284,855)	1,427,502
Community Development Block Grants - Program Income		N/A	N/A	N/A	-	2,767,882	2,767,882	-	-	1,415,771
					<u>(802,037)</u>	<u>4,487,919</u>	<u>4,970,737</u>	<u>-</u>	<u>(1,284,855)</u>	<u>2,843,273</u>
Community Development Block Grants/State's Program										
Neighborhood Stabilization Program (NSP)	14.228	WI DOA	NSP 09-15	N/A	(10,675)	-	-	-	(10,675)	-
Neighborhood Stabilization Program - Program Income		WI DOA	N/A	N/A	-	3,623	3,623	-	-	-
					<u>(10,675)</u>	<u>3,623</u>	<u>3,623</u>	<u>-</u>	<u>(10,675)</u>	<u>-</u>
Emergency Solutions Grants Program (ESG)										
Emergency Solutions Grant	14.231	N/A	N/A	N/A	(129,424)	2,663	136,587	-	(263,348)	-
Emergency Solutions Grant		WI DOA	N/A	N/A	(146,763)	349,502	339,036	-	(136,297)	-
					<u>(276,187)</u>	<u>352,165</u>	<u>475,623</u>	<u>-</u>	<u>(399,645)</u>	<u>-</u>
HOME Investment Partnerships Program (HOME)										
HOME Investment Partnership Program	14.239	N/A	N/A	N/A	(1,280,391)	889,648	764,112	-	(1,154,855)	658,064
HOME Investment Partnership Program - Program Income		N/A	N/A	N/A	-	562,860	562,860	-	-	561,620
					<u>(1,280,391)</u>	<u>1,452,508</u>	<u>1,326,972</u>	<u>-</u>	<u>(1,154,855)</u>	<u>1,219,684</u>
Continuum of Care Program (CoC)										
Continuum of Care Program Grant FY12	14.267	N/A	WI0136L5I031200	38,380	-	38,283	38,283	-	-	-

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustment	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
U.S. Department of Housing and Urban Development (cont.)										
Public and Indian Housing	14.850									
Low Income Assistance Program - Operating Subsidy		N/A	N/A	N/A	\$ -	\$ 1,214,573	\$ 1,214,573		\$ -	\$ -
Resident Opportunity & Self Sufficiency	14.870	N/A	WI003RPS081A012	\$ 243,000	(93,000)	74,400	24,800	18,600	(24,800)	-
Section 8 Housing Choice Vouchers	14.871									
Housing Choice Voucher Program		N/A	WI003VO0119 (2010)	N/A	930,850	12,170,083	12,622,096	7,112	485,949	-
Public Housing Capital Fund	14.872									
Capital Fund Program FY10		N/A	WI39P00350110	1,197,182	(1,909)	1,909	-	-	(0)	-
Capital Fund Program FY11		N/A	WI39P00350111	1,041,878	(6,993)	6,993	-	-	0	-
Capital Fund Program FY12		N/A	WI39P00350112	842,833	(36,759)	229,656	219,852	-	(26,955)	-
Capital Fund Program FY13		N/A	WI39P00350113	852,861	(36,757)	313,336	208,717	-	67,862	-
Capital Fund Program FY14		N/A	WI39P00350114	913,769	(108,855)	149,647	307,519	-	(266,728)	-
Capital Fund Program FY15		N/A	WI39P00350115	934,240	-	52,875	56,422	-	(3,547)	-
					(191,273)	754,416	792,510	-	(229,367)	-
Total U.S. Department of Housing and Urban Development					(1,737,946)	21,258,626	22,149,009	25,712	(2,602,617)	4,062,957
U.S. Department of Interior										
Partners for Fish and Wildlife Program	15.631									
Partners for Fish and Wildlife Program		N/A	2013	5,000	(5,000)	5,000	-	-	-	-
Land and Water Conservation Fund Aids	15.916	WI DNR	55-01885	295,308	-	-	252,584	-	(252,584)	-
Total U.S. Department of Interior					(5,000)	5,000	252,584	-	(252,584)	-
U.S. Department of Justice										
Criminal Division - U.S. Marshals Service	16.111									
COPS Hiring		N/A	2011-UL-WX-0031	712,992	(63,174)	162,237	99,063	-	-	-
COPS Hiring		N/A	2014-UL-WX-0009	375,000	-	-	41,031	-	(41,031)	-
					(63,174)	162,237	140,094	-	(41,031)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738									
E. Byrne Memorial Justice Assistance		N/A	2015-DJ-BX-0609	91,272	-	91,325	-	-	91,325	-
E. Byrne Memorial Justice Assistance		N/A	2014-DJ-BX-0731	108,034	90,042	122	85,583	-	4,581	-
E. Byrne Memorial Justice Assistance		N/A	2013-DJ-BX-1180	103,161	4,059	21	865	-	3,215	-
E. Byrne Memorial Justice Assistance		Dane Co	2014-DJ-01-11045	132,211	-	70,156	96,987	-	(26,831)	-
E. Byrne Memorial Justice Assistance		Dane Co	2013-DJ-01-10518	132,211	(25,525)	25,525	-	-	-	-
E. Byrne Memorial Justice Assistance		WI DOJ	2011-DJ-01-X1119	11,291	-	3,328	6,428	-	(3,100)	-
					68,576	190,477	189,863	-	69,190	-

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustment	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
U.S. Department of Justice (cont.)										
Equitable Sharing Program	16.922									
Asset Forfeiture Program - Task Force		Dane Co	WI0132700	\$ 271,156	\$ -	\$ 271,156	\$ 271,156	\$ -	\$ -	\$ -
Asset Forfeiture Program - Police Department		Dane Co	WI0130100	27,504	-	27,504	27,504	-	-	-
					-	298,660	298,660	-	-	-
Total U.S. Department of Justice					5,402	651,374	628,617	-	28,159	-
U.S. Department of Transportation										
Highway Planning and Construction	20.205									
Ped/Bike Safety		WI DOT	5992-08-28 (2014)	65,600	(65,600)	65,600	-	-	-	-
Ped/Bike Safety		WI DOT	5992-08-29 (2015)	68,000	-	44,007	63,778	-	(19,770)	-
Safe, Accountable, Flexible, Efficient Transportation Equity A Legacy for Users		WI DOT	5992-01-97	3,149,651	(1,411,806)	1,548,768	288,000	(136,962)	(288,000)	-
					(1,477,406)	1,658,376	351,778	(136,962)	(307,770)	-
Federal Transit Cluster										
Federal Transit - Capital Investment Grants	20.500									
Section 5309 Capital - SGR		N/A	04-0059	5,160,800	(400,354)	1,438,059	1,037,704	(1)	-	-
					(400,354)	1,438,059	1,037,704	(1)	-	-
Federal Transit - Formula Grants	20.507									
Section 5307 - Capital and Planning		N/A	90-X765	7,710,316	(706,716)	883,885	177,169	-	-	-
Section 5307 - Capital and Planning		N/A	90-X595	7,120,494	-	91,948	118,768	-	(26,820)	-
Section 5307 - Capital and Planning		N/A	90-X573	7,065,939	(13,088)	-	-	-	(13,088)	-
Section 5307 - Capital and Planning		N/A	2015	-	-	-	6,140,990	-	(6,140,990)	-
FY15 Surface Transportation Program (STP)		N/A	95-X052	4,437,000	-	2,460,000	2,520,000	-	(60,000)	-
					(719,804)	3,435,833	8,956,927	-	(6,240,898)	-
Total Federal Transit Cluster					(1,120,158)	4,873,892	9,994,631	(1)	(6,240,898)	-
Federal Transit - Metropolitan Planning Grants	20.505									
Federal Highway Planning Grant		WI DOT	0095-35-75	492,747	(12)	-	-	12	-	-
State Highway Planning Grant		WI DOT	W095-35-75	44,377	26	-	-	(26)	-	-
Federal Highway Planning Grant		WI DOT	0095-45-75	727,905	(195,825)	329,255	125,048	(8,382)	0	-
Federal STP Rideshare Grant		WI DOT	5992-08-25	76,600	(21,734)	21,771	-	(37)	0	-
State Highway Planning Grant		WI DOT	W095-45-75	47,022	(12,810)	21,260	7,831	(619)	(0)	-
Federal Highway Planning Grant		WI DOT	0095-55-75	704,226	-	105,802	571,801	-	(465,999)	-
Federal STP Rideshare Grant		WI DOT	5992-08-26	79,200	-	-	78,525	4,711	(73,814)	-
State Highway Planning Grant		WI DOT	W095-55-75	47,020	-	7,064	38,182	-	(31,118)	-
					(230,355)	485,152	821,386	(4,341)	(570,930)	-

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustment	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
U.S. Department of Transportation (cont.)										
Federal Transit - Enhanced Mobility Formula	20.513									
Section 5310 - Enhanced Mobility		N/A	16-X005	\$ 539,184	\$ (9,689)	\$ 161,698	\$ 365,425		\$ (213,416)	\$ -
Public Transportation Research	20.514									
Section 5314 - Capital & Planning		N/A	26-X012	990,000	990,000	45,244	108,500	-	926,744	-
Alternatives Analysis	20.522									
Section 5339 - Capital & Planning		N/A	39-X001	742,500	62,500	62,500	125,000	-	-	-
Section 5339 - Capital & Planning		N/A	39-X002	750,000	217,500	53,312	108,500	-	162,312	-
					280,000	115,812	233,500	-	162,312	-
Highway Safety Cluster										
State and Community Highway Safety	20.600									
Pedestrian Safety 2016		WI DOT	0955-80-05	24,260	-	-	5,122	-	(5,122)	-
Bicycle Safety 2015		WI DOT	0955-80-17	4,000	-	3,901	3,901	-	-	-
Pedestrian Safety 2015		WI DOT	0955-80-05	3,900	-	22,090	22,090	-	-	-
Pedestrian Equipment 2015		WI DOT	0955-80-06	745	-	707	707	-	-	-
Impaired Driving Enforcement 2015		DeForest / WI DOT	0955-00-40	10,000	-	3,800	4,389	-	(589)	-
					-	30,498	36,209	-	(5,711)	-
National Priority Safety Programs	20.616									
Alcohol Enforcement 2016		WI DOT	0955-31-26	59,999	-	-	16,330	-	(16,330)	-
Alcohol Enforcement 2015		WI DOT	0955-31-26	60,000	(8,074)	56,522	48,449	1	-	-
Speed Enforcement 2015		DeForest / WI DOT	0955-31-26	41,500	-	25,578	25,578	-	-	-
					(8,074)	82,100	90,357	1	(16,330)	-
Total Highway Safety Cluster					(8,074)	112,598	126,566	1	(22,041)	-
National Infrastructure Investments	20.933									
TIGER II Capital & Planning		N/A	79-1000	950,000	(271,722)	-	-	-	(271,722)	-
TIGER VI Capital & Planning		N/A	79-1001	300,000	-	-	63,735	-	(63,735)	-
					(271,722)	-	63,735	-	(335,457)	-
Total U.S. Department of Transportation					(1,847,404)	7,452,772	12,065,521	(141,304)	(6,601,457)	-
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	2015	N/A	-	-	40,300	-	(40,300)	-
Total U.S. Equal Employment Opportunity Commission					-	-	40,300	-	(40,300)	-

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustment	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
Institute of Museum and Library Services										
National Leadership Grants	45.312									
Bubbler @ Madison Public Libraries		UW-Mad	NLG-LIBRARIES-FY14	\$ 118,780	\$ -	\$ -	\$ 39,249	\$ -	\$ (39,249)	\$ -
Laura Bush 21st Century Librarian Program	45.313									
Team Early Literacy Innovators Funding		WI-DPI	15138	2,000	-	-	2,000	-	(2,000)	-
Grants to States	45.310									
Growing Wisconsin Readers Early Literacy		WI-DPI	15-13-7713-15	200	-	199	199	-	-	-
Total Institute of Museum and Library Services					-	199	41,448	-	(41,249)	-
U.S. Environmental Protection Agency										
Community-Wide Brownfield Assessment	66.818	N/A	BF-00E01047	400,000	(33,204)	107,603	115,725	-	(41,326)	-
Total U.S. Environmental Protection Agency					(33,204)	107,603	115,725	-	(41,326)	-
U.S. Department of Energy										
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128									
Wisconsin Energy Efficiency Project		WECC	N/A	7,200,000	(30,372)	-	-	-	(30,372)	-
Wisconsin Energy Efficiency Project		MKE	N/A	1,674,756	1,674,756	-	544,612	-	1,130,144	-
Total U.S. Department of Energy					1,644,384	-	544,612	-	1,099,772	-
U.S. Department of Homeland Security										
Hazard Mitigation Grant Program	97.039	WEM	FEMA-1966-DR-WI	1,176,158	(581,455)	581,455	194,642	-	(194,642)	-
Total U.S. Department of Homeland Security					(581,455)	581,455	194,642	-	(194,642)	-
TOTAL FEDERAL AWARDS					<u>\$ (2,555,223)</u>	<u>\$ 30,057,029</u>	<u>\$ 36,032,458</u>	<u>\$ (115,592)</u>	<u>\$ (8,646,244)</u>	<u>\$ 4,062,957</u>

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2015

State Grantor/Program Title	State ID Number	Direct Grant Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustments	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
STATE AWARDS									
State Historical Society of Wisconsin	100.141								
CLG National Register Nomination		2015	\$ 5,000	\$ -	\$ -	\$ 1,250	\$ -	\$ (1,250)	\$ -
Total State Historical Society of Wisconsin				-	-	1,250	-	(1,250)	-
Wisconsin Department of Natural Resources									
Aids in Lieu of Taxes	370.503	N/A	N/A	-	21	21	-	-	-
Lake Protection and Classification Grants	370.663								
Merrill Springs Park Expansion		S-ADLP3-14-1195	200,000	(100,000)	100,000	-	-	-	-
2014 Urban Forestry Catastrophic Storm Grant		UFCS-008-14	19,493	(19,493)	19,493	-	-	-	-
INFOS for Wingra BMP		LPL-1495-13	25,000	(25,000)	-	-	-	(25,000)	-
				(144,493)	119,493	-	-	(25,000)	-
Recycling Grants to Responsible Units	370.670	N/A	N/A	-	741,680	741,680	-	-	-
RU Consolidated Grant	370.673	N/A	N/A	-	62,653	62,653	-	-	-
Total Wisconsin Department of Natural Resources				(144,493)	923,846	804,353	-	(25,000)	-
Wisconsin Department of Transportation									
Transit Operating Aids, State Funds	395.104	2015	17,375,936	-	17,375,936	17,375,936	-	-	-
Planning Commission Program	395.202								
State Transit Adm 5307 Grant		W431-33-80	5,786	(654)	-	-	-	(654)	-
Total Wisconsin Department of Transportation				(654)	17,375,936	17,375,936	-	(654)	-
Wisconsin Department of Military Affairs									
Hazard Mitigation Grant Program	465.305	1966.5-R	196,026	(96,909)	96,909	32,440	-	(32,440)	-
Regional Emergency Response Teams	465.306								
Regional Emergency Response Teams		07/01/2013-06/30/2015	320,171	(40,021)	102,874	62,853	-	-	-
Regional Emergency Response Teams		07/01/2015-06/30/2017	320,168	-	57,212	70,316	-	(13,104)	-
				(40,021)	160,086	133,169	-	(13,104)	-
Total Wisconsin Department of Military Affairs				(136,930)	256,995	165,609	-	(45,544)	-

CITY OF MADISON

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2015

State Grantor/Program Title	State ID Number	Direct Grant Number	Program or Award Amount	(Accrued)/ Deferred Beginning Balance	Cash Received (Returned)	Expenditures	Adjustments	(Accrued)/ Deferred Ending Balance	Payments to Subrecipients
Wisconsin Department of Administration									
Housing Cost Reduction Initiative	505.703A	N/A	N/A	\$ (13,190)	\$ 17,756	\$ 32,266	\$ -	\$ (27,700)	\$ -
Housing Cost Reduction Initiative - Program Income		N/A	N/A	-	97,807	97,807	-	-	-
				<u>(13,190)</u>	<u>115,563</u>	<u>130,073</u>	<u>-</u>	<u>(27,700)</u>	<u>-</u>
Homelessness Prevention Program	505.703B	N/A	N/A	(53,812)	101,418	78,848	-	(31,242)	-
Transitional Housing Grant Program	505.707B	N/A	N/A	(16,050)	30,000	30,675	-	(16,725)	-
Total Wisconsin Department of Administration				<u>(83,052)</u>	<u>246,981</u>	<u>239,596</u>	<u>-</u>	<u>(75,667)</u>	<u>-</u>
Wisconsin Department of Justice									
Beat Patrol	505.603	2015-BP-01-9971-3	\$ 126,714	-	126,714	126,714	-	-	-
Law Enforcement Specialized Training: ATK Force on Force	N/A	2015-LE-01-11368	3,960	-	3,147	3,147	-	-	-
Law Enforcement Specialized Training: Mobile Device Evidence (MDE)	N/A	2015-LE-01-11369	4,500	-	4,350	4,350	-	-	-
Law Enforcement Specialized Training: Instructor Development Course (IDC)	N/A	2015-LE-01-11369	2,406	-	2,261	2,261	-	-	-
Law Enforcement Specialized Training: OMVWI/SFST	N/A	2015-LE-01-11453	1,516	-	1,400	1,400	-	-	-
Total Wisconsin Department of Justice				<u>-</u>	<u>137,872</u>	<u>137,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
Wisconsin State Energy Office									
Waste to Energy	N/A	AD139705	43,000	8,747	-	-	(8,747)	-	-
Waste to Energy	N/A	AD149867	8,000	437	-	-	(437)	-	-
				<u>9,184</u>	<u>-</u>	<u>-</u>	<u>(9,184)</u>	<u>-</u>	<u>-</u>
Total Wisconsin State Energy Office				<u>9,184</u>	<u>-</u>	<u>-</u>	<u>(9,184)</u>	<u>-</u>	<u>-</u>
Wisconsin Department of Revenue									
Urban Forestry Grant	N/A	DNR-UF1123-2	25,000	(15,962)	-	4,060	-	(20,022)	-
Total Wisconsin Department of Revenue				<u>(15,962)</u>	<u>-</u>	<u>4,060</u>	<u>-</u>	<u>(20,022)</u>	<u>-</u>
TOTAL STATE AWARDS				<u>\$ (371,907)</u>	<u>\$ 18,941,630</u>	<u>\$ 18,728,676</u>	<u>\$ (9,184)</u>	<u>\$ (168,136)</u>	<u>\$ -</u>

CITY OF MADISON

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2015

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, 2015. 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, 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. The adjustments column represents corrections to the beginning of year accrued or deferred balance. 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
WECC – Wisconsin Energy Conservation
Corporation

MKE – City of Milwaukee, Wisconsin
Dane Co – Dane County, Wisconsin
WI DNR – Wisconsin Department of Natural
Resources
DeForest – Village of DeForest, Wisconsin
WI DPI – Wisconsin Department of Public
Instruction
UW-Mad – 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, 2015

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, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance? X yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Federal Awards</u>	<u>State Awards</u>
14.871	Section 8 Housing Choice Vouchers		
	Federal Transit Cluster		
20.500	Federal Transit – Capital Investment Grants		
20.507	Federal Transit – Formula Grants		
Dollar threshold used to distinguish between type A and type B programs:		\$ 1,080,974	\$ 250,000

CITY OF MADISON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

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

Identification of major state program:

<u>State I.D. Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

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

FINDING 2015-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of Finding 2014-001

Criteria: Statement on Auditing Standards (SAS) No. 115 states 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. In addition, material misstatements were noted in the general ledger during the financial audit. As a result, we consider this to be a material weakness 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 material 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 materially correct year-end financial statements.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

FINDING 2015-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management's Response

City management has knowledgeable staff that is familiar with the requirements of generally accepted accounting principles (GAAP). Finance Department staff prepares fund financial statements, some footnote disclosures, and most conversion entries for reconciliation to the entity-wide financial statements.

Additionally, Finance staff accountants review auditor prepared draft reports to compare amounts, footnote disclosures, and other information. Furthermore, various City agency staff utilizes a financial statement checklist provided by our audit firm when reviewing the draft reports to ensure GAAP is being adhered to and that all required disclosures are present.

Finance Department staff work closely with our auditors to proactively consult on a variety of financial reporting issues throughout the year to prevent material misstatements to the financial statements.

Finance Department management staff did implement fund financial statement reviews in fiscal year 2013 to prevent material misstatements. There have been no material adjustments to the fund financial statements identified during the city-wide audit engagement for 2015.

The City did "go-live" with the first ERP system solution on 1/2/2015, and additionally upgraded to a new version release during October of 2015. This took much effort amongst the Finance Department staff to accomplish these software solution upgrades. Additionally, Finance Department staff drafted new sets of internal control procedural documents for auditor review in January and February of 2016 given new ERP system processes.

It is Finance Department management's goal to embark upon a detailed mapping project within the ERP software (GASB-34 Report Writer module), or within Microsoft Excel, in an attempt to begin preparing entity-wide financial statements for the 2017/2018 fiscal years.

Currently, Finance Department management staff is working to hire a professional Grants Manager/Internal Auditor to lead and facilitate the preparation of complete and accurate schedules of expenditures of federal and state awards.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

FINDING 2015-002: MATERIAL WEAKNESS – FINANCIAL STATEMENT RESTATEMENT – CORRECTION OF PRIOR PERIOD

Criteria: Statement on Auditing Standards (SAS) No. 115 states 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: The City's internal controls over financial reporting should be designed to prepare financial statements in accordance with United States Generally Accepted Accounting Principles (GAAP). The water utility net position has been restated to adjust for expenses incurred in prior periods that were included in construction work in progress (CWIP) in error. The prior period adjustment is necessary to recognize the expenses in the period the costs were incurred.

Cause: Errors were not identified by city personnel.

Effect: Weaknesses in the internal controls over accounting processes in the water utility increases the possibility of misstatements due to errors or fraud.

Recommendation: The city may consider and implement additional controls over the water utility classification of CWIP to reduce the risk of misstatements to the financial records.

Management's Response

The Water Utility implemented additional internal controls beginning in 2015 which includes new transactional procedures, and increased financial work order reviews to ensure that expenses are recorded in the year they are incurred. In conjunction with implementing stronger internal controls, staff worked diligently to close out all appropriate work orders during the year. Approximately 406 work orders with a value of about \$50.4 million (90 work orders with a value of roughly \$6.7 million for 2014) were closed, placed into service, depreciated and/or expensed by year end, resulting in a net position restatement at December 31, 2014 totaling just over \$1.4 million.

Water Utility management will continue to oversee the newly implemented internal controls to ensure all activity is properly reflected within its financial statements.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

FINDING 2015-003: MATERIAL WEAKNESS – INFORMATION TECHNOLOGY CONTROLS – USER ACCESS

Repeat of portion of Finding 2014-005

Criteria: We performed our audit under Statements on Auditing Standards (SAS) Nos. 104-111, which required us to review the city's internal controls over major accounting processes. 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: A properly designed system of internal control includes establishing proper information technology controls. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner. At this time, the proper information technology controls regarding user access are not in place.

Cause: Due to staffing constraints, some accounting activities are not adequately segregated.

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

Recommendation: We recommend that a designated employee review the controls over user access, the related risks, and potential controls to determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

Management's Response

Within the MUNIS software, changes to data tables create an audit history indicating the field level change made and the user who performed the action. These audit records are secured from database removal by the establishment of system security permissions. The permissions are separated by functional areas, such as General Ledger, Accounts Payable, Purchasing, and Account Receivable. The exception to the audit table functional area is Payroll and Human Resources. Payroll and Human Resources audit records cannot be deleted from the system regardless of permissions.

There is a secondary audit level placed on the updating of the system security permissions themselves. These updates are also written to audit history, indicating any changes made to an individual's system security permissions.

The Finance Department has set system security permissions so that audit table purging cannot be performed by any individual who has direct supervisor responsibility within a functional area. Furthermore, there are two individuals within the City that have permissions granted for audit maintenance at both a functional and system security level.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

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

FINDING 2015-004: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT

Repeat of portion of Finding 2014-005

Criteria: We performed our audit under Statements on Auditing Standards (SAS) Nos. 104-111, 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>BT reviewed the MUNIS user list and the network user list and found some generic accounts. Some of these generic accounts are shared.</i>	Tyler Technologies has informed us the generic accounts cannot be removed or disabled without causing irreparable harm to their software.
<i>Elevated Privileges</i>	<i>Changes in certain systems are approved and tested. However, the developer of the change is often the person who implements the change in the production environment.</i>	IT staff utilize a change process that includes an electronic form as part of our call and change tracking system. Changes are detailed, routed to affected parties and approved by supervisory staff. Complete segregation of duties is not possible due to a small staff size. However, the change process combined with the supervisory oversight fulfills this need.
<i>Change Control - Package Software</i>	<i>Tyler MUNIS - The frequent updates Tyler requires the City to perform on MUNIS make it difficult if not impossible for the City to properly test the updates prior to implementation in the production environment. Tyler can access the application server directly via GoToAssist and can implement updates without the knowledge of the City's IT department. Additionally, development and testing environments are on the production server.</i>	On April 12, 2016 the SSAE 16 report was requested from our ERP vendor, Tyler Technologies. Our City Attorney’s Office is reviewing the Non-Disclosure Agreement requested by Tyler.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

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

FINDING 2015-004: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)

IT Area	IT Finding	Management Response
<i>Passwords</i>	<i>Passwords of certain systems have weaker settings.</i>	This refers to six legacy applications. Although these remaining six legacy applications are scheduled for replacement in our Capital Improvements Program, we researched the legacy platform. Even though these applications are up to twenty years old, we are implementing a programming solution that will provide for passing through active directory. This will be implemented this summer and fall.
<i>User Access Review</i>	<i>IT generates user access permissions report and sends this report to the security contact of each agency/department. The objective is to have the security contact or the department head review the user list in their area. However, not all security contacts/department heads review their user lists. To compensate for this control, IT routinely checks for users who have not accessed their account for over 60 days.</i>	On an annual basis IT has been producing a report on access rights by individual. This is distributed to agency security contacts to review and identify any necessary changes. We have implemented a stronger follow up process with agencies in order to document their reviews.

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, 2015

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

FINDING 2015-005

Program CFDA Number and Title: 20.500, 20.507 Federal Transit Cluster
Federal Award Numbers: 04-0059, 90-X765, 90-X595, 2015
Federal Grantor: U.S. Department of Transportation
Pass-through Agency: Wisconsin Department of Transportation

Criteria: According to 2 CFR section 200.313, a physical inventory of property acquired with federal funds must be taken and the results reconciled with the property records at least once every two years.

Condition/Context: The required biennial physical inventory count was last performed in 2013. There was no sample considered to be statistically valid.

Cause: Management is aware of the bi-annual equipment count, however, there were staffing issues during 2015 which caused the count to be pushed back to 2016.

Effect: The federally funded equipment listing may be inaccurate because a count has not been performed for over two years.

Questioned Costs: None noted.

Recommendation: We recommend that the city establish procedures to ensure that the equipment inventory count is performed at least once every two years.

Management's Response

See corrective action plan.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

FINDING 2015-006

Program State ID Number and Title: 465.306 Regional Emergency Response Teams
State Award Years: 7/1/2013-6/30/2015, 7/1/2015-6/30/2017
State Grantor: Wisconsin Department of Military Affairs
Pass-through Agency: N/A

Repeat of prior year finding 2014-010

Criteria: The grant agreement states 'the quarterly Operating Expenditure Reports shall be provided to the Division no later than thirty (30) days after the end of each quarter.'

The grant agreement states 'the quarterly Standardized Equipment Reports shall be provided to the Division no later than thirty (30) days after the end of each quarter.'

The grant agreement states the 'Contractor shall continue to provide the Division, on a quarterly basis, with a current listing of all hazardous materials assist and response data.'

Condition/Context: During our testing of the summary schedule of prior audit findings, we tested the current status of prior year finding 2014-010. This prior year finding noted that during the course of the audit, we became aware that the operating expenditure report for another quarter was submitted after the 30-day deadline. The city also did not file quarterly standardized equipment reports via Esponder in 2014 on a timely basis nor did the city file the quarterly materials and assist reports in 2014 on a timely basis. It was noted that the city uploaded the quarterly reports within the 30 day time-frame for the 2nd quarter of 2015. However, the quarterly reports for the other three quarters in 2015 were uploaded outside of the 30 day time-frame. The sample was not statistically valid.

Cause: The city has not completely addressed the submission issues noted during the prior year audit.

Effect: Required reports were not submitted on a timely basis.

Questioned Costs: None noted.

Recommendation: We recommend establish a process to ensure that all quarterly reports are submitted within the 30-day deadline.

Management's Response

See corrective action plan.

CITY OF MADISON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SECTION IV – OTHER ISSUES

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

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

Department of Natural Resources	<u> </u> yes	<u> X </u> no
Department of Tourism	<u> </u> yes	<u> X </u> no
Department of Justice	<u> </u> yes	<u> X </u> no
Department of Transportation	<u> X </u> yes	<u> </u> no
Department of Military Affairs	<u> X </u> yes	<u> </u> no
Department of Administration	<u> </u> yes	<u> X </u> no
Wisconsin State Energy Office	<u> </u> yes	<u> X </u> no
State Historical Society of Wisconsin	<u> </u> yes	<u> X </u> no
Wisconsin Department of Revenue	<u> </u> yes	<u> X </u> no
Wisconsin Department of Public Instruction	<u> </u> yes	<u> X </u> no

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

4. Name and signature of partner



Heather Acker, CPA, Partner

5. Date of report July 15, 2016