

**Sullivan, Powers & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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December 30, 2003

Honorable Mayor and City Council  
City of Burlington  
City Hall  
Burlington, Vermont 05401

We have audited the financial statements of the City of Burlington, Vermont as of and for the year ended June 30, 2003 and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the City of Burlington, Vermont for the year ended June 30, 2003 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation, as described in the accompanying schedule of findings and reportable conditions, that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that two (2) of the reportable conditions are considered to be material weaknesses.

We have also noted other matters in the accompanying schedule of findings and reportable conditions. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This report is intended solely for the information and use of management and should not be used for any other purpose. If you would like to discuss any of the recommendations further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the City of Burlington, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

*Sullivan, Powers & Company*  
SULLIVAN, POWERS & CO.  
Certified Public Accountants

CITY OF BURLINGTON, VERMONT  
SCHEDULE OF FINDINGS AND REPORTABLE CONDITIONS  
FOR THE YEAR ENDED JUNE 30, 2003

REPORTABLE CONDITIONS:

Material Weakness:

Segregation of Duties – School District Bank Reconciliations

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors and irregularities. One of the most common division of duties is the division between the custody of cash and the accounting functions.

In the City of Burlington School District, the accountant has access to the City Treasurer's signature stamp, reconciles the bank account and posts daily transactions into the accounting system. Each of those duties is considered incompatible functions for accounting control purposes.

We recommend that the School District not allow the same person to have access to the signature stamp and reconcile the bank statements.

Segregation of Duties in Student Activity Accounts

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the custody of cash and the accounting functions.

For the Burlington School District Student Activities Accounts, the same person that reconciles the checking accounts also posts to the journals, has check signing authority and makes the deposits. Each of those duties are considered incompatible functions for accounting control purposes.

The limited staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities. However, at a minimum, we recommend that someone who does not have check signing authority perform or review the reconciliations of cash accounts on a monthly basis.



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Other Reportable Conditions:

Accounting and Procedures Manual

The City has a policy and procedures manual in place, however, it has not been completely updated for some time. This is vital in the event of turnover, but also defines duties and responsibilities for current personnel. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstanding, errors, inefficient or wasted effort duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. Additionally, the manual should incorporate procedures that have been implemented to ensure compliance with OMB and grantor requirements.

We recommend that the City continue to update this document as soon as possible. Each individual should write out their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once updated only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the City make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Internal Audit Function

The City receives certain revenue in the form of gross receipts tax, leases at the Airport and other general revenue. The basis of this revenue is calculated as a percentage of other businesses revenues. The City does not have an internal audit function in place to ensure that a complete population of reports has been submitted and/or to audit the reports that have been submitted.

We recommend that the City consider establishing some internal audit functions to enable them to audit submitted reports for accuracy and to determine that they have a complete population of these reports.



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Fraud Risk Assessment

The City does not have a fraud risk assessment program in place. A fraud risk assessment is important because it identifies the entities vulnerabilities to fraudulent activities and whether those vulnerabilities could result in material misstatement of the financial statements. The fraud risk assessment would also identify processes, controls, and other procedures used to mitigate the identified fraud risks.

We recommend the City design a fraud risk assessment program to reduce the possibility of fraudulent activities.

Journal Entry Review and Approval

The City Clerk/Treasurers office posts all journal entries for the City except for the School department. The City's policy states that all the journal entries need to be approved. Not all of the journal entries are being approved. Also, certain journal entries that had been reviewed and approved were incorrect and had to be reversed. This included an entry to adjust the main checking account after it had been reconciled, an entry to record an account receivable even though the money had been collected in June and an entry to reverse the prior year's prepaid expenses even though only a portion of the account should have been expensed in the current year. Additionally, we noted a journal entry that was approved correctly but was posted wrong.

We recommend that the City review it's journal entry procedures to clarify that all journal entries are to be approved and that an appropriate person review the documentation supporting the journal entry to ensure that the entry is correct. We also recommend that the City implement procedures to be sure that journal entries are entered into the accounting system correctly.

Billing System/Accounts Receivable Ledger

The City does not have an accounts receivable system in place. When determining the year-end accounts receivable balances, the City utilizes subsequent receipts. This resulted in a significant amount of time being spent to develop accounts receivable lists as of June 30, 2003. This also indicates that the reports of the financial position of the City are inaccurate during the year.

We recommend the City implement a system to record accounts receivable during the year. When monies are collected, the accounts receivable should be removed from the list.

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Reconciliation of Accounts Payable

There was a large beginning balance in the accounts payable account. This was caused by not reversing the prior year audit adjustments and by posting the proceeds of the tax anticipation note to a liability and the repayment to an expense. This indicates that the accounts payable balance was incorrect during the year by a material amount.

We also noted that transactions were recorded in the incorrect fiscal year. This resulted in the accounts payable balance being understated by a material amount. A journal entry was recorded to include the transactions in fiscal year 2003.

We recommend that the accounts payable balance be reviewed monthly to be sure it is accurate during the year. We also recommend that the City review their end of the year invoices more thoroughly in order to properly classify expenditures to the correct fiscal year.

Reconciliation of Long-term Liabilities

The City maintains a long-term debt schedule but it is not updated on a monthly basis and it is not accurate because it does not include all new debt. The schedule had many deficiencies such as new notes and bonds not being listed and the prior year's ending balances being incorrect. This list should include all additions and deletions to accounts in the general ledger.

We recommend that the long-term debt schedule be updated monthly or when a debt payment is made. We also recommend that an appropriate person review the schedule for accuracy and completeness.

Cash Reconciliations

The City reconciled its pooled cash account each month, however the reconciliations were inaccurate. Incorrect reconciling items were used by staff, thus causing the City's financial information to be incorrect. Each month showed immaterial variances, however these differences varied by thousands of dollars from month to month. All variances need to be isolated so that revenues and expenditures are accurately recorded.

In May, 2003, the City hired a consultant to reconcile the bank statement each month. The consultant also reconciled each month's bank statement for the current fiscal year.

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Grants Management Database/Grant Revenue

The City has numerous grants for various projects throughout the City. It is often difficult to locate many of these grants and/or determine their requirements. The City needs to develop a database and have all departments report their respective grants to one designated person so that all the grants can be tracked in one location. The City also encounters difficulty completing a list of grants receivable at year-end.

The type of information that should be included in the database is summarized as follows:

1. Grant award.
2. Grant period.
3. Grantor and contact name.
4. CFDA #.
5. Billing information.
6. Reporting information and due dates.
7. Fund #, grant #, and program #.
8. Narrative description of grants purposes.
9. Current year expenditures.
10. Cumulative expenditures.
11. Cumulative receipts.
12. Other pertinent information.

We recommend that the City require that all departments report their respective grants to a designated person so that a grants database can be developed. This information will also aid in the development of the Schedule of Expenditures of Federal Awards and in completing a list of grants receivable at year-end.

**OTHER RECOMMENDATIONS:**

Documentation of Proofing of Vouchers

It is the City's policy to proof vouchers before paying them. This is important because it can detect errors before the checks are written. We noted, in a sample of sixty (60) transactions, eight (8) instances where there was no indication that the vouchers had been proofed for accuracy. This may indicate that the proofing was not performed or merely that this step was not documented.

We recommend that all vouchers be proofed for accuracy and that this step be documented on the voucher.



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Federal Forms W-4 and I-9

Federal guidelines require that each employee submit a federal form W-4 and I-9 once they are hired. W-4's may be changed as many times as needed. During our tests of payroll, we noted several employees that did not have a W-4 and/or an I-9 in their personnel file.

We recommend the City review all personnel files to be sure they include the required documentation as described in the Federal guidelines.

Billing and Collection of Grant Receivables

The CEDO Department had a negative \$1.35 million cash balance within the City's pooled cash fund at year-end. CEDO has many grant receivables that could be collected to reduce this negative balance but billings and collections of these items are often very slow.

We recommend that CEDO implement more stringent billing and collection procedures on grant receivables in order to improve its cash flow situation and to better assess the collectibility of such receivables.

Reconciliation of Cafeteria Plan & Dependent Care Plan to General Ledger

The City provides a Section 125 Cafeteria Plan and a Dependent Care Plan for its employees. The Accounting Department carries a liability for related expenses to the plans in its general ledger. However, the Accounting Department does not reconcile its activity against necessary information available in the Human Resources Department. Information such as employee departures and forfeited assets can have an impact on the City's liability.

We recommend that quarterly reconciliations of these liabilities be coordinated with the Human Resource Department for accuracy.

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Duplication of Effort

The Department of Public Works staff is tracking property, plant and equipment and the related depreciation on its computer system and with a manual system. Also, the Department of Public Works, Police Department, Fire Department and Telecommunications Department maintain their own accounting records on their own computer systems. The City's accounting staff records the same financial information on its Pentamation accounting system at City Hall. The maintenance of two (2) systems, which accomplish the same objective, is a duplication of effort.

We recommend that the City's Department of Public Works staff eliminate the use of the manual system for tracking property, plant and equipment and that all departments eliminate the use of separate accounting systems.

Stale Checks

Numerous stale, outstanding checks totaling approximately \$37,000 were noted in our examination of cash balances. The City needs to investigate why these checks have not been cashed and determine if they still owe these vendors money. Then, they need to either reissue the check if they can find the recipient or send the money to the State of Vermont as abandoned property.

We recommend that the City investigate all of their old checks and reissue new ones if deemed necessary or send the money to the State of Vermont as abandoned property if the recipient cannot be found.

Physical Inventory of Property, Plant and Equipment

A physical inventory of all assets at all departments has not been done in some time. Any department that receives Federal funds to purchase property, plant and equipment is required to conduct a physical inventory at least every two years. Additionally, it appears that the School Department has not reviewed its property, plant and equipment list for deletions.

We recommend that the City conduct a physical inventory of its property, plant and equipment in the coming year in order to comply with the Federal regulations. We also recommend the School Department set up a system to track deletions.

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Disaster Recovery Plan

The City does not have well-defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, offsite storage.
- A listing of all data files that would have to be obtained from the offsite storage location.
- Detailed instructions for restoring backup files and a copy of all policy and procedures manual.
- Identification of a backup location (name and telephone number) with similar or compatible equipment and availability of programs for emergency processing (management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

Federal Property Management System

The City has implemented a property management system and has begun to identify those new assets that were purchased with Federal funds. The Clerk/Treasurers office is doing this on a prospective basis. The School department has not identified which of its assets were purchased with Federal funds. The prospective approach will self-correct over time as assets are retired and new assets are acquired.

We recommend the City continue to track the new assets with this method and that the School Department begin to use this method as well. We also recommend that the City review its asset list for large items that were purchased with grants in prior years. We recommend the City require all departments to identify assets that were purchased with Federal funds.



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Petty Cash Accounts

There are minor, immaterial amounts of petty cash funds for the individual schools that are not reflected in the financial statements of the School District. Although the size of these accounts are small, the School District should account for the activities of each account.

We recommend that the School District address the need to maintain timely and accurate information regarding all of the cash accounts in their control.

Employee Reimbursement Policy

The City is reimbursing employees for travel expenses and for City expenses that were paid for by the employee. The documentation on some of these reimbursements was insufficient, in some cases the employee only supplied the credit card statement, not the actual receipt. Also, we noted that the City was paying sales tax on the purchases when the City is exempt from sales tax.

We recommend the City review its policy regarding employee reimbursement and strictly enforce the policy by requiring proper documentation. We also recommend the City only reimburse necessary expenses and cease reimbursing the sales tax portion of the employees request.

Payroll Processing

The City uses multiple payroll processing procedures. The City processes a portion of the payroll internally, outsources some departments to ADP and outsources one department to Paydata. We also noted that Paydata is using a separate federal identification number other than the one that the City has been assigned.

We recommend the City review these processes and consider consolidating to one system in order to increase efficiency and continuity.

School District Pension Expense

The School Department does not pay into the Retirement Fund of the City. The City's General Fund pays the School Department's portion to the Retirement Fund. This is not reported on the statistical report to the State.

We recommend that the School Department determine if the retirement contribution should be reported on the statistical report to the State.

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Housing Trust Fund Expenditures

The Housing Trust Fund Board approves projects annually and raises taxes to fund those projects. A Housing Trust Fund project had been funded twice. It had been funded in the current fiscal year as well as in the prior fiscal year. This was caused the fact that there is no comparison of approved disbursements to actual disbursements. The money was returned to the City after year-end.

We recommend the Housing Trust Fund Department design and implement a process to compare approved to actual disbursements.

Certification of Suspension and Debarment

The City has various grants that require certification by contractors that they are not suspended or debarred by the Federal government. There are no controls in place to monitor that all departments are obtaining this certification

We recommend the City implement a system of controls to obtain certification from all required vendors. We also recommend that the City amend its purchasing policy to include certification of all vendors.

Recording of Bond Proceeds

The City receives bond proceeds and records the amount net of applicable issue costs and the premium or discount. The correct method of recording these transactions is to record the proceeds at the face amount of the bond and record any premium received, expenses for issue costs and any discount offered separately.

We recommend the City record future bond proceeds as described above and seek additional guidance when necessary.

Burlington Community Development Corporation Debt

The Burlington Community Development Corporation (BCDC) is a component unit of the City and is included as a part of the reporting entity. BCDC is paying the City's General Fund for a portion of a Certificate of Participation. The City considers a portion of this to be debt of BCDC, however, there is no documentation of this.

We recommend the City document this agreement.

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Classification of Unspent Grant Monies Received in Advance

The City has numerous State and Federal grants which advance funds to the City. Currently, the City records these advances as revenue and restricts the Fund Balance. Generally accepted accounting principles requires that revenue should be recognized as expenses are incurred. Therefore, the proper classification of these advances should be deferred revenue in the governmental fund statements.

We recommend the City record these advances as Deferred Revenue until the expenses have been incurred and the revenue is earned.

Uninsured/Uncollateralized Deposits

The City had more than \$100,000 in their money market accounts during the year and at June 30, 2003. The basic insured amount for a depositor at each bank is \$100,000 each for interest bearing and non-interest bearing accounts. Any amounts in excess of the FDIC insured limits can be offset to the extent of any debt at that bank. The City has collateralization and repurchase agreements at certain banks, however, the agreements do not encompass all of the accounts at those banks, particularly certain accounts at the School Department.

Our primary recommendation is that the City stay aware of the stability of their banks. We also recommend the City review all its bank accounts in order to have them included with the collateralization and repurchase agreements.

Allocations/Contracts

The City allocates costs and/or charges for services to various City departments. The City has been evaluating the methodologies utilized to develop these charges to ensure that they are reasonable and equitable.

We recommend that the City continue with this process, especially related to charges to regulated activities such as the Electric and Airport Departments.

PFC Monitoring

The Federal Aviation Administration requires that all airlines have their PFC revenue and enplanements audited. The audits are supposed to be provided to all airports so that each airport can verify amounts collected by the airline and submitted to the airports. The City did not verify that the audited amounts agreed with the amounts submitted by the airlines.

We recommend that the City insist that all airlines provide them an audit of their PFC revenue and enplanements and that they verify that the amounts agree to the amounts remitted by the airlines.



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Timely Deposits of Cash

The School District does not deposit the cash for the student activity accounts on a daily basis. They hold the cash in a vault until they have time to make the deposit. In addition, the Clerk/Treasurers Office does not deposit the gross receipts tax proceeds on a regular basis.

We recommend that all cash be deposited on a daily basis.

Title I Student List

The School District has a listing of students who received Title I services during the year. Several students who are on the list as being served did not receive Title I services.

We recommend that the School District make sure the list of students served is accurate.

Review of Reports

The SDE1.1 (SF-270's) related to the School Department grants are prepared by the Accountant and signed by the Business Manager. The Business Manager is not reviewing any backup documentation when signing the report. The Business Manager should be reviewing the backup to ensure that the reports are complete and accurate. There have been reports filed incorrectly.

We recommend that the Business Manager review the backup documentation before signing the report.

Account Coding

Some Title I, IDEA-B, Title II, and 21<sup>st</sup> Century expenses were being misposted in the general ledger. For example, books and supplies were being coded to equipment. There are no controls in place to ensure that expenses are being properly coded in the general ledger.

We recommend the School District implement procedures to ensure coding of expenses is done correctly. If necessary, the School District should add accounts to the general ledger to allow for classifications that are more appropriate.

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Title I Files

The Title I handbook indicates that the following items should be complete and maintained in student files; Title I plans, referral or weighting forms, testing materials and test scores. The School District has a checklist to make sure that these items are included for all Title I students but it doesn't appear that the checklist is being consistently utilized.

We recommend that the School District utilize the checklist to ensure Title I student files are complete and the checklist be kept in the front of each student's file.

Insurance Contract

There is no written contract with the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund (VLCT-PACIF). VLCT-PACIF provides insurance coverage to the City. The maximum contribution is based on an estimate of the total claims of all members at the beginning of the year. There are no provisions for changes as a result of significant growth or reduction of members.

We recommend the City enter into a written agreement with VLCT-PACIF that specifies the rights and responsibilities of both parties.

Revenue Recognition

The Police Department charges a fee for providing an officer at events sponsored by various entities. These revenues are recorded into the expense account where the officer's salary is charged. This understates both the revenue and expenses of the department and is not in conformance with generally accepted accounting principles.

We recommend the Police Department record all fees to a revenue account so as to reflect the salary expense at gross.

Administrative Allocation

The School District has several grants that have a maximum percentage that is allowed to be charged for administrative expenses. There are no procedures in place to ensure that the School District is charging the proper percentage to the grants.

We recommend the School District implement procedures to verify the allowable administrative allocation percentage.

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Certified Payrolls Required by the Davis-Bacon Act

The City has various grants that require the City to obtain certified payrolls from contractors as required by the Davis-Bacon Act. There are no controls in place to ensure that all departments are obtaining these certified payrolls.

We recommend the City implement a system of controls to obtain the certified payrolls from all required contractors.

Grants Administrator Salary Allocation

The School District's grant administrator's salary is allocated based on an estimate at the beginning of the year. The allocation is based on time expected to be spent on each grant. Generally, this allocation is similar to what was in the application's budget.

We recommend the administrator track actual time spent on each grant and adjust the amount charged to each grant at the end of the fiscal year or charge each grant based on an acceptable cost allocation plan.

Off Duty Police Service Fees

The City currently charges five dollars (\$5) per hour as an administrative fee to companies that hire the Police Department to do special services such as traffic control. Four dollars (\$4) of the administrative fee covers social security taxes and the pension cost leaving one dollar (\$1) per hour for other benefits including workers compensation. This may leave no money for the actual administrative time of scheduling and billing for the services

We recommend that the City review its off duty police service fee to determine if it is adequate to cover all of its expenses.

Interfund Loans

The City's General Fund and School Fund have loans payable to the Electric Department that are accounted for as long-term debt.

We recommend the City reclassify those interfund loans to a fund liability. We also recommend the City consider refinancing the loans to reduce future debt service expenditures.



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Student Activity Funds

The Student Activity Funds account for all the activities and the functions of the students at the School Department. These types of accounts are classified as agency funds. Agency funds generally are used to account for assets that the School holds on behalf of the students as their agent.

The Student Activity bank accounts were not reconciled to lists of amounts owed to student groups for the entire year. We also noticed that other types of revenue are included in these accounts such as a grant money, donations and other equipment and payments from teachers to the wellness fund. These types of activities do not appear to be student activities and, therefore, should be accounted for in the General Fund or a Special Revenue Fund

We recommend the School District reconcile the Student Activity bank accounts to a list of student groups owed on a monthly basis. We also recommend that the School District take a close look at the various activities in the Student Activities Funds and, based on the above information, determine which activities should be in the Student Activity Funds and which activities should be classified and accounted for in other funds.

Depreciation

The City does not apply its depreciation policy uniformly across all departments. The School Department does not depreciate current year acquisitions until the following year. The City's policy is to depreciate the assets from the time they are placed in service.

We recommend the City require all departments to apply the depreciation policy uniformly.

System to Identify Additions/Deletions

The City does not have a system in place that tracks the purchase and disposition of property, plant and equipment. Each department prepares a list at the end of the fiscal year detailing purchases and dispositions. This method has been ineffective as accounting personnel have had to spend significant time verifying this information and, in many cases, found the list to be incomplete. This required more research and time for the accounting personnel to search the City's records to identify all purchases and dispositions.

We recommend the City develop a system for all departments to notify the accounting personnel each time property, plant and equipment is purchased or disposed.

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Infrastructure Additions/Deletions

The City constructs its own infrastructure assets such as sidewalks. The amounts that are being capitalized are the amounts charged internally from the Public Works Department to the Streets Department. This does not accurately reflect the cost to the City for the infrastructure. The amount that should be capitalized is the wages of personnel doing the construction, supplies purchased, and any contractors that assisted on the project.

We recommend the City capitalize the true cost to the City and not the amounts charged internally.

Public Works Department Account Coding

The Department of Public Works accounts do not accurately reflect the infrastructure activity. For example, the account titled "repaving admin costs" is actually sidewalk billings from the Streets Department.

We recommend the City review the account descriptions and revise them as necessary.

Salaries/Time Study

The School District charges salaries to grants based on a time study. The time study is done for a two-week period and is extrapolated to cover the whole year. Federal regulations require that grants be charged based on actual expenses or time studies that are performed throughout the year and can be shown to be statistically accurate. We were unable to verify the salaries that were charged to Title I, Improving Teacher Quality-State Grant and IDEA-B grants are appropriate.

The Vermont Department of Education did a review of the time study in fiscal year 2002. This resulted in numerous questioned costs. We were unable to determine if issued had been resolved and corrected in 2003. These findings may affect Title I, Improving Teacher Quality State Grant and IDEA-B expenditures because, if there isn't enough money to cover them under the Special Education Grant, they are charged to Title I, Improving Teacher Quality-State Grant and IDEA-B.

We recommend that the School District charge salaries to the grants based on an acceptable method. Because of the difficulties in proving that time studies are statistically accurate, we recommend that a timesheet system be utilized.

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Documentation of Time and Effort

A school that participates in a schoolwide program and whose employees' compensation is funded solely from a combined schoolwide program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with OMB Circular A-87. An employee paid in part from a combined schoolwide program must maintain time and effort distribution records in accordance with OMB Circular A-87.

The School District does not do semi-annual certifications for employees who are salaried and under contract. For employees who are charged to the grant, the school charged the amounts based on how the employee was budgeted. Employees do not maintain timesheets.

We recommend that School District maintain appropriate documentation of time and effort.

Certification of Suspension and Debarment

The School Department did not obtain certification regarding suspension and debarment from a contractor who was charged to the School Renovation/Technology Program Grant which required it to obtain this certification.

We recommend the School Department obtain certification whenever it is required. It does not appear that the contractor is on the list of firms suspended or debarred.

Davis-Bacon Compliance

The School Department did not obtain certified payrolls from a contractor that was charged to the School Renovation/Technology Program Grant.

We recommend the School Department obtain certified payrolls for any construction project that is being funded by Federal funds that requires Davis-Bacon compliance.

Backup for Reports

The School District has implemented procedures for keeping the back up documentation when filing the SDE1.1 (SF-270's), however, there was no backup for the second quarter SDE1.1 for Title I. The School District was unable to re-create the information.

We recommend that the School District keep the back up documentation for every report they file.



CITY OF BURLINGTON, VERMONT  
SCHEDULE OF FINDINGS AND REPORTABLE CONDITIONS  
FOR THE YEAR ENDED JUNE 30, 2003

Period of Availability for Title II Funds

An invoice was paid during fiscal year 2003 but was incurred during fiscal year 2002. The amount of the invoice was \$4,391. When the invoice was paid, it was charged to the Title II grant. Since the Title II grant did not begin until July 1, 2002, this expense is not within the period of availability. This expense would have been covered by the Class Size Reduction Grant had it been charged correctly, however the Class Size Reduction Grant ended on June 30, 2002.

We recommend the School Department charge the expense to the proper grant within the availability period.