

# **CITY OF WAUKESHA**

REPORT ON FEDERAL AND STATE AWARDS

December 31, 2020

# CITY OF WAUKESHA

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**Independent Auditors' 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***

To the Common Council  
City of Waukesha  
Waukesha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukesha (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2021.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

### **Purpose of this Report**

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

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
July 14, 2021

**Independent Auditors' Report on Compliance  
for Each Major Federal and Major State Program  
and Report on Internal Control Over Compliance; and Report on  
the Schedule of Expenditures of Federal and State Awards**

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

To the Common Council  
City of Waukesha  
Waukesha, Wisconsin

**Report on Compliance for Each Major Federal and Major State Program**

We have audited the City of Waukesha's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement and State Single Audit Guidelines that could have a direct and material effect on the City's major federal and major state programs for the year ended December 31, 2020. The City's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City'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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and Major State Program***

In our opinion, the City 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, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

### ***City's Response to Finding***

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

### ***City's Response to Finding***

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements. We issued our report thereon dated July 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal 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 US, LLP*

Milwaukee, Wisconsin  
March 23, 2022

**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2020

Grantor Agency / Program Title	Federal Assistance Listing Number	Passed Through Agency	Passed Through Agency Identifier	Award Amount	Expenditures Grantor
<b>FEDERAL PROGRAMS</b>					
<b>U.S. Department of Housing and Urban Development</b>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grant/Entitlement Grants					
2017	14.218	WC	PS1700X	\$ 30,000	\$ 7,012
2018	14.218	WC	PS1800X	51,300	2,715
2019	14.218	WC	PS1900X	109,388	37,353
2020	14.218	WC	PS2000X	229,320	<u>187,780</u>
Total Community Development Block Grant/ Entitlement Grants					<u>234,860</u>
Total U.S. Department of Housing and Urban Development					<u>234,860</u>
<b>U.S. Department of Justice</b>					
2018 Bulletproof Vest Partnership Program	16.607	N/A	N/A	12,750	6,790
2019 Bulletproof Vest Partnership Program	16.607	N/A	N/A	13,888	<u>10,150</u>
Total Bulletproof Vest Partnership Program					<u>16,940</u>
Edward Byrne Memorial Justice Assistance	16.738	N/A	N/A	10,285	<u>10,285</u>
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	N/A	33,138	<u>33,138</u>
Total U.S. Department of Justice					<u>60,363</u>

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



**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2020

Grantor Agency / Program Title	Federal Assistance Listing Number	Passed Through Agency	Passed Through Agency Identifier	Award Amount	Expenditures Grantor
<b>U.S. Department of Transportation</b>					
Highway Planning and Construction Cluster Recreational Trails Program	20.219	WI DNR	RTA-582-13.3	200,000	<u>38,540</u>
Federal Transit Cluster					
Federal Transit Formula Grant	20.507	WI DOT	WI-2017-032-00	1,050,674	554,488
Federal Transit Formula Grant	20.507	WI DOT	WI-2017-032-00	1,816,000	9,291
Federal Transit Formula Grant	20.507	WI DOT	WI-2018-015-00	1,084,182	11,185
Federal Transit Formula Grant	20.507	WI DOT	WI-2020-011-04	1,016,206	1,161,754
Federal Transit Formula Grant	20.507	WI DOT	WI-2020-040-00	4,194,117	<u>600,000</u>
Total Federal Transit Formula Grants					<u>2,336,718</u>
State of Good Repair Grants Program	20.525	WI DOT	WI-2016-030	104,476	47,718
State of Good Repair Grants Program	20.525	WI DOT	WI-2020-029-00	320,000	160,000
State of Good Repair Grants Program	20.525	WI DOT	WI-2021-004-00	221,404	<u>3,680</u>
Total State of Good Repair Grants Program					<u>211,398</u>
Bus and Bus Facilities Formula Program	20.526	WI DOT	WI-2018-015-00	37,757	(62,996)
Bus and Bus Facilities Formula Program	20.526	WI DOT	WI-2019-045-00	14,400	9,976
Bus and Bus Facilities Formula Program	20.526	WI DOT	WI-2020-011-04	125,098	<u>70,709</u>
Total Bus and Bus Facilities Formula Program					<u>17,689</u>
Total Federal Transit Cluster					<u>2,565,805</u>
Total U.S. Department of Transportation					<u>2,604,345</u>
<b>National Endowment for the Humanities</b>					
Grants to States - LSTA - Inclusive Services	45.310	WI DPI	2020 LSTA - Inclusive Services - 251	4,655	<u>3,698</u>
<b>U.S. Department of Homeland Security</b>					
Assistance to Firefighter Grant	97.044	N/A	N/A	85,000	<u>77,273</u>
<b>U.S. Department of Interior</b>					
Passed through from Wisconsin Historical Society Historic Preservation Fund Grants-In-Aid	15.904	WI Historical Society	WI-19-10019	17,000	<u>3,892</u>

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

**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2020

Grantor Agency / Program Title	Federal Assistance Listing Number	Passed Through Agency	Passed Through Agency Identifier	Award Amount	Expenditures Grantor
<b>U.S. Department of Election Assistance Commission</b> HAVA Election Security Grant	90.404	N/A	N/A	44,300	<u>44,300</u>
<b>U.S. Department of Environmental Protection Agency</b> Drinking Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds Total Drinking Water State Revolving Fund Cluster	66.458	WI DNR	Unavailable	10,409,006	<u>747,861</u>
Water Infrastructure Finance and Innovation Total U.S. Department of Environmental Protection Agency	66.958	N/A	N/A	137,100,000	<u>27,584,188</u> <u>28,332,049</u>
<b>U.S. Department of Health and Human Services</b> Provider Relief Fund	93.498	WI DHS	Unavailable	39,807	<u>39,807</u>
<b>U.S. Department of The Treasury</b> Covid- 19 Coronavirus Relief Fund	21.019	DOA	Unavailable	1,295,548	<u>1,295,548</u>
<b>TOTAL FEDERAL PROGRAMS</b>					<u>\$ 32,696,135</u>

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

**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2020

Grantor Agency / Program Title	State ID Number	Award Amount	Expenditures Grantor
<b>STATE PROGRAMS</b>			
<b>Wisconsin Department of Transportation</b>			
2020 Transit Operating Aids	395.176	\$ 3,447,269	\$ 3,447,268
2020 Paratransit Aids Through 85.205	395.104	86,548	<u>86,548</u>
Total Wisconsin Department of Transportation			<u>3,533,816</u>
<b>Wisconsin Department of Health Services</b>			
2018 EMS Funding Assistance Program	435.119	7,215	<u>7,215</u>
<b>TOTAL STATE PROGRAMS</b>			<u>\$ 3,541,031</u>

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

# CITY OF WAUKESHA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

December 31, 2020

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

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The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Waukesha under programs of the federal and state government for the year ended December 31, 2020. 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 Waukesha, they are not intended to and do not present the financial position, changes in net position or cash flows of the City of Waukesha.

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

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Expenditures reported on the schedules 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. 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. Program income is reported as revenue in the year that it is received.

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### **NOTE 3 – INDIRECT COST RATE**

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The City of Waukesha has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

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### **NOTE 4 – PASS-THROUGH GRANTORS**

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Federal funds have been passed through the following grantors:

- WC – Waukesha County
- WI DOT – Wisconsin Department of Transportation
- WI DNR – Wisconsin Department of Natural Resources
- WI DPI – Wisconsin Department of Public Instruction
- WI DHS – Wisconsin Department of Health Services
- DOA – Department of Administration
- WI Historical Society

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS December 31, 2020

### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### *FINANCIAL STATEMENTS*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?             yes        X   no

#### *FEDERAL AND STATE AWARDS*

Internal control over major programs:

- |  | Federal Programs                             | State Programs                               |
|--|--|--|
| > Material weakness(es) identified?    | <u>      </u> yes <u>  X  </u> no            | <u>      </u> yes <u>  X  </u> no            |
| > Significant deficiencies identified? | <u>  X  </u> yes <u>      </u> none reported | <u>      </u> yes <u>  X  </u> 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 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?        X   yes             no             yes        X   no

Auditee qualified as low-risk auditee?        X   yes             no        X   yes             no

Dollar threshold used to distinguish between type A and type B programs:      \$ 980,884      \$ 250,000

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507/20.525/20.526	Federal Transit Cluster
20.019	Covid-19 Coronavirus Relief Fund
66.958	Water Infrastructure Finance and Innovation Assistance

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS December 31, 2020

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### SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONT.)

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Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.176	Transit Operating Aids

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

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No findings were reported.

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

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#### Program 66.958 Water Infrastructure Finance and Innovation

**Award No:** WIFIA-N18147WI

**Award Year:** 2020

#### **Finding 2020-001: Procurement policy and related contract**

**Criteria:** 2 CFR section 200.318 – *General Procurement Standards*, requires non-Federal entity to have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327.

**Condition:** We reviewed the water utility's procurement policy and service contracts with costs reimbursed during 2020, noting they did not contain necessary federal language related to conflicts of interest and debarment and suspension.

**Cause:** The water utility has not received federal funding in the past and did not update their procurement policy when they sought federal funding for the Great Lakes Water Supply project. Additionally, service contracts were entered into prior to receiving federal funds.

**Effect:** Without adequate control of contract language the water utility could enter into contracts related to the Great Lakes Water Supply project that do not qualify for federal reimbursement.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the water utility review its procurement policy and make necessary updates to be in compliance with federal standards. Additionally, we recommend the utility enter into contract addendums related to contracts previously executed without required federal language.

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS December 31, 2020

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

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**Management response:** Waukesha Water utility management has worked closely with WIFIA to craft contracts that include all necessary language prior to releasing RFPs for construction contracts. WIFIA was presented all service contracts to review prior to reimbursements received in fiscal year 2020. The finance department is working to update the procurement policy to ensure necessary federal language is included. The finance department will also work with service contractors to execute contract addendums.

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### SECTION IV – OTHER ISSUES

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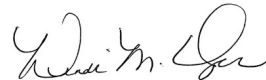
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?  yes  no

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

Wisconsin Department of Health Services  yes  no  
Wisconsin Department of Transportation  yes  no

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

Name and signature of partner



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Wendi M. Unger, CPA, Partner

Date of report

March 23, 2022