

**TOWN OF LEBANON, CONNECTICUT
FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2023**



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**TOWN OF LEBANON, CONNECTICUT
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Finance
Town of Lebanon, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major federal programs for the year ended June 30, 2023. The Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Lebanon, Connecticut, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Lebanon, Connecticut, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Lebanon, Connecticut's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Lebanon, Connecticut's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Lebanon, Connecticut's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Lebanon, Connecticut's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Lebanon, Connecticut's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Lebanon, Connecticut's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

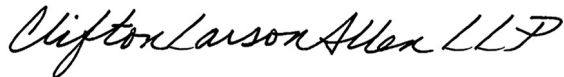
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lebanon, Connecticut's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Lebanon, Connecticut's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 Town of Lebanon, Connecticut, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut’s basic financial statements. We have issued our report thereon dated March 26, 2024, 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 awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

West Hartford, Connecticut
March 26, 2024

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	12060-SDE64370-20560	\$ 20,753
National School Lunch Program	10.555	12060-SDE64370-20560	141,332
National School Lunch Program	10.555	12060-SDE64370-20560	56,884
School Breakfast Program	10.553	12060-SDE64370-20508	<u>61,612</u>
			\$ 280,581
State Administrative Expenses for Child Nutrition	10.560	12060-SDE64370-23126	32,353
P-EBT Local Admin	10.649	12060-SDE64370-29802	<u>1,884</u>
Total United States Department of Agriculture			314,818
United States Department of Education			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	12060-SDE64370-20977-2023	129,805
Special Education - Grants to States	84.027	12060-SDE64370-20977-2022	115,986
Special Education - Grants to States	84.027	12060-SDE64370-20977-2021	15,000
Special Education - Preschool Grants	84.173	12060-SDE64370-20983-2023	<u>9,843</u>
			270,634
COVID-19 Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425U	12060-SDE64370-23083-2022	35,164
COVID-19 Education Stabilization Fund	84.425U	12060-SDE64370-29636-2021	294,392
COVID-19 Education Stabilization Fund	84.425U	12060-SDE64370-29684-2022	4,084
COVID-19 Education Stabilization Fund	84.425D	12060-SDE64370-29571-2021	50,350
COVID-19 Education Stabilization Fund	84.425D	12060-SDE64370-29571-2021	<u>88,069</u>
			472,059
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2023	114,905
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2022	<u>22,009</u>
			136,914
Career and Technical Education -- Basic Grants to States	84.048	12060-SDE64370-20742-2021	49,924
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2023	600
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2022	<u>24,097</u>
			24,697
Title IV - Student Support	84.424	12060-SDE64370-22854-2023	1,471
Title IV - Student Support	84.424	12060-SDE64370-22854-2022	<u>10,000</u>
			11,471
Total United States Department of Education			<u>965,699</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of the Treasury			
<i>Passed Through the State of Connecticut Department of Education:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	12060-SDE64370-28105	\$ 240,721
<i>Passed Through the State of Connecticut Office of Policy and Management:</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	12060-OPM20600-29669	<u>198,384</u>
Total United States Department of the Treasury			<u>\$ 439,105</u>
United States Election Assistance Commission			
<i>Passed Through the State of Connecticut Office of the Secretary of State:</i>			
Help America Vote Act Requirements Payments	90.401	12060-SOS12500-21465	<u>1,805</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,721,427</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF LEBANON, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Lebanon, Connecticut, under programs of the federal government for the year ended June 30, 2023. The information in the 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).

Because the Schedule presents only a selected portion of the operations of the Town of Lebanon, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position, or cash flows of the Town of Lebanon, Connecticut.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RECOVERY

The Town of Lebanon, Connecticut, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

NOTE 3 NONCASH AWARDS

Donated commodities in the amount of \$20,753 are included in the Department of Agriculture's National School Lunch Program, Assistance Listing #10.555. The amount represents the market value of commodities received.

NOTE 4 PRIOR LOAN AND LOAN GUARANTEES (LOANS)

The Town of Lebanon, Connecticut has the following loan balance outstanding as June 30, 2022, with the United States Department of Agriculture. The outstanding loan balance was not included in the accompanying schedule of expenditures of federal awards in accordance with 2 CFR Section 200.205 of the Uniform Guidance, the basis for determining federal awards expended. There are currently no continuing compliance requirements relating to this loan other than repayment of the loan. The original balance of the loan was \$5,105,000, during 2023 the Town repaid \$110,351, and at June 30, 2023, the outstanding balance is \$3,610,975.



**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**

Board of Finance
Town of Lebanon, Connecticut

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 Town of Lebanon, Connecticut, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lebanon, Connecticut's internal control over financial reporting (internal control) as a basis for designing 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 Town of Lebanon, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut’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 statements. 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*.

Town of Lebanon, Connecticut’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lebanon, Connecticut’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Lebanon, Connecticut’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
March 26, 2024

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425d / 84.425u	COVID-19 Education Stabilization Fund
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? yes x no

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001 Segregation of Duties

Type of Finding: Material Weakness in Internal Controls over Financial Reporting

Condition: As part of the annual audit, we are required to obtain an understanding of the Town's internal control environment in order to assess the overall risk of material misstatement in the financial statements. We recommend the Town strengthen its segregation of duties whenever feasible. Cross training in key areas of the internal control structure can be valuable in providing cross examinations where needed and eliminating disruption when turnover occurs. Specifically, in the Town finance office, some of these key areas include but are not limited to the following:

- Review of year-end journal entries
- Review of debt records and activity

Criteria or specific requirement: Accounting principles generally accepted in the United States of America (GAAP) Reporting.

Effect or potential effect of finding: Errors may exist in record keeping within the finance office that would not be caught without a sufficient internal control and review structure in place.

Repeat finding: Yes

Cause: Staffing limitations

Recommendation: The Town should review their policies and procedures to ensure that all activities are reviewed by a person independent of the process, and that documentation of this review is retained.

Views of responsible officials and planned corrective action: **Views of responsible officials and planned corrective action:** We are a small town, and limited on independent reviews especially at fiscal year-end when the finance director performs most of the entries. We will review the process and explore where we can improve. The debt records and activity are reviewed by the First Selectman, again we are limited on independent reviews.

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023-002 Board of Education – General ledger Maintenance

Type of Finding: Material Weakness in Internal Controls over Financial Reporting

Condition: A significant amount of work was required to accumulate information for posting the Board of Education funds to the financial statements.

Criteria or specific requirement: GAAP Reporting

Effect or potential effect of finding: The financial statements would not be correct without the adjusting journal entries.

Repeat finding: Yes

Cause: Staffing limitations and turnover

Recommendation: We recommend that the Town and Board of Education work together to develop policies to ensure that all information needed to report the financial status of the Board of Education's funds are reported in the General Ledger. Further, we recommend that the Board of Education (BOE) review the use of the chart of accounts to ensure that the funds are set up and managed in a manner that will allow the BOE to appropriately report the status of the BOE funds. Finally, we recommend that the Town and Board of Education develop year-end closing policies to allow for the general ledger to be adjusted appropriately and timely to reflect year-end balances and year to date activity.

Views of responsible officials and planned corrective action: Management at BOE agrees with this finding. The accounting structure for BOE funds were not sufficient for financial reporting. New personnel in the business office have created and implemented new fund structures that better support general ledger maintenance and reporting.

**TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

2023-003

Federal Agency: U.S. Department of Treasury

Federal Program Name: COVID-19 America Rescue Plan Act

Assistance Listing Number: 21.027

Federal Award Identification Number and Year: 06-6002031-2021

-Pass-Through Agency: State of Connecticut Office of Policy and Management

Pass-Through Number(s): 12060-OPM20600-29669

Award Period: March 3, 2021, through December 31, 2026

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The Town of Lebanon, Connecticut (the Town) should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the Town did not have adequate internal controls designed to ensure vendors were not suspended or debarred.

Questioned costs: None

Context: During our testing, it was noted that the Town does not have a policy for verification that an entity with which the Town plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

Cause: The Town was unaware the contractors were not being reviewed to ensure they were not suspended or debarred.

Effect: The auditor noted no instances of noncompliance with the provisions of suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat finding: No.

Recommendation: We recommend the Town design controls to ensure an adequate review process is in place to review potential contractors to determine they are not suspended or debarred.

Views of responsible officials: There is no disagreement with the audit finding. When the auditors brought this to the town's attention we had the town attorney review the recommendation. The town's attorney provided language that the town will include in vendor contracts going forward.