CITY OF STOUGHTON, 207 S FORREST ST, STOUGHTON, WISCONSIN

RESOLUTION OF THE COMMON COUNCIL		
Acceptance of Report on Federal and State Awards dated December 31, 2022		
Committee Action:	Finance Committee recommended approval ____ on 10/10/2023	
Fiscal Impact:	Zero	
File Number:	R-xxx-2023	**Date: 10/24/23**

The City of Stoughton, Wisconsin, Common Council does proclaim as follows:

RECITALS:

WHEREAS, the City of Stoughton was required to have a financial audit for calendar year 2022 because the City of Stoughton, including Stoughton Utilities, exceeded the federal grant expenditures exceeded the $750,000 annual threshold; and;

WHEREAS, the financial audit is often referred to as the "Single Audit," as the information in the schedule of expenditures of federal and state awards is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirement for Federal Awards (*Uniform Guidance) and the *State Single Audit Guidelines: and,*

WHEREAS, Baker Tilly US, LLP has prepared the City of Stoughton Report on Federal and State Awards dated December 31, 2022 with an opinion dated September 26, 2023 on behalf of the City of Stoughton; and

WHEREAS, it has been the practice of the City of Stoughton to accept and place on file all audit reports;

NOW, THEREFORE, BE IT RESOLVED, that the City of Stoughton Report on Federal and State Awards dated December 31, 2022 be accepted and placed on file.

Council Action: ☐ **Adopted** ☐ **Failed** **Vote** _____

Mayoral Action: ☐ **Accept** ☐ **Veto**

_____

Mayor Tim Swadley Date

Council Action: _____ ☐ **Override** **Vote** _____

City of Stoughton

Report on Federal and State Awards

December 31, 2022

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the City Council of
City of Stoughton

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stoughton (the City), as of and for the year ended December 31, 2022, 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 18, 2023.

Report on 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) 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on 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 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*.

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The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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 it.

Purpose of This Report

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

Baker Tilly US, LLP

Madison, Wisconsin
July 18, 2023

Report on Compliance for Each Major Federal and Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines*

Independent Auditors' Report

To the City Council of
City of Stoughton

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited the City of Stoughton's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the City's major federal and major state programs for the year ended December 31, 2022. 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.

In our opinion, the City 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 and major state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal and Major State 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 (*Government Auditing Standards*); 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 *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 and major state program. Our audit does not provide a legal determination of the City'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 City's federal and state programs.

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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 City'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*, the Uniform Guidance, and the *Guidelines* 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 City's compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, 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 City'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 City'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 and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the City'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 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003, 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 City's response to the internal control over compliance finding identified in our compliance audit 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.

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 *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 *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 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 18, 2023, 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 *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 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
September 26, 2023

City of Stoughton

Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2022

Grantor Agency / Program Title	Federal AL Number	Pass-Through Agency	Pass-Through Agency ID	Expenditures	Payments to Subrecipients
Federal Programs					
U.S. Department of the Interior					
Historical Preservation Fund Grants in Aid	15.904	WHS	N/A	$ 17,000	$ -
Total U.S. Department of the Interior				17,000	-
U.S. Department of Transportation					
Highway Safety Cluster					
State and Community Highway Safety					
Operating While Intoxicated	20.600	C-Monona	N/A	2,462	-
Click it or Ticket	20.600	C-Monona	N/A	3,185	-
Subtotal Highway Safety Cluster				5,647	-
Total U.S. Department of Transportation				5,647	-
U.S. Department of the Treasury					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Direct	N/A	238,440	-
COVID-19 Coronavirus Relief Fund	21.019	DWD	N/A	14,390	-
Total U.S. Department of the Treasury				252,830	-
U.S. Environmental Protection Agency					
Drinking Water State Revolving Fund (DWSRF) Cluster					
Capitalization grants for drinking water state revolving funds	66.468	DNR	N/A	1,656,623	-
Subtotal Drinking Water State Revolving Fund (DWSRF) Cluster				1,656,623	-
Total U.S. Environmental Protection Agency				1,656,623	-

See notes to schedule of expenditures of federal and state awards

City of Stoughton

Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2022

Grantor Agency / Program Title	Federal AL Number	Pass-Through Agency	Pass-Through Agency ID	Expenditures	Payments to Subrecipients
U.S. Department of Health and Human Services					
Aging Cluster					
Special Programs for the Aging, Title III, Part C, Nutrition Services					
Title 3C-1 Congregate Meals	93.045	DHS/DPH	N/A	$ 9,644	$ -
Title 3C-12 Home Meals	93.045	DHS/DPH	N/A	15,854	-
Subtotal Aging Cluster				25,498	-
Medicaid Cluster					
Medical Assistance Program	93.778	DHS	N/A	25,652	-
Subtotal Medicaid Cluster				25,652	-
Total U.S. Department of Health and Human Services				51,150	-
Total federal programs				$ 1,983,250	$ -

See notes to schedule of expenditures of federal and state awards

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency ID	Expenditures	Payments to Subrecipients
State Programs					
Wisconsin Department of Safety and Professional Services					
Fire insurance dues	165.200	Direct	N/A	$ 53,611	$ -
Total Wisconsin Department of Safety and Professional Services				53,611	-
Wisconsin Economic Development Corporation					
Community Development Investment Grant CDI FY22-52970	192.100	Direct	N/A	76,100	-
Idle Industrial Sites Redevelopment Grant	192.100	Direct	N/A	474,238	-
Total Wisconsin Economic Development Corporation				550,338	-
Wisconsin Department of Natural Resources					
Land and Water Conservation Funds Aids	370.100	Direct	N/A	121,181	-
Urban Forestry Grant	370.200	Direct	N/A	2,072	-
Wildland Personal Protective Equipment Grant	370.200	Direct	N/A	2,904	-
Subtotal				4,976	-
Recycling Grant	370.400	Direct	N/A	34,108	-
Knowles-Nelson Stewardship Program Urban Rivers	370.TA1	Direct	N/A	168,979	-
Total Wisconsin Department of Natural Resources				329,244	-
Wisconsin Department of Transportation					
Tier B Transit Operating Aids	395.176	Direct	N/A	189,525	-
Total Wisconsin Department of Transportation				189,525	-

See notes to schedule of expenditures of federal and state awards

Grantor Agency / Program Title	State ID Number	Pass-Through Agency	Pass-Through Agency ID	Expenditures	Payments to Subrecipients
Wisconsin Department of Health Services					
Emergency Medical Services Funding Assistance Program	435.100	Direct	N/A	$ 14,360	$ -
Total Wisconsin Department of Health Services				14,360	-
Wisconsin Department of Justice					
24 hour agency officer recertification	455.200	Direct	N/A	3,200	-
Total Wisconsin Department of Justice				3,200	-
Wisconsin Department of Military Affairs					
Wisconsin Disaster Fund	465.300	Direct	N/A	6,181	-
Total Wisconsin Department of Military Affairs				6,181	-
Total state programs				$ 1,146,459	$ -

See notes to schedule of expenditures of federal and state awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the City of Stoughton, Wisconsin (the City) under programs of the federal and state government for the year ended December 31, 2022. 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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.

3. Indirect Cost Rate

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

4. Pass-Through Agencies

The City received federal awards from the following pass-through agencies:

DHS	Wisconsin Department of Health Services
DPH	Wisconsin Division of Public Health
DNR	Wisconsin Department of Natural Resources
DWD	Wisconsin Department of Workforce Development
C-Monona	City of Monona, Wisconsin
WHS	Wisconsin Historical Society

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	yes		no
Significant deficiency(ies) identified?		yes	X	no
Noncompliance material to financial statements noted?		yes	X	no

Federal and State Awards

	Federal Programs			State Programs		
Internal control over major programs:						
Material weakness(es) identified?		yes	X no		yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?		yes	X no	X	yes	no
Type of auditor's report issued on compliance for major programs:	Unmodified			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*?		yes	X no	X	yes	no
Auditee qualified as low-risk auditee?		yes	X no		yes	X no
Dollar threshold used to distinguish between type A and type B programs:	$750,000			$250,000		

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
66.468	DWSRF Cluster - Capitalization Grants for Drinking Water State Revolving Funds

Identification of major state programs:

State Number	Name of State Program
192.100	Community Development Investment Grant/Idle Industrial Sites Redevelopment Grant
395.176	Tier B Transit Operating Aids

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2022-001: Material Weakness - Internal Control Over Financial Reporting

Criteria: AU-C Section 315 requires auditors to report a material weakness when the auditor prepares the annual financial statements and footnotes, identifies material audit entries or the auditor prepares the schedule of expenditures of federal and state awards.

Condition: We, as your auditors, prepared the annual financial statements, noted material journal entries and prepared the GASB No. 34 conversion entries. Material adjustments were noted on the schedule of expenditures of federal and state awards.

Cause: The City does not have the resources required to prepare the GASB No. 34 conversion entries and the annual financial statements and footnotes and to review the schedule of expenditures of federal and state awards.

Effect or Potential Effect: There is a greater risk that the City's financial statements will not contain all of the required disclosures or be materially misstated if prepared by your auditors. There is a risk that the schedule of expenditures of federal and state awards is incomplete or misstated.

Recommendation: We recommend that the City put in place procedures to determine if resources would be available to prepare a complete set of financial statements and schedule of expenditures of federal and state awards without material changes.

Management's Response: Management agrees that the current staffing levels in the Finance Department do not allow timely journal entry preparation for year-end financial statements as well as the review of financial activity before audit statements are prepared by the outside audit firm. Management has submitted a proposal for the addition of a four-year degreed accountant to the department on July 3, 2023 to help alleviate this issue.

Finding 2022-002: Material Weakness - Internal Control Environment

Criteria: According to Statement on Auditing Standards (SAS) AU-C Section 315, sufficient internal controls should be in place that reduce the risk of material misstatement to the financial statements due to fraud or error.

Condition: There is a control that is not currently in place related to monthly and year-end accounting. Adjusting journal entries and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer.

Cause: Due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties.

Effect or Potential Effect: Errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body.

Recommendation: We recommend that a designated employee review the segregation of duties, risks and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

Management's Response: Management agrees with the control of journal entries being reviewed and approved by an appropriate person who is not the original preparer. The multiple instances where this occurred was when the Director of Finance/Comptroller was making multiple changes to the accounting and budgetary controls, which was often occurring on nights and weekends when staff was not available for review. These wholesale changes are greatly reduced during calendar year 2023. In addition, with only three people who typically make journal entries, there are often instances where no other staff member is available to the review and approval of journal entries. The addition of the new accountant will help alleviate this issue.

Section III - Federal and State Awards Findings and Questioned Costs

Finding 2022-003

State ID Number:	**395.176**
Program Title:	**Tier B Transit Operating Aids**
State Grantor:	**Wisconsin Department of Transportation**
Pass-Through Agency:	**Not applicable**
Award Number/year:	**Not applicable / 2022**

Criteria: State Single Audit Guidelines 2.1.2 require that the auditee maintain internal controls over state and federal pass-through awards that provides reasonable assurance that the auditee is managing state and federal pass-through awards in compliance with statutes, regulations and the terms and conditions of the awards that could have a material effect on each of its state and federal pass-through programs.

Condition/Context: Two quarterly reports were selected for testing (Quarter 1 and Quarter 2). The reports selected for testing did not include a documented review by someone separate from the preparer. The sample was not statistically valid.

Cause: The City's process for reporting does not include requiring documentation of the review of reports prior to submission.

Effect: Program report submissions may be delayed and contain errors.

Questioned Costs: None noted.

Recommendation: The City should consider enhancing its internal controls related to this program to include a documented review of reports by someone separate from the preparer prior to submission.

Management's Response: Management indicates that past reports were either approved verbally and/or via email but the documentation of the email was not retained. Management has already implemented the plan to document via email report approvals and saving the email with the grant documentation. Management plans to update all departments that grant reports should be reviewed by another qualified party and documentation should be retained of such review.

Section IV - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		yes	X	no
Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, 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*:				
Economic Development Corporation		yes	X	no
Department of Safety and Professional Services		yes	X	no
Department of Natural Resources		yes	X	no
Department of Transportation	X	yes		no
Department of Health Services		yes	X	no
Department of Justice		yes	X	no
Department of Military Affairs		yes	X	no
Department of Workforce Development		yes	X	no
Was a Management Letter or other document conveying audit comments issued as a result of this audit?	X	yes		no

Name and signature of partner

Andrea Jansen, CPA, CFE, Partner

Date of report September 26, 2023