

CITY OF KEENE, NEW HAMPSHIRE

**INDEPENDENT AUDITORS' REPORTS REQUIRED BY TITLE 2 U.S. *CODE OF
FEDERAL REGULATIONS* PART 200, *UNIFORM ADMINISTRATIVE
REQUIRMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL
AWARDS* (UNIFORM GUIDANCE) AND *GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF KEENE, NEW HAMPSHIRE

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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 Honorable Mayor and City Council
City of Keene, New Hampshire

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 Keene, New Hampshire (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2024.

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 opinion 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 City'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, to be a significant deficiency.

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 Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City'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 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Andover, MA
April 30, 2024



**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**

To the Honorable Mayor and City Council
City of Keene, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Keene, New Hampshire's (the City) 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 City's major federal programs for the year ended June 30, 2023. The City'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 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 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 (*Government Auditing Standards*); 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 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 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 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 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*, 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 City'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 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, 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

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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 City of Keene, New Hampshire (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 30, 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 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.

Marcum LLP

Andover, MA
April 30, 2024

CITY OF KEENE, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
U.S. Department of Housing and Urban Development				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grants - Small Cities	14.228	20-038-CDPF	\$ 33,706	\$ 26,855
Community Development Block Grants - Small Cities	14.228	19-038-CDED	1,775	--
Community Development Block Grants - Small Cities	14.228	19-038-CDPF	6,194	--
Community Development Block Grants - Small Cities	14.228	21-038-CDPF-CV	<u>487,850</u>	<u>472,000</u>
Total U.S. Department of Housing and Urban Development			529,525	498,855
U.S. Department of Interior				
Passed Through the New Hampshire Department of Natural and Cultural Resources				
Outdoor Recreation Acquisition, Development & Planning	15.916	LWCF GR31	<u>400,000</u>	--
Total U.S. Department of Interior			400,000	--
U.S. Department of Justice				
Direct Federal Program				
Bulletproof Vest Partnership Program	16.607	N/A	4,083	--
Bulletproof Vest Partnership Program	16.607	N/A	1,767	--
Passed Through Cheshire County				
Edward Byrne Memorial Justice Assistance Grant	16.738	O-BJA-2021-35004	1,211	--
Edward Byrne Memorial Justice Assistance Grant	16.738	15-PBJA-22-GG-02758-JA GX	<u>4,055</u>	--
Total U.S. Department of Justice			11,116	--
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Passed Through the New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	X-A 004(408) - State 40439	157,411	--
Highway Planning and Construction	20.205	STP-0111(007) - State 10309B	2,822,197	--
Highway Planning and Construction	20.205	X-A 004(464) - State 40666	<u>237,909</u>	--
Total Highway Planning and Construction Cluster			3,217,517	--
Passed Through the New Hampshire Department of Transportation				
Airport Improvement Programs	20.106	SBG-08-24-2021	207,655	--
Airport Improvement Programs	20.106	SBG-08-28-2023	23,000	--
State & Community Highway Safety		69A37520300004020NH0, 69A37521300004020NH0, 69A376522300004020NH0	6,928	--
State & Community Highway Safety	20.600	69A37521300004020NH0, 69A37522300004020NH0, 69A37523300004020NH0, 69A375230S0P4020NH0	2,899	--
National Priority Safety Programs	20.616	69A37520300004020NH0, 69A37521300004020NH0, 69A3752230S0P4020NH0, 69A37522300004020NH0	2,521	--
Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	693JK31940029HMEP	<u>27,201</u>	--
Total U.S. Department of Transportation			3,487,720	--
U.S. Department of the Treasury				
Direct Federal Program				
Equitable Sharing Program	21.016	N/A	5,813	--
Passed Through the New Hampshire Housing Homeowners Assistance Fund				
Homeowners Assistance Fund	21.026	Unknown	117,078	--
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown	601,654	--
Passed Through Cheshire County				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Unknown	248,346	--
Passed Through New Hampshire Environmental Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	SLFRP0145	<u>99,393</u>	--
Total U.S. Department of Treasury			1,072,284	--

See accompanying notes to this schedule.

CITY OF KEENE, NEW HAMPSHIRE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
National Endowment for the Humanities				
Direct Federal Program				
Promotion of the Humanities Division of Preservation and Access	45.164	Unknown	10,000	--
Total National Endowment for the Humanities			10,000	--
Institute of Museum and Library Services				
Direct Federal Program				
National Leadership Grants	45.312	LG-9518-0191-18A	57,207	--
Total Institute of Museum and Library Services			57,207	--
Environmental Protection Agency				
Passed Through the New Hampshire Department of Environmental Services				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	4L99115L-22	2,307	--
Total Environmental Protection Agency			2,307	--
U.S. Department of Homeland Security				
Passed Through the City of Beverly, MA				
National Urban Search & Rescue (US&R) Response System	97.025	EMW-2018-CA-USR-0014	19,720	--
Passed Through the New Hampshire Office of Homeland Security & Emergency Management				
Disaster Grants - Public Assistance - Fire Dept				
10th Man	97.036	FEMA-4516-DR-NH; 682804	101,443	--
Disaster Grants - Public Assistance	97.036	FEMA-4624-DR-NH; 667401 City Wide Rode Closures	7,025	--
Disaster Grants - Public Assistance	97.036	FEMA-4622-DR-NH; 667406 Debris Removal	13,326	--
Disaster Grants - Public Assistance	97.036	FEMA-4622-DR-NH; 667408 Emergency Prot Measures	8,109	--
Disaster Grants - Public Assistance	97.036	FEMA-4622-DR-NH; 667410 Roads & Bridges	69,461	--
Disaster Grants - Public Assistance	97.036	FEMA-4622-DR-NH; 667416 WWTF Emergency Protect Measures	13,169	--
Disaster Grants - Public Assistance	97.036	FEMA-4622-DR-NH; 667417 Rec Facilities & Other	6,539	--
Homeland Security Grant Program	97.067	EMW-2019-SS-00053-S01	6,664	--
Homeland Security Grant Program	97.067	EMW-2020-SS-00045	12,414	--
Homeland Security Grant Program	97.067	EMW-2022-SS-00036	128,828	--
Homeland Security Grant Program	97.067	EMW-2021-SS-00049-S01	3,603	--
Homeland Security Grant Program	97.067	EMW-2022-SS-00036	43,677	--
Homeland Security Grant Program	97.067	EMW-2020-SS-00045-S01	11,519	--
Direct Federal Program				
Assistance to Firefighters Grant	97.044	N/A	148,221	--
Total U.S. Department of Homeland Security			593,720	--
Total Federal Expenditures			\$ 6,163,879	\$ 498,855

See accompanying notes to this schedule.

CITY OF KEENE, NEW HAMPSHIRE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Keene, New Hampshire (the City) 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* (CFR) 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 City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
- Expenditures reported on the Schedule are reported on the 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 to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

During fiscal year 2023 the City did not receive donated PPE from federal sources.

CITY OF KEENE, NEW HAMPSHIRE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I — SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> ✓ </u> Yes	<u> </u> None reported
Non-compliance material to financial statements noted?	<u> </u> Yes	<u> ✓ </u> No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u> None reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes ✓ No

Identification of major federal programs:

<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>	<u>ASSISTANCE LISTING NUMBER(S)</u>
--	--

Community Development Block Grant – Small Cities	14.228
Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ Yes No

CITY OF KEENE, NEW HAMPSHIRE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 *Improve Internal Controls Over Payroll (Significant Deficiency)*

Criteria

There should be proper internal controls over payroll.

Condition and Context

The duties between human resources and finance/payroll personnel are not fully segregated electronically in the accounting software. As a result, unauthorized adjustments could be made by personnel and errors or irregularities could occur and not be identified timely. Certain mitigating controls are in place, such as a paper approval process utilized by human resources and sent to payroll for processing and administrative review completed at the end of the payroll process to identify errors or irregularities. These processes are not as timely as an electronic workflow for approval.

Cause

The design of internal controls over the payroll cycle are inadequate.

Effect or Potential Effect

Unauthorized adjustments could be made by personnel, and errors or irregularities could occur and not be identified timely.

Recommendation

Management should prioritize corrective action on the weaknesses noted above and other conflicts that may still be identified. We recommend that management establish a corrective action plan, including restricting privileged access in the accounting software.

Views of Responsible Official and Planned Corrective Action

Management agrees with the audit finding regarding the internal control structure, and beginning July 1, 2023, with new system implementation complete, duties have been segregated and principle of least privilege was used in provisioning access.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.