

CITY OF SPRINGFIELD, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2007

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REPORTS ON FEDERAL AWARD PROGRAMS
FISCAL YEAR ENDED JUNE 30, 2007

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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**

To the Honorable Mayor and the Finance Control Board
City of Springfield, Massachusetts

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 Springfield, Massachusetts, as of and for the year ended June 30, 2007, which collectively comprise the City of Springfield, Massachusetts' basic financial statements and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Springfield, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures 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 of Springfield, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, Massachusetts' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Springfield, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Springfield, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the City of Springfield, Massachusetts' internal control. We consider the deficiency described as #07-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Springfield, Massachusetts' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springfield, Massachusetts' financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #07-2 to #07-6.

We noted certain other matters that we reported to management of the City of Springfield, Massachusetts, in a separate letter dated December 12, 2007.

City of Springfield, Massachusetts' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Springfield, Massachusetts' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Finance Control Board, City Council, and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wakefield, Massachusetts

December 12, 2007, (except for the *current status* information described in finding #07-1, as to which the date is January 31, 2008)



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and the Finance Control Board
City of Springfield, Massachusetts

Compliance

We have audited the compliance of the City of Springfield, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. The City of Springfield, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Springfield, Massachusetts' management. Our responsibility is to express an opinion on the City of Springfield, Massachusetts' compliance based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about the City of Springfield, Massachusetts' 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. Our audit does not provide a legal determination on the City of Springfield, Massachusetts' compliance with those requirements.

As described in items #07-2 through #07-6 in the accompanying schedule of findings and questioned costs, the City of Springfield, Massachusetts did not comply with requirements regarding documentation, eligibility, monitoring, and certain cost principles that are applicable to its Community Development Block Grant Program, School Lunch/Breakfast Cluster, Home Investment Partnership Program, and Title 1 Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the City of Springfield, Massachusetts to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Springfield, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Springfield, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Springfield, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

opinion on compliance, 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 of Springfield, Massachusetts' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Springfield, Massachusetts' response to the findings we identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Springfield, Massachusetts' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Finance Control Board, City Council, and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wakefield, Massachusetts
August 21, 2008



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REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor and Finance Control Board
City of Springfield, Massachusetts

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 Springfield, Massachusetts, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management of the City of Springfield, Massachusetts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wakefield, Massachusetts

December 12, 2007, (except for the *current status* information described in finding #07-1, as to which the date is January 31, 2008)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
Cooperative Forestry Research	10.202	\$ 2,400
<u>Passed through Massachusetts Department of Education:</u>		
Food Donation	10.550	495,497
School Breakfast Program	10.553	2,446,820
National School Lunch Program	10.555	6,840,481
Summer Food Service Program for Children	10.559	188,300
		<hr/>
TOTAL DEPARTMENT OF AGRICULTURE		9,973,498
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Community Development Block Grants/Entitlement Grants	14.218	3,497,128
Emergency Shelter Grants Program	14.231	189,957
Supportive Housing Program	14.235	1,357,705
Shelter Plus Care	14.238	193,462
HOME Investment Partnership Program	14.239	2,267,825
Housing Opportunities for Persons with AIDS	14.241	514,424
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	970,040
Community Development Block Grants Section 108 Loan Guarantees	14.248	1,839,814
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	67,156
		<hr/>
TOTAL HOUSING AND URBAN DEVELOPMENT		10,897,511
U.S. DEPARTMENT OF JUSTICE:		
Gang Resistance Education and Training	16.737	3,102
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
Juvenile Accountability Incentive Block Grants	16.523	88,996
Violence Against Women Formula Grants	16.588	35,809
Edward Byrne Memorial Justice Assistance Grant Program	16.738	398,547
		<hr/>
TOTAL JUSTICE		526,454
U. S. DEPARTMENT OF LABOR:		
<u>Passed through Senior Service America, Inc.</u>		
Senior Community Service Employment Program	17.235	605,209
<u>Passed through Massachusetts Community Corporation</u>		
WIA Dislocated Workers	17.260	2,318,339
		<hr/>
TOTAL LABOR		2,923,548
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<u>Passed through Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	7,205
ENVIRONMENTAL PROTECTION AGENCY:		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	370,246
U.S. DEPARTMENT OF EDUCATION:		
Magnet Schools Assistance	84.165	3,096,723
Foreign Language Assistance	84.293	177,753
Technology Innovation Challenge Grants	84.303	1,075
Arts in Education	84.351	94,312
Grants for School Repair and Renovation	84.352	26,108
Early Reading First	84.359	388,168
Striving Readers	84.371	3,707,762

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION - continued:		
<u>Passed through Massachusetts Department of Education:</u>		
Adult Education State Grant Program	84.002	213,421
Title I Grants to Local Educational Agencies	84.010	18,560,364
Special Education Grants to States	84.027	7,582,514
Vocational Education Basic Grants to States	84.048	725,120
Federal, State, and Local Partnership for Educational Improvement	84.151	122,200
Safe and Drug Free Schools and Communities State Grants	84.186	280,399
Education for Homeless Children and Youth	84.196	62,936
Fund for the Improvement of Education	84.215	913,321
Twenty-First Century Community Learning Centers	84.287	1,257,252
Even Start Statewide Family Literacy Initiatives	84.314	194,022
Education Technology State Grants	84.318	459,602
Reading First State Grants	84.357	985,829
English Language Acquisition Grants	84.365	658,439
Mathematics and Science Partnerships	84.366	118,840
Improving Teacher Quality State Grants	84.367	3,060,586
 <u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	<u>204,894</u>
TOTAL EDUCATION		<u>42,891,640</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Model State-Supported Area Health Education Centers	93.107	85,003
Consolidated Health Centers	93.224	1,332,201
Healthy Communities Access Program	93.252	12,446
<u>Passed through Massachusetts Department of Public Health:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	174,054
<u>Passed through Massachusetts Department of Higher Education:</u>		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	<u>3,585</u>
TOTAL HEALTH AND HUMAN SERVICES		<u>1,607,289</u>
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Learn and Serve America School and Community Based Programs	94.004	<u>33,011</u>
 U. S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
State Domestic Preparedness Equipment Support Program	97.004	4,625
State and Local Homeland Security Training Program	97.005	8,657
Assistance to Firefighters Grant	97.044	245,000
Metropolitan Medical Response System	97.071	<u>59,756</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY		<u>318,038</u>
TOTAL		<u>\$ 69,548,440</u>

(concluded)

See notes to Schedule of Expenditures of Federal Awards

Note 1 – Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Springfield, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 – Significant Accounting Policies

The accounting and reporting policies of the City of Springfield, Massachusetts, are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.
- (b) Child Nutrition Cluster - Program expenditures represent federal reimbursement for meals provided during the fiscal year.

Note 3 – Subrecipients

The City of Springfield provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 181,218
Supportive Housing Program	14.235	655,454
Home Investment Partnership Program	14.239	33,300
WIA Dislocated Workers	17.260	<u>66,185</u>
Total		<u>\$ 936,157</u>

Note 4 – Program Clusters

In accordance with Subpart A §_.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559

WIA Cluster

WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260

Special Education Cluster

Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

CDBG – Entitlement and (HUD-Administered) Small Cities Cluster

Community Development Block Grant/Entitlement Grants	14.218
Community Development Block Grant/Small Cities Program	14.219

A. Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the financial statements of the City of Springfield, Massachusetts relating to the exclusion of financial data for three legally separate entities which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units
2. Significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Springfield, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Springfield, Massachusetts, expresses a qualified opinion.
6. Audit findings relating to the major federal award programs for the City of Springfield, Massachusetts, are described in Note C on the following pages.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Community Development Block Grants/Entitlement Grants	14.218
Striving Readers	84.371
Title 1 Grants to Local Educational Agencies	84.010

8. The threshold for distinguishing Type A and B programs was \$2,031,259
9. The City of Springfield, Massachusetts, was not determined to be a low-risk auditee.

B. Findings – Financial Statement Audit**SIGNIFICANT DEFICIENCY**

07-1: Improper Investment Activity by the City's Treasurer

Condition: During fiscal year 2007 the City's Treasurer made investments, through a broker, in securities classified as corporate bonds that were actually "Collateralized Debt Obligations" (CDO'S). These securities are not deemed legal investments under Massachusetts General Laws and the Treasurer was not authorized to invest City funds as such.

Current status: Subsequent to fiscal year end the estimated market values of the securities fell to approximately 10% of their original cost and the securities effectively became illiquid. On January 31, 2008, the brokerage house that sold the securities to the City basically agreed that these were improper investments for the City and they repaid the City the entire amount of the original investments.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**UNITED STATES DEPARTMENT OF AGRICULTURE**

School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children
CFDA No: 10.553
CFDA No: 10.555
CFDA No: 10.559

07-2: *Condition and Criteria:* The City is required to complete a process each year by selecting certain applications for free and reduced meals to verify the accuracy of the applications made. Guidance for this process is provided by the federal publication "Eligibility Manual for School Meals". We noted during our audit that the School District did not utilize the proper sampling methodology as required in the regulations, and therefore has selected fewer applications for verification than the federal guidelines suggest. The City appears to be using an "Alternative Method" of sampling which we believe the City is not eligible for based on our understanding of the guidelines.

Cause: Lack of procedures in place to properly implement the verification requirements of the School Breakfast and Lunch Programs.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture.

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to document its compliance with the verification requirements of the School Breakfast and Lunch Programs.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnership Program
CFDA No: 14.239

07-3: *Condition and Criteria:* Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as established by HUD. Our inquires and review of the City's documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis.

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grants/Entitlement Grants
CFDA No: 14.218

07-4: *Condition and Criteria:* During our 2007 audit we selected a rehabilitation project financed with CDBG grant funds. The paperwork was completed as if this was a Home Program under CFDA No. 14.239. We inquired of management about the discrepancy and no reason was offered to explain why the CDBG grant funds were utilized when this appears to have been a Home Program. In addition, the loan documentation differed from the signed Mortgage Agreement and related Promissory Note found in the loan file by \$1,000. No explanation was offered for this discrepancy.

Cause: Lack of procedures in place to ensure that loan documentation is maintained in accordance with program requirements.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

UNITED STATES DEPARTMENT OF EDUCATION

Title 1 Grants to Local Educational Agencies
CFDA No: 84.010

07-5: *Condition and Criteria:* During our 2007 audit we were provided with the District's documented policies and procedures for identifying and charging employee salaries to the Title 1 grant. We were provided a listing of approved teachers and support staff whose salaries were to be charged to the grant. From the District's payroll records provided, we attempted to trace individuals to the listing of approved teachers. We were unable to trace all of the individuals to the listing from our sample of transactions selected.

Cause: Lack of procedures in place to properly document instructional salaries approved to be charged to the grant.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: None

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 Program.

Title 1 Grants to Local Educational Agencies
CFDA No: 84.010

07-6: *Condition and Criteria:* While testing non-payroll expenditures charged to the 2007 Title 1 grant we noted instances where expenditures from prior grant years (\$15,294 from 2005 and \$35,708 from 2006) were charged to the 2007 grant.

Cause: Lack of procedures in place to ensure that charges for supplies and services associated with the grant are limited to those applicable to the proper grant year.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: \$51,002

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 Program.

D. Prior Year Audit Findings and Questioned Costs

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Questioned Costs
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Community Development Block Grants/Entitlement Grants
CFDA No: 14.218

<p>06-1: <i>Condition and Criteria:</i> CDBG funding can only be used for “Special Economic Development Projects” that meet the criteria in CFR 570.203. Grantees must have data to support that assistance provided to carry out special economic development projects is appropriate by meeting the public benefits standard for job creation. The City has been unable to document that the projects met the public benefit standard of job creation as required.</p>	\$450,949
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Cause: Lack of procedures in place to ensure that these documentation requirements are met.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Auditors’ Recommendation: We recommend that the City implement procedures to comply with the documentation requirements outlined by the HUD program.

Current Status: The City has been unable to address this finding which was identified during the FY 2004 Single Audit. As a result, HUD has refused to approve any new Economic Development Activities since this was originally reported and therefore no similar findings have been noted thereafter. No additional actions have been initiated by the City or by the Granting Agency except as described above. This finding has not been repeated in the current year.

Community Development Block Grants/Entitlement Grants
CFDA No: 14.218

<p>06-2: <i>Condition and Criteria:</i> One of the City’s CDBG subrecipients has not completed its A-133 Single Audit as required for the fiscal years ended 2003 to 2006.</p>	None
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Cause: Lack of procedures in place to monitor subrecipients audit requirements.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Auditors’ Recommendation: We recommend that the City implement procedures to monitor the on-going audit requirements of its subrecipients.

Current Status: The recommendation was adopted during fiscal year 2007 and the subrecipient has obtained all of the required audits. No similar findings were noted during the 2007 audit.

**UNITED STATES DEPARTMENT OF AGRICULTURE
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

School Breakfast Program
National School Lunch program
Summer Food Service Program for Children
Home Investment Partnership Program
CFDA No: 10.553
CFDA No: 10.555
CFDA No: 10.559
CFDA No: 14.239

06-3: *Condition and Criteria:* Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. We inquired about the Child Nutrition Cluster and Home Program's compliance with this requirement and were informed that there are no procedures in place to monitor compliance with this requirement. None

Cause: Lack of procurement procedures in place to ensure that these requirements are met.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture and the Department of Housing and Urban Development (HUD).

Auditors' Recommendation: We recommend that the City implement procedures to comply with the Federal Procurement and Suspension and Debarment requirements contained in OMB A-133.

Current Status: The recommendation was adopted during fiscal year 2007. No similar findings were noted during the 2007 audit.

UNITED STATES DEPARTMENT OF AGRICULTURE

School Breakfast Program
National School Lunch program
Summer Food Service Program for Children
CFDA No: 10.553
CFDA No: 10.555
CFDA No: 10.559

06-4: *Condition and Criteria:* The City is required to complete a process each year by selecting certain applications for free and reduced meals to verify the accuracy of the applications made. Guidance for this process is provided by the federal publication "Eligibility Manual for School Meals". We noted during our audit that the School District did not utilize the proper sampling methodology as required in the regulations. None

Cause: Lack of procedures in place to properly implement the verification requirements of the School Breakfast and Lunch Programs.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture.

Auditors' Recommendation: We recommend that the City implement procedures to document its compliance with the verification requirements of the School Breakfast and Lunch Programs.

Current Status: This situation has remained unchanged and the finding has been repeated as current year finding 07-1.

School Breakfast Program
 National School Lunch program
 Summer Food Service Program for Children
 CFDA No: 10.553
 CFDA No: 10.555
 CFDA No: 10.559

06-5: *Condition and Criteria:* The City's School District meets the federal and state requirements that allow the School to be considered a "Severe Need School District" which ultimately can allow a higher rate of reimbursement for these programs from the state. The Massachusetts Department of Education (DOE) allows for an additional state reimbursement if the actual average cost of breakfast served each month is in excess of the federal rate. This information is reported to the state monthly on Form FP-6B, "Report of Average Cost of Breakfasts". The School District was unable to provide documentation that supported the actual costs reported to the DOE and therefore the \$217,000 of state funds received are not supported. None

Cause: Lack of procedures in place to properly document the actual costs used to populate Form FP-6B that was filed monthly with the DOE.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture.

Auditors' Recommendation: We recommend that the City implement procedures to document its compliance with the reporting requirements of the School Breakfast Program.

Current Status: The City outsourced the administration and operations of its food service activities during fiscal year 2007. Actual monthly costs were provided to the DOE through the new reporting system and no similar findings were noted during the 2007 audit.

School Breakfast Program
 National School Lunch program
 Summer Food Service Program for Children
 CFDA No: 10.553
 CFDA No: 10.555
 CFDA No: 10.559

06-6: *Condition and Criteria:* The City's School District is required under CFR Section 250.14(e) None

to conduct physical inventory counts of its school and warehouse inventories and to reconcile these counts at least annually to its perpetual inventory records. Although the School District informed us that they periodically count and reconcile their inventory; they were unable to provide any perpetual inventory records or any documentation of physical counts or any valuation of their inventories on hand.

Cause: Lack of procedures in place to properly document the physical inventory requirements of the School Breakfast and Lunch Programs.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture.

Auditors' Recommendation: We recommend that the City implement procedures to document its compliance with the physical inventory requirements of the School Breakfast and Lunch Programs.

Current Status: The City outsourced the administration and operations of its food service activities during fiscal year 2007 and the recommendation was adopted. No similar findings were noted during the 2007 audit.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnership Program
CFDA No: 14.239

06-7: *Condition and Criteria:* Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as established by HUD. Our inquires and review of the City's documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis. None

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

Current Status: This situation has remained unchanged during fiscal year 2007 and the finding has been repeated as current year finding #07-2.

Community Development Block Grants/Entitlement Grants
Home Investment Partnership Program
CFDA No: 14.218
CFDA No: 14.239

06-8: *Condition and Criteria:* While reviewing loan documentation files for various CDBG and Home programs we noted numerous instances where files were incomplete, None

inconsistently organized, and lacking certain required signatures and other documentation required by the programs.

Cause: Lack of procedures in place to ensure that these documentation requirements are met.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Auditors' Recommendation: We recommend that the City implement procedures to comply with the documentation requirements outlined by the Federal programs and the City's own internal policies and procedures.

Current Status: The recommendation was adopted during fiscal year 2007. No similar findings were noted during the 2007 audit. This finding was also cleared by the Granting Agency during its 2007 monitoring process.

UNITED STATES DEPARTMENT OF LABOR

WIA Cluster
WIA Adult Program, WIA Youth Program, WIA Dislocated Workers
CFDA No.'s 17.258, 17.259, 17.260

06-9: *Condition and Criteria:* Lack of procedures in place to reconcile expenditure amounts by grant between the HCETC Office and the City Auditors Office. None

Cause: Personnel changes and lack of designated policies and procedures to the process of reconciling.

Effect: Unable to fully ascertain the integrity of the flow of information between the two Departments.

Auditors' Recommendation: We recommend the City implement procedures to reconcile amounts on a monthly basis prior to submitting cash requests.

Current Status: Effective July 1, 2006 the HCETC was merged into a local non-profit organization and ceased to exist as a City Department. Complete reconciliations were completed by the City at the time of the transfer.

UNITED STATES DEPARTMENT OF EDUCATION

Title I Grants to Local Educational Agencies
CFDA No: 84.010

06-10: *Condition and Criteria:* During our 2005 audit we were not provided with adequate supporting documentation for \$100,598 of workers' compensation costs charged to the Title I grant. Similarly in 2006, we were not provided adequate documentation of None

certain office and travel related costs amounting to less than \$10,000 charged to the Title 1 grant. Allowable cost principles contained in OMB A-133 require that all expenditures be adequately documented.

Cause: Lack of procedures in place to ensure that adequate documentation is maintained to substantiate all costs charged to the grant.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education (the DOE).

Auditors' Recommendation: We recommend that the District implement procedures to comply with the allowable costs principals contained in OMB A-133.

Current Status: The recommendation was adopted during fiscal year 2007. No similar findings were noted during the 2007 audit.