



**CITY OF BOSTON, MASSACHUSETTS**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2010

**CITY OF BOSTON, MASSACHUSETTS**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

**Table of Contents**

	<b>Page</b>
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	Exhibit I
Schedule of Expenditures of Federal Awards	Exhibit II
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Exhibit III
Schedule of Current Year Findings and Questioned Costs	Exhibit IV



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

Exhibit I

**Report on Compliance with Requirements That Could Have a Direct and Material Effect  
on Major Program, Internal Control over Compliance, and on the Schedule of Expenditures  
of Federal Awards in Accordance with OMB Circular A-133**

The Honorable Mayor and City Council  
City of Boston, Massachusetts:

**Compliance**

We have audited the City of Boston, Massachusetts' (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 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, 2010. The City's major federal programs are identified in the summary of auditor's 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's management. Our responsibility is to express an opinion on the City's 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01 through 2010-04.

**Internal Control over Compliance**

Management of the City 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of



## Exhibit I

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02. 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.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report thereon, dated November 19, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Our report was modified to include a reference to other auditors. The accompanying schedule of expenditures of federal awards (Exhibit II) 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, elected officials, management, 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.

**KPMG LLP**

February 11, 2011 (except for the schedule of expenditures of federal awards,  
which is as of November 19, 2010)

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

June 30, 2010

Federal grantor/pass-through grantor/program title	CFDA number	Program or award amount	Expenditures made to subrecipients for the year ended June 30, 2010	Unexpended balance (deficit) July 1, 2009	2010 Grant revenue	2010 Expenditures	Unexpended balance (deficit) June 30, 2010
U.S. Department of Agriculture:							
Direct programs:							
Cooperative Forestry Assistance	10.664	\$ 139,310	—	25,808	—	—	25,808
Total direct programs		139,310	—	25,808	—	—	25,808
Passed-through Massachusetts Department of Education:							
Food Distribution Program (note 2)	10.550	729,114	—	—	729,114	729,114	—
Summer Food Service Program for Children (note 4)	10.559	3,115,020	—	—	1,346,303	1,346,303	—
National School Lunch Program (notes 2 and 4)	10.555	95,397,640	—	1,277,881	26,028,063	25,912,676	1,393,268
ARRA – Child Nutrition Discretionary Grants	10.579	203,500	—	—	203,500	203,500	—
Summer Food Service Program for Children	10.558	128,790	—	18,608	33,074	51,682	—
Food and Nutrition	10.582	218,738	—	—	117,104	101,795	15,309
Total passed-through Massachusetts Department of Education		99,792,802	—	1,296,489	28,457,158	28,345,070	1,408,577
Total U.S. Department of Agriculture		99,932,112	—	1,322,297	28,457,158	28,345,070	1,434,385
U.S. Department of Commerce:							
Direct program:							
TV Converter Box Coupon Program	11.556	47,560	—	—	30,535	8,096	22,439
Total U.S. Department of Commerce		47,560	—	—	30,535	8,096	22,439
U.S. Department of Defense:							
Direct program:							
National Guard Civil Youth Opportunities	12.404	853,914	—	—	853,914	853,914	—
Mathematical Sciences Grant Program	12.901	100,000	—	—	47,044	47,044	—
Total U.S. Department of Defense		953,914	—	—	900,958	900,958	—
U.S. Department of Housing and Urban Development:							
Direct programs:							
Community Development Block Grants (note 4)	14.218	174,757,790	10,103,739	4,590,208	25,238,255	23,426,998	6,401,465
Rental Rehab. Program	14.230	—	—	209,275	—	—	209,275
Emergency Shelter Grants Program	14.231	1,761,014	685,732	162,622	927,943	915,642	174,923
Shelter Plus Care	14.238	13,597,500	6,954,088	316,303	7,318,213	6,954,088	680,428
Supportive Housing Program	14.235	87,143,142	10,310,687	(312,446)	13,174,870	11,141,307	1,721,117
H.O.M.E. Investment Partnerships Program (note 3)	14.239	64,255,374	8,755,008	89,826	12,368,241	11,941,275	516,792
Housing Opportunities for Persons with AIDS	14.241	6,935,243	1,591,980	370,813	1,647,691	1,625,047	393,457
E.D.I.	14.246	24,845,090	229,001	2,301,906	98,255	306,782	2,093,379
Section 108 Loans (note 3)	14.248	31,054,788	3,807,004	3,709,087	3,447,033	3,807,004	3,349,116
ARRA – Community Development Block Grants (note 4)	14.253	5,366,011	1,801,870	—	2,448,631	2,216,693	231,938
ARRA – Neighborhood Stabilization Program	14.256	13,610,343	811,772	—	1,736,157	1,736,157	—
ARRA – Homeless Prevention and Rapid Rehousing	14.257	8,209,151	2,178,550	—	2,454,545	2,446,894	7,651
Fair Housing Assistance Program: Federal	14.401	20,500	—	163,931	—	9,013	154,918
Regional Housing Opportunity	14.857	3,996,950	500	751,343	—	121,474	629,869
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	10,744,083	426,516	1,244,422	1,389,301	1,412,456	1,221,267
Lead Hazard Reduction Demonstration	14.905	3,070,000	47,164	—	482,696	482,696	—
Total direct programs		449,366,979	47,703,611	13,597,290	72,731,831	68,543,526	17,785,595

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

June 30, 2010

Federal grantor/pass-through grantor/program title	CFDA number	Program or award amount	Expenditures made to subrecipients for the year ended June 30, 2010	Unexpended balance (deficit) July 1, 2009	2010 Grant revenue	2010 Expenditures	Unexpended balance (deficit) June 30, 2010
Passed-through Boston Housing Authority:							
Housing Choice Program	14.000	\$ 67,350	—	25,201	283,594	7,700	301,095
Total passed-through Boston Housing Authority		67,350	—	25,201	283,594	7,700	301,095
Total U.S. Department of Housing and Urban Development		449,434,329	47,703,611	13,622,491	73,015,425	68,551,226	18,086,690
U.S. Environmental Protection Agency:							
Passed-through Environmental Protection Division:							
Historic Preservation Fund Grants-in-Aid	15.904	427,300	3,525	24,888	89,669	26,053	88,504
Total U.S. Environmental Protection Agency		427,300	3,525	24,888	89,669	26,053	88,504
U.S. Department of Justice:							
Direct programs:							
Violent Crime Force	16.000	1,610	—	1,610	—	—	1,610
Enhanced Training & Services to end Violence and Abuse	16.528	52,838	—	—	26,012	26,012	—
Part E – Develop, Testing & Demonstration Promising New Programs	16.541	103,921	45,000	—	103,921	103,921	—
Title V Delinquency Prevention Program	16.548	609,492	200,731	—	264,459	264,459	—
National Institute of Justice Research Evaluation and Demonstration	16.560	1,182,530	—	—	37,777	35,243	2,534
Crime Laboratory	16.564	61,019	—	2,691	—	—	2,691
Byrne Formula Grant Program	16.579	305,500	—	10,900	—	10,900	—
Edward Byrne Memorial State & Local Law Enforcement Discretionary Grant Program	16.580	181,803	—	—	30,763	30,763	—
Violence Against Women Formula Grants	16.588	72,753	—	—	53,298	53,298	—
Grants to Encourage Arrest Policies	16.590	8,418,915	119,332	131,378	352,048	357,281	126,145
Local Law Enforcement Block Grants Program	16.592	1,719,414	—	17,885	567,215	—	585,100
Public Safety Partnership and Community Policing Grants	16.710	601,491	—	21,949	163,170	141,788	43,331
ARRA – Public Safety Partnership and Community Policing Grants	16.710	11,843,200	—	—	2,824,724	2,824,724	—
Enforcing Underage Drinking Laws Program	16.727	29,840	—	171	168	339	—
Value-Based Collaborative	16.737	150,000	26,403	—	73,165	73,165	—
Edward Byrne Memorial Justice Assistance	16.738	2,147,729	21,339	7,419	801,241	808,660	—
Forensic DNA Backlog Reduction Program	16.741	671,720	3,390	—	256,406	244,287	12,119
Paul Coverdell Forensic Sciences Improvement Grant	16.742	486,327	1,287	285	144,580	128,018	16,847
Edward Byrne Memorial Competitive Grant	16.751	500,000	—	—	6,437	3,219	3,218
ARRA – Edward Byrne Memorial Justice Hiring Grant	16.804	3,907,221	—	—	3,176,876	3,172,142	4,734
ARRA – Edward Byrne Memorial Competitive Grant	16.808	2,415,484	—	—	474,267	474,267	—
Total direct programs		28,640,102	417,482	194,288	9,356,527	8,752,486	798,329
Passed-through State Executive Office of Public Safety:							
National Institute of Justice	16.564	33,829	—	487	—	—	487
No-Suspect Case Work, DNA	16.542	66,460	—	5,098	—	—	5,098
Byrne Formula Grant Program	16.579	393,777	—	14,897	91,086	—	105,983
Weed and Seed	16.595	165,600	—	(184)	40,600	15,600	24,816
Total passed-through State Executive Office of Public Safety		659,666	—	20,298	131,686	15,600	136,384
Total U.S. Department of Justice		29,299,768	417,482	214,586	9,488,213	8,768,086	934,713
U.S. Department of Labor:							
Passed-through Economic Development Industrial Corporation:							
Workforce Investment Act – Youth Activities	17.259	68,480	—	—	42,264	42,264	—
ARRA – Workforce Investment Act – Youth Activities	17.259	100,000	—	—	63,844	63,844	—
Total U.S. Department of Labor		168,480	—	—	106,108	106,108	—

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

June 30, 2010

Federal grantor/pass-through grantor/program title	CFDA number	Program or award amount	Expenditures made to subrecipients for the year ended June 30, 2010	Unexpended balance (deficit) July 1, 2009	2010 Grant revenue	2010 Expenditures	Unexpended balance (deficit) June 30, 2010
U.S. Department of Transportation:							
Direct program:							
Port Security Grant Program	20.401	\$ 134,351	—	34	—	—	34
Total direct program		134,351	—	34	—	—	34
Passed-through State Department of Transportation:							
Highway Safety Grant	20.205	5,600,001	—	—	798,489	798,489	—
State Planning and Research	20.515	40,000	4,700	—	33,047	33,047	—
State and Community Highway Safety	20.600	318,983	—	73,027	48,786	48,619	73,194
Total passed-through programs		5,958,984	4,700	73,027	880,322	880,155	73,194
Total U.S. Department of Transportation		6,093,335	4,700	73,061	880,322	880,155	73,228
National Science Foundation:							
Passed-through Programs:							
Education and Human Resources	47.076	1,682,134	30,750	3,397	982,842	930,605	55,634
Total National Science Foundation		1,682,134	30,750	3,397	982,842	930,605	55,634
U.S. Environmental Protection Agency:							
Direct program:							
Brownfield Pilots Cooperative Agreements	66.811	200,000	—	(6,583)	6,583	—	—
Total direct program		200,000	—	(6,583)	6,583	—	—
Passed-through Program:							
Congressionally Mandated Award	66.202	199,992	—	197,592	—	—	197,592
Brownfields Assessment & Clean-up Cooperative	66.818	903,500	51,660	8,994	378,549	387,542	1
Total passed-through program		1,103,492	51,660	206,586	378,549	387,542	197,593
Total U.S. Environmental Protection Agency		1,303,492	51,660	200,003	385,132	387,542	197,593
U.S. Department of Energy:							
Direct program:							
Energy Efficiency and Renewable Energy Information	81.117	150,000	—	70,802	—	46,016	24,786
ARRA – Energy Efficiency and Conservation	81.128	13,012,400	—	—	26,024	26,024	—
Total U.S. Department of Energy		13,162,400	—	70,802	26,024	72,040	24,786
U.S. Department of Education:							
Direct programs:							
Civil Rights Training & Advisory Services	84.004	216,526	5,950	—	44,711	40,738	3,973
International Research & Studies	84.017	368,000	25,435	—	181,419	168,248	13,171
Teaching American History	84.215	876,562	—	5,213	—	—	5,213
Foundation for Citizens through Character Education	84.215	2,616,221	337,297	3,667	872,191	819,338	56,520
Advanced Placement	84.330	819,845	22,005	—	317,325	272,648	44,677
School Leadership Program	84.363	1,529,981	64,745	158,880	415,622	550,184	24,318
Total direct programs		6,427,135	455,432	167,760	1,831,268	1,851,156	147,872
Passed-through State Department of Elementary and Secondary Education:							
Adult Education – State Grant Program	84.002	75,843	—	—	8,083	8,083	—
Title I – Grants to Local Educational Agencies (note 4)	84.010	167,860,797	—	15,453,403	43,918,882	42,818,695	16,553,590
Special Education (note 4)	84.027	56,688,878	211,777	5,807,734	19,383,648	18,560,256	6,631,126

CITY OF BOSTON, MASSACHUSETTS  
 Schedule of Expenditures of Federal Awards  
 June 30, 2010

Federal grantor/pass-through grantor/program title	CFDA number	Program or award amount	Expenditures made to subrecipients for the year ended June 30, 2010	Unexpended balance (deficit) July 1, 2009	2010 Grant revenue	2010 Expenditures	Unexpended balance (deficit) June 30, 2010
Vocational Education	84.048	\$ 3,345,070	78,695	266,834	1,740,285	1,497,812	509,307
E.C.I.A./Chapter 11	84.151	184,004	—	1,166	—	1,166	—
Magnet School Assist	84.165	511,715	—	4,601	—	—	4,601
Special Education – Preschool Grants (note 4)	84.173	1,015,940	—	222,113	517,838	492,246	247,705
Safe and Drug-Free Schools and Communities	84.186	1,525,783	32,825	185,844	708,386	735,170	159,060
Education for Homeless Children and Youth (note 4)	84.196	120,000	4,903	48,833	60,000	63,205	45,628
Goals 2000: State and Local Education Systems Improvement Grants	84.276	25,000	—	13,549	—	—	13,549
Office of Elementary and Secondary Education	84.282	24,000	—	—	19,000	(1,000)	20,000
Twenty-First Century Community Learning Centers	84.287	4,770,000	1,183,435	412,958	1,805,000	1,717,591	500,367
Technology Literacy Challenge Fund Grants (note 4)	84.318	945,392	99,694	113,336	470,820	339,745	244,411
Reading First Grant	84.357	1,200,115	—	301,192	—	297,099	4,093
Early Reading First	84.359	131,437	—	—	131,437	34,883	96,554
Title III Bilingual Language	84.365	4,405,110	459,284	1,085,797	2,249,623	2,299,472	1,035,948
Mathematics and Science Partnerships	84.366	563,722	27,725	81,046	405,747	251,683	235,110
Title II Improving Teacher Quality	84.367	13,365,424	313,582	1,117,279	6,199,520	6,234,268	1,082,531
ARRA – Education Technology Grant (note 4)	84.386	545,551	25,000	—	545,551	245,464	300,087
ARRA – Education for Homeless Children & Youth (note 4)	84.387	73,626	13,721	—	73,626	42,089	31,537
ARRA – Title I – Grants to Local Educational Agencies (note 4)	84.389	19,811,009	—	—	19,811,009	12,275,941	7,535,068
ARRA – Special Education (note 4)	84.391	7,689,808	—	—	7,689,808	7,116,959	572,849
ARRA – Special Education – Preschool Grants (note 4)	84.392	398,172	—	—	398,172	234,328	163,844
ARRA – School Improvement	84.377	1,782,603	28,500	—	1,767,683	124,741	1,642,942
ARRA – State Fiscal Stabilization Funds – Government Services	84.397	24,655,113	—	—	330,621	330,621	—
Total passed-through State Department of Education		311,714,112	2,479,141	25,115,685	108,234,739	95,720,517	37,629,907
Total U.S. Department of Education		318,141,247	2,934,573	25,283,445	110,066,007	97,571,673	37,777,779
National Historical Publications and Records Commission:							
Direct program:							
Public Schools Desegregation – ERA Records Project	89.003	232,025	—	500	40,390	35,328	5,562
Total National Historical Publications and Records Commission		232,025	—	500	40,390	35,328	5,562
U.S. Department of Health and Human Services:							
Direct programs:							
Injury Prevention and Control Research	93.136	5,000	—	—	5,000	5,000	—
ARRA – Injury Prevention and Control Research	93.136	20,000	—	—	2,267	2,267	—
CDC Investigations and Technical Assistance	93.283	621,861	20,603	1,109	162,784	162,783	1,110
ARRA – Strengthening Communities	93.711	499,960	—	—	2,180	2,180	—
Cooperative Agreements to Support Comprehensive Aids Education	93.938	29,220	—	—	29,020	29,020	—
Council on Aging	93.999	517,556	—	—	64,400	64,400	—
Total direct programs		1,693,597	20,603	1,109	265,651	265,650	1,110
Passed-through State Executive Office of Elderly Affairs:							
MDU Fire Deployment	93.003	105,530	—	839	—	—	839
Special Programs for the Aging:							
Title VII Long-Term Care Ombudsman	93.042	694,919	183,683	3,703	273,661	183,683	93,681
Title III, Part D	93.043	273,396	68,520	23,408	107,949	79,559	51,798
Title III, Part B (note 4)	93.044	2,488,368	693,918	6,977	1,046,661	868,001	185,637
Title III, Part C 9 (note 4)	93.045	6,889,874	1,855,844	32,162	3,068,098	1,855,844	1,244,416
Title III, Part E	93.052	1,531,043	392,225	4,726	528,453	523,401	9,778
Nutritional Services Incentive Program (note 4)	93.053	1,033,757	460,138	—	664,266	460,138	204,128

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

June 30, 2010

Federal grantor/pass-through grantor/program title	CFDA number	Program or award amount	Expenditures made to subrecipients for the year ended June 30, 2010	Unexpended balance (deficit) July 1, 2009	2010 Grant revenue	2010 Expenditures	Unexpended balance (deficit) June 30, 2010
ARRA – Home Delivered Nutrition (note 4)	93.705	\$ 114,544	114,543	—	114,543	114,543	—
ARRA – Congregate Nutrition Services (note 4)	93.707	232,667	232,667	—	232,667	232,667	—
Area Agency on Aging	93.633	1,053,184	—	26,000	445,392	310,055	161,337
Total passed-through State Executive Office of Elderly Affairs		14,417,282	4,001,538	97,815	6,481,690	4,627,891	1,951,614
Passed-through State Department of O.F.C.:							
Child Care and Development Block Grant (CCDBG)	93.575	2,524,910	—	66,434	220,870	236,689	50,615
Total passed-through State Department of O.F.C.		2,524,910	—	66,434	220,870	236,689	50,615
Passed-through State Department of Public Health:							
Training in Primary Care Medicine and Dentistry	93.884	100,000	—	2,062	25,572	25,572	2,062
National Bioterrorism Hospital Preparedness	93.889	20,000	—	—	10,683	10,683	—
Total passed-through State Department of Public Health		120,000	—	2,062	36,255	36,255	2,062
Total U.S. Department of Health and Human Services		18,755,789	4,022,141	167,420	7,004,466	5,166,485	2,005,401
Corporation for National and Community Services:							
Direct programs:							
Retired and Senior Volunteer Program	94.002	407,990	—	3,356	115,281	115,281	3,356
Senior Companions Programs	94.016	953,644	—	748	217,140	217,059	829
Total Corporation for National and Community Services		1,361,634	—	4,104	332,421	332,340	4,185
U.S. Department of Homeland Security:							
Direct:							
Port Security Grant Program	97.056	25,000	—	—	24,537	24,537	—
ARRA – Port Security Grant Program	97.116	1,259,820	—	—	695,357	695,357	—
Total direct		1,284,820	—	—	719,894	719,894	—
Passed-through State Executive Office of Public Safety:							
Assistance to Firefighters	97.044	1,698,337	—	114,449	—	—	114,449
Homeland Security Grant Program	97.067	49,604,972	2,973,944	376,770	15,339,614	15,437,569	278,815
Buffer Zone Protection Plan	97.078	560,730	—	—	396,439	396,439	—
Hurricane Katrina Case Management Program	97.084	9,878	—	47	—	—	47
Total passed-through State Executive Office of Public Safety		51,873,917	2,973,944	491,266	15,736,053	15,834,008	393,311
Total U.S. Department of Homeland Security		53,158,737	2,973,944	491,266	16,455,947	16,553,902	393,311
Total federal assistance		\$ 994,154,256	\$ 58,142,386	\$ 41,478,260	\$ 248,261,617	\$ 228,635,667	\$ 61,104,210

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF BOSTON, MASSACHUSETTS

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

**(1) Definition of Reporting Entity**

The basic financial statements of the City of Boston, Massachusetts (the City) include various component units that have separate single audits conducted in accordance with OMB Circular A-133. The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs of the City, exclusive of component units.

All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

**(2) Summary of Significant Accounting Policies**

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

**(a) Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

**(b) National School Lunch and School Breakfast Programs (CFDA # 10.555)**

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in a combined program. Program expenditures in the accompanying schedule of expenditures of federal awards represent total expenditures for meals provided during 2010.

**(c) Food Distribution Program (CFDA # 10.550)**

Noncash contributions of commodities under the Food Distribution program are received under a State distribution formula and are valued at federally published wholesale prices for purposes of this schedule. Such commodities are not recorded in the financial records, although memorandum records are maintained.

**(3) Section #108 and H.O.M.E. Loans (CFDA #s 14.248 & 14.239)**

Total expenditures in the accompanying schedule of expenditures of federal awards for the Section #108 and H.O.M.E. programs include the total amount of new loans made during fiscal year 2010. On June 30, 2010, the unpaid principal balance from loans originated in previous years that are subject to continuing compliance requirements, as defined by OMB Circular A-133, for the Section #108 and H.O.M.E. programs is \$19,488,840 and \$67,538,605, respectively. These amounts are not included in the total expenditures in the accompanying schedule of expenditures of federal awards but are considered federal awards for purposes of determining Type A and Type B programs.

CITY OF BOSTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(4) Clustered Programs

OMB Circular A-133 defines a “cluster” as “a grouping of closely related programs that share common compliance requirements.” The table below details the federal programs included in the schedule of expenditures of federal awards that are required by OMB Circular A-133 to be “clustered” for purposes of testing federal compliance requirements and identifying Type A programs.

CFDA #	Program Title	Expenditures
	Aging Cluster	
93.044	Special Programs for the Aging, Title III, Part B	\$ 868,001
93.045	Special Programs for the Aging, Title III, Part C	1,855,844
93.053	Nutritional Services Incentive Program	460,138
93.705	ARRA – Home Delivered Nutrition	114,543
93.707	ARRA – Congregate Nutrition Services	232,667
	Aging Cluster Total	<u>\$ 3,531,193</u>
	CDBG Entitlement Grants Cluster	
14.218	Community Development Block Grant	\$ 23,426,998
14.253	ARRA – Community Development Block Grant	2,216,693
	CDBG Entitlement Grants Cluster Total	<u>\$ 25,643,691</u>
	Child Nutrition:	
10.555	National School Lunch Program	\$ 25,912,676
10.559	Ssummer Food Service Program for Children	1,346,303
	Child Nutrition Cluster Total	<u>\$ 27,258,979</u>
	Education of Homeless Children and Youth Cluster:	
84.196	Education for Homeless Children & Youth	\$ 63,205
84.387	ARRA – Education for Homless Children & Youth	42,089
	Education of Homeless Children and Youth Cluster Total	<u>\$ 105,294</u>
	Educational Technology State Grants Cluster:	
84.318	Technology Literacy Challenge Fund Grants	\$ 339,745
84.386	ARRA – Education Technology State Grants	245,464
	Educational Technology State Grants Cluster Total	<u>\$ 585,209</u>

**CITY OF BOSTON, MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
	Special Education (IDEA) Cluster:	
84.027	Special Education	\$ 18,560,256
84.173	Special Education – Preschool Grants	492,246
84.391	ARRA – Special Education	7,116,959
84.392	ARRA – Special Education – Preschool Grants	234,328
	Special Education (IDEA) Cluster total	<u>\$ 26,403,789</u>
	Title I, Part A Cluster:	
84.010	Title I Grants to Local Educational Agencies	\$ 42,818,695
84.389	ARRA – Title I Grants to Local Educational Agencies	12,275,941
	Title I, Part A Cluster Total	<u>\$ 55,094,636</u>



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

Exhibit III

**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***

The Honorable Mayor and City Council  
City of Boston, Massachusetts:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of certain entities, as described in our report on the City's financial statements. The financial statements of the permanent funds and private-purpose trust funds were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters did not include the Boston Redevelopment Authority, the Boston Public Health Commission, and the State-Boston Retirement System. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters for these entities. The findings, if any, included in those reports are not included herein.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.



### Exhibit III

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated November 19, 2010.

This report is intended for the information and use of the audit committee, elected officials, management, 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.

KPMG LLP

November 19, 2010

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

(1) **Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified for all opinion units		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	<u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	<u>  x  </u> none reported
Noncompliance material to the financial statements noted?	_____	yes	<u>  x  </u> no

***Federal Awards***

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	<u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  x  </u>	yes	_____ none reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>  x  </u>	yes	_____ no

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

**Identification of Major Programs**

Name of federal program or cluster	CFDA #
Child Nutrition Cluster:	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
CDBG – Entitlement Grants Cluster:	
Community Development Block Grants – Entitlement Grants	14.218
Community Development Block Grants – ARRA Entitlement Grants	14.253
HOME Investments Partnership Program	14.239
Neighborhood Stabilization Program – ARRA	14.256
Homeless Prevention and Rapid Rehousing – ARRA	14.257
Public Safety Partnership and Community Policing Grants	16.710
Edward Byrne Memorial Justice Hiring Grant – ARRA	16.804
Title I, Part A Cluster:	
Title I – Grants to Local Educational Agencies	84.010
Title I – Grants to Local Educational Agencies – ARRA	84.389
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education – Grants to States, ARRA	84.391
Special Education – Preschool Grants, ARRA	84.392
Title II – Improving Teacher Quality	84.367
State Fiscal Stabilization Funds – Government Services – ARRA	84.397
Aging Cluster:	
Special Programs for the Aging – Title III, Part B – Supportive Services	93.044
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Aging Home-Delivered Nutrition Services – ARRA	93.705
Aging Congregate Nutrition Services – ARRA	93.707

Dollar threshold used to distinguish between  
type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee?   x   yes        no

**(2) Relating to Financial Statement Findings Reported in Accordance with Government Auditing Standards**

None reported.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

**(3) Findings and Questioned Costs Relating to Federal Awards**

<b>Finding number:</b>	2010-01
<b>Federal agency:</b>	U.S. Department of Housing and Urban Development
<b>Pass-through agency:</b>	N/A – Direct Funding
<b>Programs:</b>	Community Development Block Grants (CDBG) Cluster HOME Investments Partnership Program (HOME)
<b>CFDA #:</b>	14.218; 14.253; 14.239
<b>Award numbers:</b>	B-09-MC25-0002; B-09-MY25-0002
<b>Award year:</b>	July 1, 2009 to June 30, 2010
<b>Finding:</b>	Allowable Costs – Payroll

***Criteria***

OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards.

To be allowable under Federal awards, costs must meet general criteria (A-87, Attachment A, paragraph C.1), including that it be allocable to Federal awards under the provisions of A-87 (A-87, Attachment A, paragraph C.3). A cost is allocable to a particular cost objective if the services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

***Condition***

During 2009, the U.S. Department of Housing and Urban Development (HUD) conducted an audit of the HOME program. The audit found that the City did not have a reliable system/method to record the actual time spent on various HUD funded programs, including, but not limited to, HOME and CDBG. In order to rectify the HUD audit finding, they City proposed a methodology to allocate payroll costs across HUD funded programs, which, for the most part, HUD accepted.

HUD's letter communicating approval for a substitute payroll cost allocation system states "Due to the nature of work carried out by Department heads, which involves programmatic and administrative functions, a substitute system was not recommended or approved. Department heads will maintain personnel activity reports or the equivalent in accordance with documentation requirements found in section h of the OMB Circular."

During our audit we found that eight DND department heads did not maintain personnel activity reports or an equivalent in 2010 to demonstrate that the percentage of salary charged to programmatic and general funds was accurate. However, we do note that the salary charged to individual programs, after the allocation to programmatic funds, was based on methodology approved subsequent to year-end.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

***Cause***

While attempting to resolve the OIG audit, the City made proposals to HUD on alternate ways to track the salaries of the department heads. The agreed upon solution that involves the use of timesheets to account for time between programmatic and general funds was not approved until subsequent to year-end.

***Effect***

The City is not in compliance with OMB Circular A-87 because of the lack of timesheets to account for time spent between programmatic and general funds. However, we do note that the City began collecting timesheets subsequent to year-end, beginning October 2010, to come into compliance with HUD's recommendation.

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the City implement policies and procedures necessary to comply with the current guidance from HUD. Further, we recommend that the City explore ways to increase the efficiency of the current methodology to allocate payroll costs. The current process appears to be extremely cumbersome and prone to error.

**Auditee Corrective Action Plan**

*Contact Person* Mary Raysor

***Management's Response***

DND has revised the procedure for the way the Director/Deputy Directors maintain their time records based on HUD's approval. DND has already revised the procedures used in calculation of payroll by employee, the most cumbersome task involved in the payroll allocation, this process is now automated through Peoplesoft as an excel query. DND will continue to find ways to further automate and streamline this process.

***Expected Completion Date***

January 31, 2011

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

**Finding number:** 2010-02  
**Federal agency:** U.S. Department of Housing and Urban Development (HUD)  
**Pass-through agency:** N/A – Direct Funding  
**Program:** HOME Investment Partnership Program (HOME)  
**CFDA #:** 14.239  
**Award number:** B-09-MC25-0002  
**Award year:** July 1, 2009 to June 30, 2010  
**Finding:** Housing Quality Standards

*Criteria*

24 CFR Sections 92.551, 92.252, and 92.504 (b) require that grantees perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners. Based on the number of units in a property, on-site inspection must be made according to a schedule that ranges from every year for projects with more than 26 Units to every three years for projects with less than 5 units.

24 CFR 92.216 (a) requires that units be occupied only by households that are eligible as low-income families and that only certain levels of rent may be charged for the units. There is a requirement that an annual verification be done that a low-income family occupies the unit and that the rent level is appropriate.

*Condition*

During our audit, we found that the City did not perform on-site inspections within the timeframes required by the law in 15 of 30 (50%) of the projects selected to review.

Further, during our audit of income monitoring, the City was unable to provide documentation supporting compliance with the low-income requirement for 9 of 30 (30%) projects selected.

*Cause*

Appears to be due to lack of staffing.

*Effect*

Due to the lack of documentation over income eligibility, the City may be providing services to recipients who do not meet the income eligibility guidelines. Further, lack of timely inspections may lead to untimely verification of owner information.

**CITY OF BOSTON, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2010

***Questioned Costs***

None.

***Recommendation***

We recommend that the City implement policies and procedures to strengthen the review process to ensure that all projects are properly monitored, for both property standards as well as income.

***Auditee Corrective Action Plan***

*Contact Person* Mary Raysor

***Management's Response***

DND will propose to create a position dedicated to Housing Quality Standard Inspections. All late inspections will be done by Housing staff by January 13, 2011.

***Expected Completion Date***

September 30, 2011

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

<b>Finding number:</b>	2010-03
<b>Federal agency:</b>	U.S. Department of Education
<b>Pass-through agency:</b>	Massachusetts Department of Elementary and Secondary Education
<b>Programs:</b>	Title I, Part A Cluster Special Education Cluster Title II, Improving Teacher Quality
<b>CFDA #'s:</b>	84.010; 84.389; 84.027; 84.391; 84.367
<b>Award number's:</b>	305-347-0-0035-K; 770-232-0035-K 240-330-0-0035-K; 760-293-0-0035-K 140-379-0-0035-K
<b>Award year:</b>	September 1, 2009 to August 31, 2010
<b>Finding:</b>	Schoolwide Plans

*Criteria*

A school participating under Title I, Part A or SPED, may, in consultation with its Local Educational Authority (LEA), use its Title I, Part A and SPED funds, to upgrade the school's entire educational program in a schoolwide program. At least 40% of the children enrolled in the school or residing in the school attendance area for the initial year of the schoolwide program must be from low-income families. The LEA is required to maintain records to demonstrate compliance with this requirement.

To operate a schoolwide program, a school must include the following three core elements:

- Comprehensive needs assessment of the entire school (34 CFR Section 200.26(a)).
- Comprehensive plan based on data from the needs assessment (34 CFR Section 200.26(b)).
- Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR Section 200.26(c)).

*Condition*

In order to comply with the three core elements, the Boston Public Schools (BPS) has implemented an annual procedure to review and update each schools Whole-School Improvement Plan (WSIP).

During our audit we found that 7 of 25 (28%) schools selected did not complete a WSIP for the 2009-2010 school year.

*Cause*

The City is in process of changing the process for the completion of schoolwide plans.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

***Effect***

The BPS was not in compliance with the federal requirement to update and complete a schoolwide plan annually.

***Questioned Costs***

None.

***Recommendation***

We recommend that BPS ensure that all schoolwide plans are completed annually as required.

**Auditee Corrective Action Plan**

*Contact Person* Mary Raysor

***Management's Response***

The audit report surfaced that 28% of schools selected did not have a completed school-wide plans for the 2009-2010 school year. To correct this measure we are enacting several steps to ensure that school-wide plans – Whole School Improvement Plans (WSIPs) – are completed by all Title I schools. First, we have tasked each supervisor of a school (Academic Superintendent) with supporting and overseeing the creation and full completion of a WSIP by each of their respective schools. Templates have been refined and data supplied to support schools in this effort. These Academic Superintendents have the collective resources to support each Title I school with the successful completion of a WSIP. Second, school improvement plan monitoring for the district has been placed under the oversight of the Chief Accountability Officer. No single office or senior level individual has had primary responsibility for school improvement plans monitoring in the recent past. The diffusion of responsibility allowed this important requirement to be left unmonitored. Lastly, we have created an incentive. If a school does not complete a WSIP, the district will withhold Title I funds from that school until at least a preliminary plan is in place. This collection of supports, monitoring, and incentives has created a multi-faceted approach to help ensure the fulfillment of this obligation.

***Expected Completion Date***

June 30, 2011

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

**Finding number:** 2010-04

**Federal agency:** U.S. Department of Housing and Urban Development

**Pass-through agency:** N/A – Direct Funding

**Program:** Community Development Block Grants (CDBG) Cluster

**CFDA #'s:** 14.218; 14.253

**Award number's:** B-09-MC25-0002; B-09-MY25-0002

**Award year:** July 1, 2009 to June 30, 2010

**Finding:** Support for Earmarking Requirements

***Criteria***

Federal law stipulates that entities who receive Community Development Block Grants (CDBG) funds earmark those funds to be used for specific purposes. Specifically, the earmarking requirements are as follow:

- Not less than 70% of the funds must be used over a period of up to three years, as specified by the grantee in its certification, for activities that benefit low – and moderate-income persons. In determining low- and moderate-income benefits, the criteria set forth in 24 CFR Sections 570.200(a)(3) and 570.208(a) are used.
- Not more than 20% of the total grant, plus 20% of program income received during a program year, may be obligated during that year for activities that qualify as planning and administration pursuant to 24 CFR Sections 570.205 and 570.206 (24 CFR Section 570.200 (g)).
- The amount of CDBG funds obligated during the program year for public services must not exceed 15% of the grant amount received for that year plus 15% of the program income it received during the preceding program year. (24 CFR Section 570.201(e).

***Condition***

The City of Boston Department of Neighborhood Development (DND) uses the Consolidated Annual Performance and Evaluation Report (CAPER) to annually demonstrate to the U.S. Department of Housing and Urban Development (HUD) that it has met the earmarking requirements described above.

However, DND is unable to provide detail expenditures supporting the CAPER line items used to prove compliance with the earmarking requirements. Therefore, DND, currently cannot demonstrate that the funds being reported for a particular purpose, such as public services, were actually used for that purpose.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2010

***Cause***

This appears to result from a lack of reconciliation procedures that ties general ledger expenditure detail into HUD's Integrated Disbursement and Information System, and, ultimately, the CAPER.

***Effect***

Based on the figures reported in the CAPER, it appears that DND is in compliance with the earmarking requirements. However, we are unable to determine whether the data on the CAPER is complete and accurate.

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that DND implement procedures to reconcile the City's general ledger to the CAPER. Such a reconciliation would ensure that DND has the necessary detail to prove that funds were spent on the required activities.

**Auditee Corrective Action Plan**

*Contact Person* Mary Raysor

***Management's Response***

DND will work with the Auditing Department to implement procedures to reconcile the CAPER to the City's general ledger.

***Expected Completion Date***

September 30, 2011