



**CITY OF BOSTON, MASSACHUSETTS**

Independent 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, 2014

# CITY OF BOSTON, MASSACHUSETTS

## Table of Contents

	<b>Page</b>
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	I
Schedule of Expenditures of Federal Awards	II
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 <i>Government Auditing Standards</i>	III
Schedule of Current Year Findings and Questioned Costs	IV



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

Exhibit I

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Boston, Massachusetts' (the City) compliance with the types of compliance requirements described in the *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, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs.

The City's basic financial statements include the operations of the Boston Redevelopment Authority, Boston Public Health Commission, the Trustees of the Public Library of the City of Boston, and the Economic Development and Industrial Corporation of Boston. These entities received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the federal awards received by these entities because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.



***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of current year findings and questioned costs as items 2014-008, 2014-009, and 2014-011 through 2014-018. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of current year findings and questioned costs as items 2014-008 through 2014-018 that we consider to be significant deficiencies.



## Exhibit I

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2014, 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

February 12, 2015

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal grantor/pass-through grantor/program title	CFDA number	2014 Expenditures
U.S. Department of Agriculture:		
Direct programs:		
Farm to School Grant Program	10.575	\$ 18,272
Passed-through State Department of Education:		
National School Lunch Program (notes 2 and 4)	10.555	34,436,127
Child and Adult Care Food Program	10.558	4,999
Summer Food Service Program for Children (note 4)	10.559	1,379,640
Food and Nutrition	10.582	736,607
Total passed-through State Department of Education:		<u>36,557,373</u>
Total U.S. Department of Agriculture		<u>36,575,645</u>
U.S. Department of Commerce:		
Direct programs:		
ARRA – Broadband Technology Opportunities Program	11.557	963,172
Total U.S. Department of Commerce		<u>963,172</u>
U.S. Department of Defense:		
Direct programs:		
Language Grant Program	12.900	112,139
Total U.S. Department of Defense		<u>112,139</u>
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grants – Entitlement Grant	14.218	18,990,785
Emergency Shelter Grants Program	14.231	1,428,205
Supportive Housing Program	14.235	2,211,543
Shelter Plus Care	14.238	28,074
H.O.M.E. Investment Partnerships Program (note 3)	14.239	10,579,213
Housing Opportunities for Persons with AIDS	14.241	1,955,756
E.D.I.	14.246	126,736
Section 108 Loans	14.248	3,933,788
ARRA – Neighborhood Stabilization Program	14.256	202,816
HUD Continuum of Care	14.267	19,116,918
Fair Housing Assistance Program: State and Local	14.401	87,765
Fair Housing Assistance Program: Federal	14.408	47,826
Community Challenge Planning Grant	14.704	353,587
Regional Housing Opportunity	14.857	69,961
Choice Neighborhood Grant	14.889	10,592,679
Lead Hazard Reduction Demonstration Grant Program	14.905	931,617
Total direct programs		<u>70,657,269</u>
Passed-through Massachusetts Department of Housing and Community Development:		
Community Development Block Grants – Non-Entitlement Grants	14.228	455,241
Passed-through Boston Housing Authority:		
Fair Housing Assistance Program: State and Local	14.401	(1,615)
Passed-through Economic Development Industrial Corporation:		
Choice Neighborhood Grant	14.892	70,778
Total U.S. Department of Housing and Urban Development		<u>71,181,673</u>
U.S. Department of the Interior:		
Passed-through Massachusetts Environmental Protection Division:		
Historic Preservation Fund Grants-In-Aid	15.904	19,550
Passed-through National Park Service:		
Rivers, Trails and Conservation Assistance	15.921	48,556
Total U.S. Department of the Interior		<u>68,106</u>

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal grantor/pass-through grantor/program title	CFDA number	2014 Expenditures
U.S. Department of Justice:		
Direct programs:		
Community Based Violence Prevention	16.123	\$ 594,193
OVW Technical Assistance Initiative	16.526	252,274
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	42,274
National Institute of Justice Research Evaluation and Demonstration	16.560	136,259
Grants to Encourage Arrest Policies	16.590	205,356
Public Safety Partnership and Community Policing Grants	16.710	1,009,294
Reduction and Prevention of Children’s Exposure to Violence	16.730	5
Edward Byrne Memorial Justice Assistance Grant (note 4)	16.738	799,219
Forensic DNA Backlog Reduction Program	16.741	641,572
Paul Coverdell Forensic Sciences Improvement Grant	16.742	33,669
Criminal and Juvenile Mental Health Collaboration Program	16.745	122,243
ARRA – Edward Byrne Memorial Justice Assistance Grant (note 4)	16.804	(110,686)
ARRA – Edward Byrne Memorial Competitive Grant	16.808	(791)
Second Chance Act Prisoner Reentry Initiative	16.812	402,565
Total direct programs		<u>4,127,446</u>
Passed-through State Executive Office of Public Safety:		
Violence Against Women Formula Grants	16.588	41,215
Emergency Law Enforcement Assistance Grant	16.824	893,766
Total passed-through State Executive Office of Public Safety		<u>934,981</u>
Passed-through Massachusetts Department of State Police:		
Paul Coverdell Forensic Sciences Improvement Grant	16.742	16,152
Total U.S. Department of Justice		<u>5,078,579</u>
U.S. Department of Labor:		
Passed-through Economic Development and Industrial Corporation:		
Workforce Investment Act – Youth Activities	17.259	133,917
Total U.S. Department of Labor		<u>133,917</u>
U.S. Department of Transportation:		
Passed-through State Executive Office of Transportation:		
Highway Safety Grant	20.205	657,710
Federal Transit Capital Investment Grants	20.500	693,175
Total passed-through State Executive Office of Transportation		<u>1,350,885</u>
Passed-through State Executive Office of Public Safety/Administration:		
State and Community Highway Safety	20.600	40,858
Total U.S. Department of Transportation		<u>1,391,743</u>
National Science Foundation:		
Direct programs:		
Biological Sciences	47.074	111,506
Education and Human Resources	47.076	7,881
Total direct programs		<u>119,387</u>
Passed-through University of Massachusetts:		
Education and Human Resources	47.076	(130)
Computer and Information Science and Engineering	47.070	1,236
Total passed-through University of Massachusetts		<u>1,106</u>
Total National Science Foundation		<u>120,493</u>

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal grantor/pass-through grantor/program title	CFDA number	2014 Expenditures
U.S. Environmental Protection Agency:		
Direct programs:		
Congressionally Mandated Award	66.202	\$ 31,023
Brownfields Assessment & Clean-up Cooperative	66.818	410,709
Total U.S. Environmental Protection Agency		<u>441,732</u>
U.S. Department of Education:		
Direct programs:		
International Research & Studies	84.017	4,344
Foundation for Citizens Through Character Education	84.215	680,001
Foreign Language Assistance	84.293	2,597
Advanced Placement	84.330	(12,992)
Investing in Innovation (i3) Fund	84.411	818,744
ARRA – Scaling up Diplomas	84.413	247,286
Total direct programs		<u>1,739,980</u>
Passed-through State Department of Elementary and Secondary Education:		
Title I – Grants to Local Educational Agencies	84.010	36,918,954
Special Education (note 4)	84.027	17,617,440
Vocational Education	84.048	1,577,305
Special Education – Preschool Grants (note 4)	84.173	352,911
Safe and Drug-Free Schools and Communities	84.186	260
Education for Homeless Children and Youth	84.196	63,194
Twenty-First Century Community Learning Centers	84.287	992,787
Title III – Bilingual Language	84.365	2,715,117
Title II – Improving Teacher Quality	84.367	7,006,420
School Improvement Grants (note 4)	84.377	4
ARRA – School Improvement Grants (note 4)	84.388	2,920,354
ARRA – Title I – Grants to Local Educational Agencies	84.389	8,007
ARRA – Special Education	84.391	10,238
ARRA – SFSF Race To The Top Early Learning Initiative	84.395	16,741,864
SFSF Race To The Top Early Learning Initiative	84.395	28,946
Reading Recovery	84.396	20,804
Race to the Top – Early Learning Challenge	84.412	150,000
Total passed-through State Department of Elementary and Secondary Education		<u>87,124,605</u>
Passed-through Harvard University:		
Education Research, Development and Dissemination	84.305	18,516
Total U.S. Department of Education		<u>88,883,101</u>
National Historical Publications and Records Commission:		
Direct program:		
Public Schools Desegregation – ERA Records Project	89.003	36,208
Total National Historical Publications and Records Commission		<u>36,208</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Empowering Teen Through Health	93.079	211,662
Cooperative Agreements to Support Comprehensive Aids Education	93.938	6,860
Total direct programs		<u>218,522</u>



## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal grantor/pass-through grantor/program title	CFDA number	2014 Expenditures
Passed-through State Executive Office of Elderly Affairs:		
Special Programs for the Aging:		
Title III, Part D	93.043	\$ 528,420
Title III, Part B (note 4)	93.044	815,674
Title III, Part C (note 4)	93.045	2,200,937
Title III, Part E	93.052	520,723
Nutritional Services Incentive Program (note 4)	93.053	647,638
Total passed-through State Executive Office of Elderly Affairs		<u>4,713,392</u>
Passed-through State Department of Education:		
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	132,864
Passed-through State Department of Public Health:		
Injury Prevention and Control Research and State and Community Based Programs	93.136	105
Passed-through Boston Public Health Commission:		
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	(22,715)
ARRA – Prevention and Wellness – Community	93.724	(556)
Total passed-through Boston Public Health Commission		<u>(23,271)</u>
Passed-through State Office of Family Services:		
Child Care and Development Block Grant (CCDBG)	93.575	14,283
Passed-through Boston Children’s Hospital:		
Trans-NIH Recovery Act Research Support	93.701	13,752
Total U.S. Department of Health and Human Services		<u>5,069,647</u>
Corporation for National and Community Services:		
Direct programs:		
Retired and Senior Volunteer Program	94.002	117,632
Senior Companions Programs	94.016	220,947
Total Corporation for National and Community Services		<u>338,579</u>
U.S. Department of Homeland Security:		
Direct programs:		
ARRA – Port Security Grant Program	97.116	(14,273)
Total direct programs		<u>(14,273)</u>
Passed-through State Executive Office of Public Safety:		
Port Security Grant Programs	97.056	271,407
Homeland Security Grant Program	97.067	20,569,065
Buffer Zone Protection Plan	97.078	41,976
Regional Catastrophic Preparedness Grant Program	97.111	2,517,843
Total passed-through State Executive Office of Public Safety		<u>23,400,291</u>
Passed-through Massachusetts Emergency Management Agency:		
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	7,326,047
Emergency Management Performance Grants	97.042	78,868
Homeland Security Grant Program	97.067	(5,174)
Total passed-through Massachusetts Emergency Management Agency		<u>7,399,741</u>
Total U.S. Department of Homeland Security		<u>30,785,759</u>
Total expenditures of federal awards		<u>\$ 241,180,493</u>

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, 2014

**(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 of expenditures of federal awards.

**(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 2014 and includes \$406,387 of noncash contributions of commodities received from the State. For purposes of the schedule of expenditures of federal awards, such commodities are valued at federally published wholesale prices. These commodities are not recorded in the financial records, although memorandum records are maintained.

**(3) H.O.M.E. Investment Partnership Program Loans (CFDA # 14.239)**

Total expenditures in the accompanying schedule of expenditures of federal awards for the H.O.M.E. Investment Partnership (H.O.M.E.) program include the total amount of new loans made during fiscal year 2014. On June 30, 2014, 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 H.O.M.E. program is \$96,249,014. This amount is not included in the total expenditures in the accompanying schedule of expenditures of federal awards but is considered as an expenditure of 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, 2014

**(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:

<u>CFDA #</u>	<u>Program title</u>	<u>Expenditures</u>
	Child Nutrition Cluster:	
10.555	National School Lunch Program	\$ 34,436,127
10.559	Summer Food Service Program for Children	1,379,640
	Child Nutrition Cluster Total	<u>\$ 35,815,767</u>
	JAG Program Cluster	
16.738	Edward Byrne Memorial Justice Assistance Grant	\$ 799,219
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant	(110,686)
	JAG Program Cluster Total	<u>\$ 688,533</u>
	Special Education (IDEA) Cluster:	
84.027	Special Education	\$ 17,617,440
84.173	Special Education – Preschool Grants	352,911
	Special Education (IDEA) Cluster Total	<u>\$ 17,970,351</u>
	School Improvement Grants Cluster:	
84.377	School Improvement Grants	\$ 4
84.388	ARRA – School Improvement Grants	2,920,354
	School Improvement Grants Cluster Total	<u>\$ 2,920,358</u>
	Aging Cluster:	
93.044	Special Programs for the Aging, Title III, Part B	\$ 815,674
93.045	Special Programs for the Aging, Title III, Part C	2,200,937
93.053	Nutritional Services Incentive Program	647,638
	Aging Cluster Total	<u>\$ 3,664,249</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(5) Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City provided awards to subrecipients as follows:

<u>CFDA #</u>	<u>Federal program</u>	<u>Amount provided to subrecipients</u>
14.218	Community Development Block Grants-Entitlement Grant	\$ 1,642,972
14.231	Emergency Shelter Grants Program	369,300
14.235	Supportive Housing Program	2,077,422
14.238	Shelter Plus Care	28,074
14.239	H.O.M.E. Investment Partnerships Program	218,906
14.241	Housing Opportunities for Persons with AIDS	738,198
14.267	HUD Continuum of Care	17,392,770
14.401	Fair Housing Assistance Program: State and Local	30,533
14.889	Choice Neighborhood Grant	52,904
16.123	Community Based Violence Prevention	346,743
16.590	Grants to Encourage Arrest Policies	67,641
16.738	Edward Byrne Memorial Justice Assistance Grant	79,709
16.812	Second Chance Act Prisoner Reentry Initiative	252,667
16.824	Emergency Law Enforcement Assistance Grant	702,005
93.045	Title III, Part C	1,084,443
93.053	Nutritional Services Incentive Program	272,375
97.067	Homeland Security Grant Program	8,490,644
	Total federal program expenditures to subrecipients	<u>\$ 33,847,306</u>



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

Exhibit III

**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***

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

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 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2014. Our report includes paragraphs on other matters related to the City's implementation of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and the City's election to change the application of the actuarial cost method used in the accounting and financial reporting of its other post-employment benefits in 2014. Our opinions were not modified with respect to these matters. Our report also includes a reference to other auditors who audited the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, the City's Permanent Funds, the State-Boston Retirement System, the City's OPEB Trust Fund and Private-Purpose Trust Funds, the Trustees of the Public Library of the City of Boston, and the Economic Development and Industrial Corporation of Boston, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

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. However, as described in the accompanying schedule of current year findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of



## Exhibit III

deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of current year findings and questioned costs as items 2014-001 through 2014-004 related to the Boston Public Health Commission (PHC), a discretely presented component unit of the City, to be material weaknesses.

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. We consider the deficiencies described in the accompanying current year schedule of findings and questioned costs as items 2014-005 and 2014-006 related to PHC, and item 2014-007 related to the Boston Redevelopment Authority, a discretely presented component unit of the City, to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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 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 *Governmental Auditing Standards*.

### Management's Responses to Findings

Management's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. Management's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

### 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.

KPMG LLP

December 23, 2014

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

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

*Financial Statements*

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

*Federal Awards*

Internal control over major programs:			
• Material weakness(es) identified?	<u>      </u> yes	<u>  x  </u> no	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  x  </u> yes	<u>      </u> none reported	
Type of auditors' report issued on compliance for major programs:	Unmodified for all programs		
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	<u>      </u> no	

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

*Identification of Major Programs*

Name of federal program or cluster	CFDA #
Community Development Block Grants-Entitlement Grant	14.218
H.O.M.E. Investment Partnerships Program	14.239
Section 108 Loans	14.248
HUD Continuum of Care	14.267
Choice Neighborhood Grant	14.889
Title I – Grants to Local Educational Agencies	84.010
Special Education (IDEA) Cluster:	
Special Education	84.027
Special Education – Preschool Grants	84.173
Title III – Bilingual Language	84.365
Title II – Improving Teacher Quality	84.367
ARRA – SFSF Race to the Top Early Learning Initiative	84.395
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
Homeland Security Grant Program	97.067
Child Nutrition Cluster:	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

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

Auditee qualified as low-risk auditee?      \_\_\_\_\_ yes        x   no



## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*****Finding Number:** 2014-001**Boston Public Health Commission – Financial Reporting*****Background and Observation***

The Boston Public Health Commission (PHC or the Commission) lacks appropriate internal controls over its external financial reporting process. Internal controls over the compilation and review of its financial statements are not designed to detect, prevent or correct material errors in its financial statements.

The deficiency in controls can be attributed to, among other things, inadequate documentation of the process, lack of standardized workflows, lack of clear lines of responsibility and a lack of ‘chain of review and approval’ structure.

Additionally, identifying, extracting and reporting Commission activity from the general ledger system and sub-ledger systems is a cumbersome and time consuming process. The information generated from these systems, often requires significant rework and reprocessing in order for it to be useful to management.

***Effect***

These circumstances increase the potential for a misstatement of the Commission’s financial statements.

***Recommendation***

We recommend that Commission establish properly designed internal controls to ensure that:

1. Appropriate Commission personnel understand the data that is available in the accounting systems as well as how to retrieve and report the data in a format that is useful for Commission purposes;
2. General ledger activities are recorded after being properly approved;
3. General ledger accounts are reviewed, analyzed and reconciled on a timely basis – for example, the EMS cash account was not reconciled at any point during fiscal 2014;
4. Standardized documentation is created to support the interim and annual financial reporting process to ensure that activities can continue without difficulties when personnel changes occur;
5. The chain of review and approval – preparation, review, approval process – is clearly delineated to ensure that responsibility and authority are properly aligned to ensure that financial reports are both complete and accurate; and
6. Duties in the accounting and financial reporting areas are properly segregated.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

***Commission Management's Response***

We agree that during fiscal 2014, the Commission experienced some difficulties in the annual financial reporting process. Some of the difficulties encountered were due to the departure of the Commission's controller and to the reconstruction of certain accounts receivable records that resulted in routine internal controls not operating effectively.

Management will continue their search for a permanent controller and will work on reviewing and updating all key accounting and finance processes, work assignments and workflows to help ensure that the Commission's internal controls are designed and operating properly.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-002**Boston Public Health Commission – Grant Receivables*****Background and Observation***

The Commission has a significant balance of outstanding federal, state and city grant receivables. During the audit of these grant receivables, we noted that numerous outstanding balances within the grant receivables related to prior years that had not been collected. Our initial audit selection of outstanding grant receivable balances as of June 30, 2014 indicated the first three items reviewed were incorrect. These items were corrected by management in the final financial statements and resulted in a more rigorous review of the grant receivables culminating in a write off of over \$5 million of receivables before the final financial statements were issued.

While we believe that some aspect of the difficulties with the grant accounting can be attributed to the Commission's grant accounting system, other factors directly impacting this area include lack of adequate training for key personnel at the Commission, lack of documented processes and procedures, lack of appropriate reviews of activities and lack of properly segregated duties.

***Effect***

These circumstances increase the potential for a misstatement of the balances in the Commission's financial statements.

***Recommendation***

We recommend that the Commission institute policies and procedures in the grant accounting and receivable areas that will ensure that personnel are adequately trained, that policies are sufficiently documented, that review controls are effectively implemented and that duties are properly segregated.

***Commission Management's Response***

We agree that during fiscal 2014, the Commission experienced some difficulties in the grant accounting area that resulted in a large write-off of grant receivable balances. While we believe some of the difficulties can be attributed to computer system issues, we agree that the Commission needs to ensure that appropriate policies and procedures in the grant accounting and receivable area are in place and operating effectively to ensure duties are properly segregated and grant activities are timely and accurately accounted for and reported. In addition to reviewing and updating the policies and procedures, we will also review the need for additional training for key personnel in the grant accounting area.

Going forward, the Commission will continue to adjust its policies and procedures and provide additional training to the appropriate staff to enable them to perform their duties in an effective and efficient manner.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-003**Boston Public Health Commission – EMS and Other Receivables*****Background and Observation****EMS Receivables*

The Commission has a significant balance of Emergency Medical Services (EMS) accounts receivables. During the year, the Commission undertook a project to review and re-record a significant portion of these receivables along with re-applying the cash receipts against these receivables to arrive at adjusted beginning and end of year outstanding balances.

During the audit of the EMS patient receivables, we noted a significant reduction in the outstanding receivables balances from 2013 to 2014 and a significant reduction in the related allowance for uncollectible accounts.

*Other Billed Receivables*

Our test work in the other receivable and cash receipt areas indicates that the Commission does not have appropriate controls over the proper tracking of ‘other receivables’ – including rents, utilities, etc. – or a centralized process for receiving checks and appropriate controls over the application of cash received related to these receivables.

***Effect***

These circumstances increase the potential for a misstatement of the balances in the Commission’s financial statements.

***Recommendation***

The Commission uses a third party processor for its EMS receivables and needs to institute and execute adequate controls to ensure that all activities – billings, collections, adjustments, etc. – are completely and accurately recorded and that accounts are reconciled to the general ledger on a timely basis. Management needs to establish user controls to ensure that the activity outsourced to the third party is complete and accurate. This includes receiving, reviewing and addressing any comments noted in the third party’s SOC 1 report.

With regard to the other receivables, the Commission should explore using the City’s billing and accounts receivable system as a means to enable all of the Commission’s receivables and cash receipts to be better controlled and tracked.

***Commission Management’s Response***

The Commission will review the need to establish user controls to ensure that the billing activities outsourced to the third party are complete and accurate and will determine whether any comments noted in the third party’s SOC 1 report requires Commission action.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

We will also review the Commission's practices and controls related to all other accounts receivables to ensure their integrity, including studying the feasibility of using the City's billing systems.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-004**Boston Public Health Commission – Information Technology – System PowerUsers*****Background and Observation***

Based on our review of the Commission's Information Technology area, we noted that two individuals in the Grant Accounting area and one individual in IT are designated as IT 'PowerUsers'. Such a designation provides unlimited access and processing privileges to the designated user. Thereby allowing these individuals to perform a wider range of computer activities than can be performed by other Commission employees.

PowerUser privileges while necessary to configure applications, administer access and sometimes research and correct problems, by their nature defeat separation of duties (SOD) controls and consequently need to be carefully assigned and strictly controlled. These roles are generally assigned to persons who have no functional responsibility for processing transactions through the system particularly financial transactions. Individuals with such roles should be limited in the other duties they perform. Other duties performed by users with such access must be rigorously reviewed and always properly segregated to ensure that the incompatible activities performed by a PowerUser are appropriate. Having a PowerUser with the ability to perform incompatible functions including access to bank accounts, check signing authority, establishing new vendors on the system, making journal entries, recording accounting transactions, reconciling general ledger/bank accounts etc. creates an unnecessarily high risk to the Commission.

***Effect***

These circumstances increase the potential for incompatible duties to be performed by the same individual thereby increasing financial and operating risk.

***Recommendation***

BPHC should:

- Design and implement a segregation of duties model for all users to GP.
- Restrict PowerUser access to those individuals that do not have financial or business responsibilities, e.g. IT staff appropriately trained.
- Perform a periodic review of the users, roles and any potential SOD conflicts. Documentation of the review should be retained.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

*Commission Management's Response*

The Commission is currently in the process of reviewing all user access to its finance systems, Great Plains to ensure that users only have access to appropriate functions. While the designation of a "PowerUser" does pose a certain amount of risk it is at times necessary to have an individual who has certain financial knowledge and system knowledge in order to resolve system issues. In order to minimize the risk inherent in such a situation, the Commission designed the system to provide certain safeguards such as:

- a. The financial systems are hosted by third party provider, who has full administrative and physical server control. Therefore, PowerUsers do not have access to make changes to any IT related system activities.
- b. BPHC has a structure of departmental delegation of authority for purchasing. In the BPHC procurement process, only authorized approvers in accordance to BPHC signature matrix approved by the Executive Director (a copy of which was provided to the auditors), is allowed to approve purchasing order requisitions, which is the primary process of approving expenditures. None of the PowerUsers has such authority. The other form of expenditure authorization is through check requisition which requires Executive Officer approval. None of the PowerUsers has such authority. The final means of expenditure authorization is by using BPHC visa card. None of PowerUsers have been issued a visa card.
- c. BPHC physically restricts access to the check printing machine and the actual check books by keycard access and a safe. Accounts payable staff are the only ones allowed access. In addition, BPHC restricted receipts of payment and deposit to accounts receivable department, while over 90% of payments are direct deposited into bank accounts or lockbox. None of the PowerUsers are AP staff.
- d. BPHC restricts payroll processing to human resources staff using an external provider payroll system. None of the PowerUsers are human resources staff.
- e. Only the accounting department can perform actual bank reconciliations using the GP financial system. None of the accounting staff are PowerUsers.
- f. All banking transactions require separate initiation and approvals. No PowerUsers have initiation authority and only one PowerUser has secondary approval authority which may be used only in the absence of the primary approver. All wire transfer of funds are reviewed in advance by the Controller, initiated by a member of the accounting staff and approved by the Director of Administration and Finance. Wire transfers of funds are also reviewed on a weekly basis.

BPHC takes this matter very seriously, and is re-evaluating its current policies and procedures to make sure all risks are identified and minimized. Also, BPHC PowerUsers have been reduced to two from its current 3 users with only one having any finance duties. As an additional precaution, all activity in the finance system is now logged by the third party provider. If possible BPHC may hire an individual in IT with both financial and IT knowledge to be the designated PowerUser to replace the current PowerUser who has additional financial responsibilities.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-005**Boston Public Health Commission – Information Technology *Information Security Policy and Procedures******Background and Observation***

While the Commission has issued several IT and Information Security related policies, (e.g. Computer and Network use, HIPAA Privacy, Change Management), no comprehensive IT policy document, including a detailed Written Information Security Policy (WISP), exists. Additionally, we noted that the two formally authorized policies (Computer and Network Usage and HIPAA Privacy) were last reviewed in June, 2008.

Formally documented and management endorsed IT and Information Security policies and procedures permit functional groups such as IT to introduce, promote and implement necessary controls with the authority of senior management across a diverse and sometimes resistant user community. A comprehensive and documented Information Security Program / Policy managed and overseen by a dedicated resource (e.g., an ISO) is a mandatory requirement of several federal privacy statutes.

In 2014, it was noted that BPHC IT is developing the information security policy and plans to complete it in the 2014 calendar year.

***Effect***

Improving data security decreases the risk that sensitive data is not being adequately protected.

***Recommendation***

We recommend that the Commission's IT management continue to drive a project to develop and introduce a comprehensive information security policy and supporting subpolicies and standards for adoption and enforcement by the Commission IT and functional departments and agencies.

We further recommend that the Commission's management review existing policies for currency and update and reissue accordingly. In particular the HIPAA policy should be reviewed in light of the 2009 HIPAA-HITECH legislation.

***Commission Management's Response***

The Commission concurs with the Auditors' view that information security policies must be a strategic imperative and in conformance with statutory regulations. The recommendation to establish an Information Security Officer has been approved and posted, however the ISO position remains unfilled. CIO indicated that for various reasons the position has failed to attract suitably qualified candidates.

The Commission's management is presently reviewing existing policies including HIPAA Privacy and Security for currency and will update accordingly.



**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

Management would like to note with regard to the auditors proposal regarding WISP that 201 CMR 17.01 specifically excludes from the definition of “person” any “agency, executive office, department, board, commission, bureau, division or authority of the Commonwealth, or any of its branches, or any political subdivision thereof.” Consequently, the regulation requiring WISP does not apply to the BPHC.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-006

**Boston Public Health Commission – Information Technology – *Sensitive Data Encryption***

***Background and Observation***

In general, the Commission’s Personally Identifiable Information (PII) and other sensitive/confidential data are not encrypted:

- at rest – located on file servers
- during transport – backup system copies transported offsite (Iron Mountain)
- during transmission – e-mails
- on removable storage devices – HR, management laptops, removable devices (flash drives, CD-W etc)

Unsecured data whether it resides on an entity’s file server inside the network, is contained with an e-mail transmitted on the internet or copied to transportable media such as laptop drive, a USB flash device, or backup media stored offsite, is at risk of unauthorized access, misuse and misappropriation. Studies confirm that a major cause of security breaches is loss or theft of unencrypted devices used to store sensitive data. The consequences of such losses involving PII or other regulated data are costly both in monetary and reputational terms.

***Effect***

Continuing to improve data security reduces the risk that PII and other sensitive data is not being adequately protected.

***Recommendation***

We recommend that the Commission’s IT management continue working on ensuring the appropriate level of security over PII and other sensitive/confidential data is in place.

***Commission Management’s Response***

All laptops are encrypted at the Commission. All end users have the ability to encrypt email. Users are only able to purchase flash drives through ITS and these drives are required to be encrypted.

We will work with our vendor to encrypt sensitive data.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-007**Boston Redevelopment Authority – Financial Reporting Closing Process and Review*****Background and Observation***

During fiscal year 2014, the Authority had gone through many changes throughout the organization with departments being reorganized, new roles and responsibilities being established, a retirement of a key finance individual and new employees being added at the Authority. It is anticipated that the future will bring additional changes to the Authority throughout the organization.

The Authority prepares financial statements under U.S. generally accepted accounting principles (GAAP) once a year for their year-end financial reporting. Management is responsible for preparing the financial statements of the Authority in accordance with GAAP. Even a relatively small organization such as the Authority is affected by numerous accounting standards.

The proliferation of new accounting standards and the specialized application of GAAP to the Authority suggests that finance personnel should be more knowledgeable about relevant GAAP and senior officials should have deeper overall GAAP cognizance.

During our review over the initial draft of financial statements provided by the Authority, we noted financial reporting errors relating to both the basic financial statements as well as the required supplementary information. The retirement of a key finance individual impacted the Authority's ability to produce a robust set of financial statements as the Authority did not have a detailed closing process documented that would allow existing and new employees to effectively close the year end books and records.

***Effect***

This circumstance increases the possibility for a misstatement of the Authority's financial statements.

***Recommendation***

KPMG recommends the following:

- Management should implement additional training in GAAP, as this will enable the Authority to enhance its ongoing financial reporting process. In particular, issues could be identified earlier and accounting for transactions could be finalized sooner.
- Management should expand and refine written, comprehensive accounting policies and procedures in all key areas. Among the more important areas in which further formal guidelines would promote proper accounting are the accounting treatment of long-term liabilities, the accumulation of information for the statement of cash flows, and the accumulation of information to support references within the footnotes.

The above would ensure that significant judgments under GAAP are consistently applied in light of accounting regulations and the additional industry emphasis on internal control, and would make the year-end closing process more efficient.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

*Authority Management's Response*

The Authority agrees with KPMG that the financial reporting for the fiscal year 2014 audit process was overly complicated primarily due to a lack of continuity amongst the audit parties. The timing of the Authority's loss of the key person in the audit process, the Authority's long term Controller, in the midst of the audit cycle. As a result, the Authority has implemented multiple improvements in policy and procedures in order to enhance future financial reporting.

The Authority has identified, and begun to implement, accounting improvements and policy changes for fiscal year 2015. Additionally, the department is being re-engineered to ensure that its activities are performed in the most efficient and accurate manner possible. Training has been scheduled on the general ledger system advanced reporting capabilities and will soon schedule additional GAAP training with a focus on cash flow reporting.

The ongoing experience of the recently hired Controller and the change in departmental responsibilities will enhance the continuity of the audit process.

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

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

<b>Finding number:</b>	2014-008
<b>Federal agency:</b>	U.S. Department of Housing and Urban Development
<b>Pass-through agency:</b>	N/A – Direct Funding
<b>Program:</b>	Community Development Block Grants – Entitlement Grant H.O.M.E. Investment Partnerships Program
<b>CFDA #:</b>	14.218; 14.239
<b>Award number:</b>	Various
<b>Award year:</b>	Various
<b>Finding:</b>	Allowable Costs – Support of Salaries and Wages Distribution

**Criteria**

OMB Circular A-87, Attachment B, item 8(h)(4); Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: a) more than one Federal award, (b) a Federal award and a non Federal award, (c) an indirect cost activity and a direct cost activity, (d) two or more indirect activities which are allocated using different allocation bases, or (e) an unallowable activity and a direct or indirect cost activity.

**Condition**

We noted that for two of our 48 payroll expenditures selected for testwork, the employee's distribution of salary was not supported by current personnel activity reports or equivalent documentation. Instead, old certifications and percentages were used to charge the respective employee's salary across multiple Federal awards resulting in over-reporting and under-reporting to those programs.

**Cause**

This appears to result from inadequate monitoring controls in place ensuring the current distribution of salaries are used, based on the time of year the service was provided, appropriately supported by current certifications.

**Effect**

The City is not in compliance with the time distribution documentation standards of Circular A-87 for the items noted resulting in a misreporting of allowable costs.

<b>Questioned Costs:</b>	\$405
--------------------------	-------

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Recommendation:**

We recommend that management enhance current policies to make certain that the time distribution rates are updated based on when the service was provided to ensure the correct payroll amount is charged each program.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

DND has put procedures in place as part of an employee's internal transfer to another position in DND to ensure that any change in Division or Program will be documented and communicated to DND's Accounting Unit so that the appropriate personnel cost allocations will be updated.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding number:** 2014-009

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

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

**Program:** H.O.M.E. Investment Partnerships Program

**CFDA #:** 14.239

**Award number:** M-13-MC-25-0200

**Award year:** July 1, 2013 to June 30, 2014

**Finding:** Housing Quality Standards

*Criteria*

The City’s Department of Neighborhood Development (DND) receives federal awards from the United States Department of Housing and Urban Development (HUD) for the H.O.M.E. Investment Partnerships Program. 24 CFR Sections 92.551, 92.252, and 92.504 (b) require that DND 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 annually for projects with more than 26 units to every three years for projects with less than five units.

*Condition*

During our testing of DND’s monitoring of housing quality standards through a sample selection of 8 project inspections, we noted the DND was unable to locate the history of previous inspections for one of the projects selected for testwork. As this project was not a new project for fiscal year 2014 and there was a lack of inspection history, we were unable to ascertain if the project was inspected timely.

*Cause*

This appears to be due to a lack of execution of policies and procedures to ensure that documentation of such inspections is complete and is maintained on file.

*Effect*

The City is not retaining documentation of housing quality standards inspections as required, which increases the risk of untimely inspections.

**Questioned Costs:** None

**Recommendation:**

We recommend that DND reiterate its policies and procedures regarding documentation of housing quality standards inspections to ensure such inspections are performed timely.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

DND has implemented policies and procedures to ensure all projects are properly inspected, and is currently reviewing its entire affordable housing portfolio to ensure inspection obligations are met and kept current. DND has migrated all inspection schedules to Salesforce, a cloud-based, CRM/project management interface that enables DND to transparently manage project workflow, data and document storage. This enables DND to update the files as inspections are received, create new tasks in order to follow up as needed, attach inspection documents to the project/unit records, and establish recurring inspection schedules.

**Anticipated Completion Date:**

June 30, 2015



## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding number:** 2014-010

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

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

**Program:** H.O.M.E. Investment Partnerships Program

**CFDA #:** 14.239

**Award number:** M-13-MC-25-0020

**Award year:** July 1, 2013 to June 30, 2014

**Finding:** Internal Control over Income Monitoring

*Criteria*

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. The Compliance Unit of the City's Department of Neighborhood Development (DND) Administration and Finance maintains a monitoring database for H.O.M.E. units. There is a requirement that an annual verification be done to determine that a low-income family occupies the unit and that the rent level is appropriate.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

*Condition*

During our testing of income monitoring, we noted that the DND verifies low-income status and rental amounts through income certifications from the developer/owner and, in certain cases, the DND collected the supporting information for the income certifications. The DND also performed site visits at selected projects to review underlying documentation and recalculate the information submitted on the income certifications. In our testing of 40 tenants from 10 projects selected, we noted no instances of noncompliance related to income eligibility or rental amounts. However, we noted five instances in which the information submitted on the income certifications did not agree to supporting documentation provided by the developer/owner.

*Cause*

This appears to be due to insufficient review of documentation supporting the information reported on the income certifications received from the developer/owners.

*Effect*

The City is not adequately monitoring income eligibility and rental amounts.

**Questioned Costs:** None

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Recommendation:**

We recommend that DND implement policies and procedures to strengthen the review process to ensure that all projects are properly monitored for low income status, and that low income status and rental amounts are subjected to verification against documentation maintained by the developer/owner.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

DND has implemented policies and procedures to ensure all projects are properly monitored, and is currently reviewing its entire affordable housing portfolio to ensure monitoring obligations are met and kept current. DND has migrated all monitoring processes to Salesforce, a cloud-based, CRM/project management interface that enables DND to transparently manage project workflow, data and document storage. This enables DND to update records as documents are reviewed, identify deficiencies in documentation in order to follow up, attach documents to the project/unit records, set up future monitoring tasks, and create reports in order to schedule updates.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding number:** 2014-011

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

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

**Program:** Choice Neighborhood Grant

**CFDA #:** 14.889

**Award number:** MA1A505CNI-110

**Award year:** July 1, 2013 to June 30, 2014

**Finding:** Inaccurate Reporting

*Criteria*

The Department of Housing and Urban Development’s (HUD) Choice Neighborhoods Implementation Program (CNI) requires its award recipients to file Quarterly Reports, as prescribed by HUD, 15 calendar days after the end of each quarter. Among other items noted in the award documentation, the recipient must report the progress of their award, including but not limited to, progress against their schedule and budget, and expenditures to date.

*Condition*

Of the four Quarterly Reports we reviewed during our audit, we noted that the amount expended for the quarter included on one of the Quarterly Reports appeared overstated by \$69,742 when compared to the City’s financial records (\$105,538 was reported in the Quarterly Financial Report with the financial records indicating \$35,795 in expenditures).

*Cause*

This appears to be the result of an inadvertent omission of certain drawdown requests made during previous quarters in the amount of the aforementioned difference.

*Effect*

The City filed inaccurate reports with HUD.

**Questioned Costs:** None

**Recommendation:**

We recommend that the City reemphasize its reporting policies and procedures related to the HUD CNI Program to ensure that all financial reports filed are complete and accurate.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

DND has put procedures in place as part of the drawdown tracking system that ensure that the reporting is accurate and consistent across agency division. All requisitions are tracked both by the program division and Administration & Finance, and tested for consistency on at least a quarterly basis.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

<b>Finding number:</b>	2014-012
<b>Federal agency:</b>	U.S. Department of Education
<b>Pass-through agencies:</b>	Massachusetts Department of Elementary and Secondary Education
<b>Programs:</b>	ARRA-SFSF Race to the Top Early Learning Initiative Title III – Bilingual Language Special Education (IDEA) Cluster Title I – Grants to Local Educational Agencies
<b>CFDA#s:</b>	See below
<b>Award numbers:</b>	See below
<b>Award years:</b>	See below
<b>Finding:</b>	Management of Grant Funds

**Criteria**

The City of Boston Public Schools (BPS) receives funding from the Commonwealth of Massachusetts’ Department of Elementary and Secondary (DESE). DESE sets policy for the grants and required reports. DESE issues guidance in *Grants for Schools: Getting Them and Using Them, A Procedural Manual*.

According to the DESE’s procedure manual, “At the conclusion of grant activities, recipients must submit a final financial report to the Department, accounting for the expenditure of funds received. Grants Management has developed a standard form (FR-1) for collecting this information. Grant recipients should file their reports after carefully reconciling all figures with their city auditor, town accountant, or agency business manager.”

Further, the manual states that drawdown “requests should be based, as much as possible, on actual expenditures, rather than what is obligated.” The manual further states that “by submitting a request the grantee certifies that the request is in compliance with the “Cash Management Act” and EDGAR regulations, which allows for cash advances provided grantees maintain procedures to minimize the time elapsing between receipt and disbursement of grant funds.”

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

**Condition**

During our audit of cash management for the programs and grant awards detailed below, we found that the City drew down the entire amount of the grant award by August 31, 2013, which reflected an advance of federal funds as the City did not incur expenditures prior to the final draw to make it a request for reimbursement. Despite, in some cases, returning a portion of these advanced funds to DESE for certain awards during fiscal year 2014 upon the filing of the respective FR-1, certain amounts of these advances remained unspent subsequent to such return of funds and the filing of the FR-1.

Therefore, it does not appear that the City minimized the amount of time between drawdown and expenditure for these advances.

Additionally, in testing the final FR-1 financial reports for awards received from DESE for the state grant year ending August 31, 2013, we noted that the amount included in the FR-1 on the line titled “B. Funds expended” for certain awards did not reconcile to the expenditure amounts for the awards as recorded in the City’s general ledger through the filing of the FR-1.

The following tables represent the awards included in this finding, as well as a summarization of our specific cash management and reporting results:

<b>ID</b>	<b>Grant</b>	<b>CFDA</b>	<b>City grant number</b>	<b>DESE award number</b>	<b>Grant period</b>
A	Race to the Top	84.395	BPS13403	201-000290-2013-0035	7/1/12 to 6/30/13
B	Title III	84.365	BPS13272	180-008-3-0035-N	9/1/12 to 8/31/13
C	Title III	84.365	BPS14430	184-008-4-0035-O	7/1/13 to 9/30/13
D	Title III	84.365	BPS13273	180-091-3-0035-N	12/18/12 to 8/31/13
E	Title I	84.010	BPS13369	320-064-3-0035-N	12/21/12 to 8/31/13
F	Special Education Cluster	84.027	BPS13145	240-346-3-0035-N	9/1/12 to 8/31/13
G	Special Education Cluster	84.027	BPS13147	274-297-3-0035-N	1/22/13 to 8/31/13
H	Special Education Cluster	84.027	BPS13431	225-001-3-0035-N	5/8/13 to 8/31/13
I	Special Education Cluster	84.027	BPS13441	245-023-3-0035-N	3/1/13 to 8/31/13
J	Special Education Cluster	84.027	BPS13444	298-222-3-0035-N	5/3/13 to 6/30/13
K	Special Education Cluster	84.173	BPS13146	26213BOSTONPOBLICSCH	9/11/12 to 8/31/13

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

*Cash Management Results:*

Grant	Cash drawn at August 31, 2013	Expenditures recorded for award at filing of FR-1	Overdrawn at Filing of FR-1 Report	Amount returned to DESE with FR-1 Report	Overdrawn subsequent to return of funds
A	\$ 12,950,151	10,871,819	2,078,332	1,565,080	513,252
B	2,913,543	2,882,148	31,395	—	31,395
C	16,717	14,000	2,717	—	2,717
D	264,587	261,949	2,638	—	2,638
E	74,999	69,807	5,192	—	5,192
F	18,588,968	16,273,758	2,315,210	2,233,207	82,003
G	255,960	160,980	94,980	—	94,980
K	485,389	464,060	21,329	—	21,329

*Reporting Results:*

ID	Expenditure amount per FR-1	Expenditure amount per general ledger	Difference
A	11,385,071	10,871,819	513,252
B	2,913,543	2,882,148	31,395
C	16,717	14,000	2,717
D	264,587	261,949	2,638
E	74,999	69,807	5,192
F	16,355,762	16,273,758	82,004
G	255,960	160,980	94,980
H	9,613	9,195	418
I	45,000	43,555	1,445
J	5,750	—	5,750
K	485,389	464,060	21,329

*Cause*

Under DESE requirements, the City is required to make its final draw on a grant award in the month prior to the end of the award. At that point, BPS estimates its expected ultimate expenditures based on current and expected obligations of funds and executes the final draw based on that amount. In some cases, the time required to liquidate current and expected obligations may take several months causing delays between the amounts drawn and amounts disbursed. The amount of expenditures estimated may also be overstated in which case the City will return funds to DESE upon the filing of the FR-1 report. This revised estimate of ultimate award expenditures is the amount reported on the FR-1.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

*Effect*

The City drew cash in advance of expenditure and did not minimize the time between drawdowns and expenditures. The City also did not file accurate financial reports with the pass-through entity.

**Questioned Costs:** None

**Recommendation:**

We recommend that the City implement policies and procedures to ensure that the time between drawdown of award funds and expenditure for its BPS programs is minimized and to ensure that accurate award expenditure amounts are reported to the Commonwealth annually on the FR-1 reports.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

BPS concurs with the finding and the recommendation.

BPS will continue its practice of monitoring spending rates during the grant period, and bringing critical variances to the attention of senior leadership and grant program managers. BPS has reestablished its network of grant managers. The grant managers now receive periodic communication throughout the life of the grants. This allows for regular and consistent data review, sharing of best practice, and mutual accountability for financial results. BPS is working closely with DESE to review our practice and their requirements in order to minimize the occurrence of instances described here and maximize full use of awarded funding for the benefit of the school district.

In addition, the Auditing Department's Grant Monitoring Unit has strengthened procedures to ensure that the FR-1 reconciles to the City's General Ledger.

**Anticipated Completion Date:**

June 30, 2015



## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

<b>Finding number:</b>	2014-013
<b>Federal agency:</b>	U.S. Department of Education
<b>Pass-through agency:</b>	Massachusetts Department of Elementary and Secondary Education
<b>Program:</b>	Title I – Grants to Local Educational Agencies
<b>CFDA #:</b>	84.010
<b>Award number:</b>	305-018923-2014-0035
<b>Award year:</b>	September 1, 2013 to June 30, 2014
<b>Finding:</b>	Annual Report Card, High School Graduation Rate

*Criteria*

Beginning with annual report cards providing assessment results for the 2010–2011 school year, an SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the four-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). Additionally, SEAs and LEAs must include the four-year adjusted cohort graduation rate (which may be combined with an extended-year adjusted cohort graduation rate or rates) in adequate yearly progress (AYP) determinations beginning with determinations based on assessments administered in the 2011–2012 school year. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR Section 200.13(b)(7)(ii) using a four-year adjusted cohort graduation rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

*Condition*

For 15 of 16 students removed from their respective cohorts in the Student Information Management System (SIMS) selected for testing, the City of Boston Public Schools (BPS) could not provide any written documentation that the student emigrated to another country, is deceased, or is enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

*Cause*

This appears to be due to a lack of policies and procedures in place at BPS to ensure compliance with this requirement.

*Effect*

BPS is potentially misstating the number of students in the adjusted cohorts used by the Commonwealth of Massachusetts to determine the four-year adjusted cohort graduation rate.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Questioned Costs:** None

**Recommendation:**

BPS management should re-familiarize staff with the requirements related to the removal of students from the adjusted cohorts used to determine the four-year adjusted cohort graduation rate and establish policies and procedures to obtain and monitor the documentation of student transfers required to remove students from their respective cohort.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

BPS concurs with the finding and the recommendation.

The BPS district is comprised of 128 schools, broken into 7 networks – 6 elementary and 1 high school network. Each network is headed by a Network Superintendent who oversees the instructional and operational needs of all schools. The Network Superintendents report directly to the Deputy Superintendent of Academics. Through the high school network, BPS will centrally generate a list of withdrawals by schools (with reasons) and will document each withdrawal within the BPS Student Information System (SIS). SIS is a system parents, educators, and school leaders can easily access and manage real-time information on student learning to help personalize instruction. BPS is currently in year 2 of the SIS application so it is a new emerging system for Principals.

At the next Superintendent learning session, BPS will announce the process that needs to be followed to track students, withdrawals to ensure transfers are documented and that these students are removed from the cohort. School Leaders will be informed that the reasons for withdrawal will have to be coded into SIS. If students/families are not able to be reached, BPS will ensure a call log will be kept and results recorded.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

**Finding number:** 2014-014  
**Federal agency:** U.S. Department of Education  
**Pass-through agency:** Massachusetts Department of Elementary and Secondary Education  
**Program:** Title I – Grants to Local Educational Agencies  
**CFDA #:** 84.010  
**Award number:** 305-018923-2014-0035  
**Award year:** September 1, 2013 to June 30, 2014  
**Finding:** Highly Qualified Teachers and Paraprofessionals

***Criteria***

Beginning after the first day of the 2002-2003 school year, an LEA had to ensure that any teacher whom it hired to teach a core academic subject and who worked in a program supported with Title I, Part A funds was highly qualified as defined in 34 CFR section 200.56.

***Condition***

From our selection of 12 teachers hired by the City of Boston Public Schools (BPS) in fiscal year 2014 selected for testwork, we noted one teacher was not appropriately licensed.

***Cause***

Apparent oversight on the part of school management.

***Effect***

The City is not in compliance with the aforementioned requirements for highly qualified teachers.

**Questioned Costs:** None

**Recommendation:**

We recommend that BPS strengthen its controls over hiring of teachers who work in a program supported with Title I, Part A funds to ensure that these teachers are appropriately licensed by the Commonwealth of Massachusetts.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Management's Response:**

BPS concurs with the finding and the recommendation.

In order to prevent the assignment of individuals to teaching positions that are not highly qualified, the district's Office of Human Capital has strengthened its controls over hiring teachers that work in programs supported with Title I, Part A funds. The steps taken include an improved data system to monitor the qualifications of Title I, Step A teachers, hiring of staffing coordinators whose responsibilities include vetting teacher qualifications, and a final review of all offers to hire by the Office of Human Capital and the Office of Equity. These actions are all aimed at ensuring that these teachers are appropriately licensed by DESE.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

**Finding number:** 2014-015  
**Federal agency:** U.S. Department of Education  
**Pass-through agency:** Massachusetts Department of Elementary and Secondary Education  
**Program:** Title I – Grants to Local Educational Agencies  
**CFDA #:** 84.010  
**Award number:** 0305-007438-2013-0035  
**Award year:** July 1, 2012 to June 30, 2014  
**Finding:** Documentation of Time and Effort

***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) and be adequately documented. 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 our testwork, we noted that certified documentation supporting two out of the 25 payroll expenditures selected for testwork could not be located by the City of Boston Public Schools (BPS).

***Cause***

The employees in question were employed at a school that was closed during the fiscal year. The documentation supporting their payroll was apparently misfiled upon the closing of the school.

***Effect***

BPS is not in compliance with the documentation standards of A-87 for the item noted.

**Questioned Costs:** \$6,113

**Recommendation:**

We recommend that the City reiterate the importance of maintaining documentation of time records supporting charges made to Federal awards to responsible staff.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Management's Response:**

BPS concurs with the finding and the recommendation.

Our district is comprised of 128 schools, broken into 7 networks—6 elementary and 1 high school network. Each network is headed by a Network Superintendent that oversees the instructional and operational needs of all schools. The Network Superintendents report directly to the Deputy Superintendent of Academics. To address the issue for schools closing in the current school year, BPS will notify Headmasters and School Secretaries of the requirement to archive all necessary documentation through notification in the Superintendent's biweekly bulletins and through Network Superintendents communications.

**Anticipated Completion Date:**

June 30, 2015

**CITY OF BOSTON, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2014

**Finding number:** 2014-016  
**Federal agency:** U.S. Department of Education  
**Pass-through agency:** Massachusetts Department of Elementary and Secondary Education  
**Program:** Special Education (IDEA) Cluster  
**CFDA #:** 84.027  
**Award number:** 240-346-3-0035-N  
**Award year:** September 1, 2012 to August 31, 2013  
**Finding:** Documentation of Time and Effort

***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) and be adequately documented. 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 our testwork, we noted that for one of the 25 payroll expenditures selected for testwork, the attendance sheet supporting the time worked was not signed by the City of Boston Public School (BPS) employee.

***Cause***

Apparent oversight of the employee and the respective supervisor.

***Effect***

BPS is not in compliance with the documentation standards of Circular A-87 for the item noted.

**Questioned Costs:** None

**Recommendation:**

We recommend that the City reiterate the importance of maintaining complete documentation of time records supporting charges made to Federal awards to responsible staff.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**CITY OF BOSTON, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2014

**Management's Response:**

BPS concurs with the finding and the recommendation.

The BPS Accounting Unit has sent notification to the Special Education Department of document requirements and the district policy that all employees are required to sign in daily.

The Accounting Unit will conduct periodic random audits to ensure compliance.

**Anticipated Completion Date:**

June 30, 2015



**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Finding Number:** 2014-017  
**Federal Agency:** U. S. Department of Education  
**Pass-through agency:** Massachusetts Department of Elementary and Secondary Education  
**Program:** Title III – Bilingual Language  
**CFDA #:** 84.365  
**Award number:** 180-061-4-0035-O  
**Award year:** December 5, 2013 to August 31, 2014  
**Finding:** Participation of Private School Children

*Criteria*

The requirements for participation of private school children are set forth in the 34 CFR Sections 200.62-200.67 and 200.77-200.78. LEAs receiving Title III funds are required to conduct timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children. The grants require the per pupil allocation generated by private school children from low-income families living in participating public school attendance areas is equitable to the per pupil allocation generated by public school children from low-income families living in the same attendance areas.

*Condition*

The City of Boston Public Schools (BPS) did not comply with timely consultation with private school officials, as it was determined that only 41 of 53 Boston-area private schools were consulted in regards to Title III funding.

*Cause*

Apparent oversight on the part of Title III program management.

*Effect*

The City did not make participation in the Title III program available to all applicable Boston-area private schools.

**Questioned Costs:** None

**Recommendation:**

We recommend that BPS reiterate to program management the requirements for consultation with private schools and enhance policies and procedures to help ensure that such consultations are made in a timely and complete manner.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

BPS concurs with the finding and the recommendation.

Going forward, the Office of English Language Learners (OELL) will ensure that they have an updated list of all private/ parochial schools. OELL will make all first contact via email, follow up by certified mail to non responders, and document for all schools the date(s)/method(s) of contact, and whether the schools will be participating, have declined participation or did not respond.

**Anticipated Completion Date:**

June 30, 2015

## CITY OF BOSTON, MASSACHUSETTS

## Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

<b>Finding number:</b>	2014-018
<b>Federal agency:</b>	U.S. Department of Homeland Security
<b>Pass-through agency:</b>	Massachusetts Executive Office of Public Safety
<b>Program:</b>	Homeland Security Grant Program
<b>CFDA #:</b>	97.067
<b>Award number:</b>	Various
<b>Award year:</b>	Various
<b>Finding:</b>	Monitoring of Subrecipient A-133 Reports

*Criteria*

The Single Audit Act Amendments of 1996 establish criteria for pass-through entities to follow when awarding federal funds to subrecipients. The pass-through entity is responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period.

*Condition*

During our audit, we found that the City notified subrecipients for the Homeland Security Grant Program that they are required to follow the audit requirements of OMB Circular A-133 and are required to submit the required reporting within nine months of the subrecipient's fiscal year-end. We noted that the City obtained the OMB Circular A-133 audit reports for each of these subrecipients, however, we noted that the audit reports for five of the City's eight subrecipients were received in excess of four months after the issuance of the report. Additionally, we also found that the A-133 reports of all eight of the City's subrecipients' either did not include any expenditures for the Homeland Security Grant Program passed through the City on the schedule of expenditures of federal awards, or the amount reported on the schedule of expenditures of federal awards was less than the amount recorded in the City's accounting records.

*Cause*

The untimely receipt of the subrecipient audit reports appears to be due to the lack of substantive follow-up on the part of the City. The City did send a communication to its subrecipients regarding the omission of expenditures from the Homeland Security Grant Program passed through the City from the subrecipients' schedules of expenditures of federal awards, however, this communication was sent after completion of the fiscal year 2013 audits which were received during the period under audit.

**CITY OF BOSTON, MASSACHUSETTS**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2014

***Effect***

Untimely receipt and review of subrecipient audit reports could result in findings related to the Homeland Security Grant Program not being addressed by the City and corrected by the subrecipient in a timely manner.

The omission of Homeland Security Grant Program expenditures from the subrecipient audit reports means that the federal funds passed through by the City will not be subject to audit as required under OMB Circular A-133 and the agreements between the City and the subrecipients.

**Questioned Costs:** None

**Recommendation:**

We recommend that the City incorporate more stringent efforts to ensure that they are provided with subrecipient audit reports on a timely basis and that those reports include the Homeland Security Grant Program expenditures passed through the City on the respective schedules of expenditures of federal awards.

**Auditee Corrective Action Plan**

**Contact Person:** Kelli Lazar

**Management's Response:**

The Mayor's Office of Emergency Management (OEM) will send the Jurisdictional Point of Contact, or assigned designee, and the City Auditor or Town Accountant, all pertinent financial details necessary for their annual reporting. The reporting will be sent no later than October 1<sup>st</sup> of the next fiscal year as long as all transactions are complete.

The following March, OEM will access Federal Audit Clearinghouse to verify all A-133 reports are filed. Verification that the City or Town reported like numbers from the prior year's reporting will be corroborated or corrective action will be taken.

**Anticipated Completion Date:**

June 30, 2015