



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, 2015

CITY OF BOSTON, MASSACHUSETTS

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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, 2015. 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 Economic Development and Industrial Corporation of Boston, and the Trustees of the Boston Public Library, who received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of 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 the 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, 2015.

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 2015-003 through 2015-009. 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 2015-002 through 2015-009 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 29, 2015, 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

Boston, Massachusetts
December 30, 2015

CITY OF BOSTON, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	2015 Expenditures
U.S. Department of Agriculture:		
Direct programs:		
Farmers' Market and Local Food Promotion Program	10.168	\$ 19,999
Farm to School Grant Program	10.575	2,500
Cooperative Forestry Assistance	10.664	7,600
Total direct programs		<u>30,099</u>
Passed-through State Department of Education:		
National School Lunch Program (notes 2 and 4)	10.555	36,323,824
Child and Adult Care Food Program	10.558	2,027
Summer Food Service Program for Children (note 4)	10.559	1,083,072
Food and Nutrition	10.582	659,801
Total passed-through State Department of Education		<u>38,068,724</u>
Total U.S. Department of Agriculture		<u>38,098,823</u>
U.S. Department of Defense:		
Direct programs:		
Language Grant Program	12.900	85,865
Total U.S. Department of Defense		<u>85,865</u>
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grants – Entitlement Grant	14.218	17,156,276
Emergency Shelter Grants Program	14.231	1,122,331
H.O.M.E. Investment Partnerships Program (note 3)	14.239	3,349,571
Housing Opportunities for Persons with AIDS	14.241	1,738,097
E.D.I.	14.246	404,090
Section 108 Loans	14.248	2,096,948
ARRA – Neighborhood Stabilization Program	14.256	97,101
HUD Continuum of Care	14.267	20,832,837
Fair Housing Assistance Program: State and Local	14.401	146,854
Fair Housing Assistance Program: Federal	14.408	81,692
Community Challenge Planning Grant	14.704	1,041,635
Regional Housing Opportunity	14.857	84,118
Choice Neighborhood Grant	14.889	1,663,831
Lead Hazard Reduction Demonstration Grant Program	14.905	1,253,096
Total direct programs		<u>51,068,477</u>
Passed-through Massachusetts Department of Housing and Community Development:		
Community Development Block Grants – Non-Entitlement Grants	14.228	297,785
Passed-through Economic Development Industrial Corporation:		
Choice Neighborhood Grant	14.892	83,342
Total U.S. Department of Housing and Urban Development		<u>51,449,604</u>
U.S. Department of the Interior:		
Passed-through Massachusetts Environmental Protection Division:		
Historic Preservation Fund Grants-In-Aid	15.904	42,755
Total U.S. Department of the Interior		<u>42,755</u>

CITY OF BOSTON, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	2015 Expenditures
U.S. Department of Justice:		
Direct programs:		
Community Based Violence Prevention	16.123	\$ 737,037
OVW Technical Assistance Initiative	16.526	(71,908)
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	195
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	285,610
National Institute of Justice Research, Evaluation, and Demonstration	16.560	62,439
Grants to Encourage Arrest Policies	16.590	219,150
Public Safety Partnership and Community Policing Grants	16.710	1,302,861
Edward Byrne Memorial Justice Assistance Grant	16.738	756,290
Forensic DNA Backlog Reduction Program	16.741	248,164
Paul Coverdell Forensic Sciences Improvement Grant	16.742	102,612
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	92,937
Second Chance Act Prisoner Reentry Initiative	16.812	979,670
Total direct programs		<u>4,715,057</u>
Passed-through University of Illinois:		
National Institute of Justice Research, Evaluation, and Demonstration	16.560	4,352
Passed-through State Executive Office of Public Safety:		
Violence Against Women Formula Grants	16.588	46,582
Passed-through Massachusetts Department of State Police:		
Paul Coverdell Forensic Sciences Improvement Grant	16.742	28,493
Total U.S. Department of Justice		<u>4,794,484</u>
U.S. Department of Labor:		
Passed-through Economic Development and Industrial Corporation:		
Workforce Investment Act – Youth Activities	17.259	223,567
Total U.S. Department of Labor		<u>223,567</u>
U.S. Department of Transportation:		
Passed-through State Executive Office of Transportation:		
Highway Safety Grant	20.205	363,446
Federal Transit Capital Investment Grants	20.500	94,238
Total passed-through State Executive Office of Transportation		<u>457,684</u>
Passed-through Massachusetts Bay Transportation Authority:		
Federal Transit Capital Investment Grants	20.500	(869,027)
Passed-through State Executive Office of Public Safety/Administration:		
State and Community Highway Safety	20.600	95,647
Total U.S. Department of Transportation		<u>(315,696)</u>
National Science Foundation:		
Direct programs:		
Biological Sciences	47.074	42,744
Total National Science Foundation		<u>42,744</u>

CITY OF BOSTON, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	2015 Expenditures
U.S. Environmental Protection Agency:		
Direct programs:		
Congressionally Mandated Award	66.202	\$ 35,000
Brownfields Assessment & Clean-up Cooperative Agreements	66.818	194,930
Total U.S. Environmental Protection Agency		<u>229,930</u>
U.S. Department of Energy:		
Direct programs:		
Renewable Energy Research and Development	81.087	2,205
Energy Efficiency and Conservation Block Grant Program	81.128	7,868
Total direct programs		<u>10,073</u>
Passed-through State Department of Energy Resources:		
Renewable Energy Research and Development	81.087	40,000
Total U.S. Department of Energy		<u>50,073</u>
U.S. Department of Education:		
Direct programs:		
Foundation for Citizens Through Character Education	84.215	457,198
Advanced Placement Program	84.330	12,992
Investing in Innovation (i3) Fund	84.411	922,729
Total direct programs		<u>1,392,919</u>
Passed-through State Department of Elementary and Secondary Education:		
Adult Education - Basic Grants to States	84.002	15,952
Title I – Grants to Local Educational Agencies	84.010	35,119,123
Special Education (note 4)	84.027	17,332,502
Vocational Education	84.048	1,215,977
Special Education – Preschool Grants (note 4)	84.173	424,127
Education for Homeless Children and Youth	84.196	38,504
Goals 2000 : Educate America	84.276	13,549
Twenty-First Century Community Learning Centers	84.287	1,089,687
Education Technology State Grant	84.318	12,500
Title III – Bilingual Language	84.365	2,476,100
Title II – Improving Teacher Quality	84.367	4,571,203
ARRA – School Improvement Grants (note 4)	84.388	1,524,210
ARRA – SFSF Race To The Top Early Learning Initiative	84.395	57,024
SFSF Race To The Top Early Learning Initiative	84.395	1,141,698
Reading Recovery	84.396	53,603
Total passed-through State Department of Elementary and Secondary Education		<u>65,085,759</u>
Passed-through Economic Development Industrial Corporation:		
Adult Education - Basic Grants to States	84.002	18,672
Passed-through Leslie University:		
SFSF Race To The Top Early Learning Initiative	84.395	11,514
Reading Recovery	84.396	40,077
Total passed-through Leslie University		<u>51,591</u>
Total U.S. Department of Education		<u>66,548,941</u>
National Historical Publications and Records Commission:		
Direct program:		
Public Schools Desegregation – ERA Records Project	89.003	(8,071)
Total National Historical Publications and Records Commission		<u>(8,071)</u>

CITY OF BOSTON, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass-through grantor/program title	CFDA number	2015 Expenditures
U.S. Department of Health and Human Services:		
Direct programs:		
Empowering Teen Through Health	93.079	\$ 372,369
Passed-through State Executive Office of Elderly Affairs:		
Special Programs for the Aging:		
Title III, Part D	93.043	686,121
Title III, Part B (note 4)	93.044	839,527
Title III, Part C (note 4)	93.045	1,655,757
National Family Caregiver Support, Title III, Part E	93.052	362,178
Nutritional Services Incentive Program (note 4)	93.053	892,966
Area Agency on Aging	93.633	21,086
Total passed-through State Executive Office of Elderly Affairs		<u>4,457,635</u>
Passed-through State Department of Education:		
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	69,260
Passed-through Massachusetts Department of Early Education and Care:		
Child Care and Development Block Grant (CCDBG)	93.575	8,165
Passed-through Boston Public Health Commission:		
ARRA – Prevention and Wellness – Community	93.724	417,614
Passed-through State Department of Public Health:		
National Bioterrorism Hospital Preparedness Program	93.889	17,904
Passed-through Massachusetts Highway Department:		
National Bioterrorism Hospital Preparedness Program	93.889	2,535
Total U.S. Department of Health and Human Services		<u>5,345,482</u>
Corporation for National and Community Services:		
Direct programs:		
Retired and Senior Volunteer Program	94.002	104,980
Senior Companions Programs	94.016	216,626
Total Corporation for National and Community Services		<u>321,606</u>
U.S. Department of Homeland Security:		
Direct programs:		
Assistance to Firefighters Grant	97.044	768
Port Security Grant Program	97.056	4,644
Total direct programs		<u>5,412</u>
Passed-through Massachusetts Emergency Management Agency:		
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	65,152
Emergency Management Performance Grants	97.042	59,586
Total passed-through Massachusetts Emergency Management Agency		<u>124,738</u>
Passed-through State Executive Office of Public Safety:		
Port Security Grant Programs	97.056	2,770
Homeland Security Grant Program	97.067	21,137,015
Regional Catastrophic Preparedness Grant Program	97.111	2,155,258
Total passed-through State Executive Office of Public Safety		<u>23,295,043</u>
Passed-through State Executive Office of Transportation:		
Rail and Transit Security Grant Program	97.075	62,675
Total U.S. Department of Homeland Security		<u>23,487,868</u>
Total expenditures of federal awards		<u>\$ 190,397,975</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, 2015

(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 2015 and includes \$1,156,506 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 2015. On June 30, 2015, 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 \$107,200,962. 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, 2015

(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	\$ 36,323,824
10.559	Summer Food Service Program for Children	1,083,072
	Child Nutrition Cluster Total	<u>\$ 37,406,896</u>
	Special Education (IDEA) Cluster:	
84.027	Special Education	\$ 17,332,502
84.173	Special Education – Preschool Grants	424,127
	Special Education (IDEA) Cluster Total	<u>\$ 17,756,629</u>
	Aging Cluster:	
93.044	Special Programs for the Aging, Title III, Part B	\$ 839,527
93.045	Special Programs for the Aging, Title III, Part C	1,655,757
93.053	Nutritional Services Incentive Program	892,966
	Aging Cluster Total	<u>\$ 3,388,250</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(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	\$ 4,378,996
14.231	Emergency Shelter Grants Program	914,964
14.239	H.O.M.E. Investment Partnerships Program	134,142
14.241	Housing Opportunities for Persons with AIDS	1,483,114
14.267	HUD Continuum of Care	19,155,555
14.401	Fair Housing Assistance Program: State and Local	43,970
14.889	Choice Neighborhood Grant	29,139
16.123	Community Based Violence Prevention	395,792
16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	97,672
16.590	Grants to Encourage Arrest Policies	54,061
16.738	Edward Byrne Memorial Justice Assistance Grant	49,450
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	81,292
16.812	Second Chance Act Prisoner Reentry Initiative	890,362
93.043	Special Programs for the Aging, Title III, Part D	281,767
93.044	Special Programs for the Aging, Title III, Part B	687,678
93.045	Special Programs for the Aging, Title III, Part C	1,655,757
93.052	National Family Caregiver Support, Title III, Part E	362,178
93.053	Nutritional Services Incentive Program	892,966
97.067	Homeland Security Grant Program	6,565,447
	Total federal program expenditures to subrecipients	<u>\$ 38,154,302</u>



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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 components 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, 2015, 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 29, 2015. Our report includes a paragraph on other matters related to the City's implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions were not modified with respect to this matter. Our report also includes a reference to other auditors who audited the financial statements of the Boston Public Health Commission, 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.

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 deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may



Exhibit III

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of current year findings and questioned costs as item 2015-001, related to the Boston Redevelopment Authority, a discretely presented component unit of the City, that we consider to be a significant deficiency.

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 *Government Auditing Standards*.

Management's Response to Finding

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

Purpose of this Report

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

KPMG LLP

Boston, Massachusetts
December 29, 2015

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Current Year Findings and Questioned Costs
 Year ended June 30, 2015

(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?	_____ yes	<u> x </u> no	
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> x </u> yes	_____	none reported
Noncompliance material to the financial statements noted?	_____ yes	<u> x </u> no	

Federal Awards

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

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Current Year Findings and Questioned Costs
 Year ended June 30, 2015

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
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
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, 2015

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*****Finding Number: 2015-001****Boston Redevelopment Authority—Financial Reporting Closing Process and Review*****Background and Observation***

During the past few fiscal years, the Authority has 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. In addition, the Authority has begun to implement new accounting systems as well as policy changes. 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. Key personnel changes along with system and policy implementation has impacted the Authority's ability to produce a robust set of financial statements in a timely manner.

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 notes receivable, long-term liabilities, the accumulation of information for the statement of cash flows, and the accumulation of information to support references within the footnotes.

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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.

Authority Management's Response

The Authority agrees with KPMG that the preparation of financial statements was complicated by certain financial reporting errors relating to the financial statements and the required supplementary information. Management will implement a training policy so that staff may receive additional training in GAAP which will enhance their ability to complete the financial reporting process.

Authority management believes however, that substantial progress has been made in accomplishing many of the reforms cited in the Authority's response to the FY14 KPMG audit observations. The Authority continues to improve the accounting process and has implemented a number of system revisions and procedures. Additionally, the Authority hired additional staff this year, and, in recognition of the departments insufficient staffing levels, plans to hire additional staff during FY16. Management believes that significant progress was made in the following areas during FY15:

- Completion of the complicated Cash Flow Statement by Authority staff, which had previously been completed with significant assistance from KPMG staff.
- Refined procedures to record Notes Receivable on an accrual basis.
- Established procedures for timely reconciliation of general ledger accounts by staff.
- Established procedures related to additional training on the general ledger system; internal controls; quarterly and year end record keeping and closings.

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(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: 2015-002

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

Pass-through agency: N/A – Direct Funding

Program: Community Development Block Grants – Entitlement Grant;
 H.O.M.E. Investment Partnerships Program

CFDA#: 14.218; 14.239

Award number: Various

Award year: Various

Finding: Internal Control over Allowable Costs – Payroll

Criteria

In accordance with 2 CFR 225, Appendix B, item 8(h)(1); Support of Salaries and Wages Distribution: Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

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 allowable costs associated with payroll charges, we noted that the City’s Department of Neighborhood Development (DND) Administration and Finance ensures salary and wage distribution through review and approval of the department time summary report by the Department Head or Authorized Designee. In our testing of 38 payroll exception reports, we noted that five reports had been prepared and reviewed by the same person.

Cause

This appears to be due to insufficient review of department time summary reports.

Effect

Insufficient review of department time summary reports increases the risk of inaccurate payroll costs being considered for allocation to a grant award.

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Questioned Costs: None

Recommendation:

We recommend that DND reiterate its policies and procedures regarding the approval of the department time summary reports to ensure that all reports are properly reviewed and approved by the Department Head or Authorized Designee, segregating the preparation and review of functions.

Auditee Correction Action Plan

Contact Person: Kelli Lazar

Management's Response:

DND has put procedures in place to ensure that reports are properly reviewed and approved by appropriate personnel.

Anticipated Completion Date:

June 30, 2016

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Finding number: 2015-003
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: M14-MC25-0200
Award year: July 1, 2014 to June 30, 2015
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 92.209(i), 92.252(f), and 92.504 (d) 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 40 units across 15 projects, we noted that the housing quality standards inspections were not completed within the time requirements prescribed by HUD for three out of 15 projects selected for testing.

A similar finding was included in the prior year report as finding number 2014-009.

Cause

This appears to be due to inadequate monitoring and tracking of properties to ensure that inspections occur timely.

Effect

The City is not completing inspections in a timely manner, which increases the risk of inadequate housing quality.

Questioned Costs: None

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Recommendation:

We recommend that DND review its system of tracking housing quality standards inspections, and reiterate its policies and procedures in place to ensure such inspections are performed timely.

Auditee Correction Action Plan

Contact Person: Kelli Lazar

Management's Response:

Over the past year, DND has implemented a new tracking system, Salesforce, for monitoring tasks and record keeping, including on-site unit inspections. In addition, we have been integrating obligations associated with federal regulatory changes into the system. One of these regulatory changes is the new H.O.M.E. rule that was published in 2013 which changes the timing and sampling of inspections. However, HUD has delayed implementation of this provision originally scheduled to be implemented in January 2015. Under the old rule, the frequency of inspections depended on the number of units (on a two-to-three year basis), and the new rule provides for a sample size, and all projects are on a three-year schedule. Although the guidance has been published, an official HUD Notice has not been published on the provision. The auditors did not agree that the new provisions were controlling.

Due to limited in-house staff capacity, DND has also engaged an outside contractor to complete on-site unit inspections in a timely fashion.

Anticipated Completion Date:

June 30, 2016

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Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2015

Finding number: 2015-004
Federal agency: U.S. Department of Housing and Urban Development
Pass-through agency: N/A – Direct Funding
Program: Community Development Block Grants – Entitlement Grant
CFDA#: 14.218
Award number: B-14-MC-25-0002
Award year: July 1, 2014 to June 30, 2015
Finding: 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 testing of the monitoring of subrecipients of the Community Development Block Grants—Entitlement Grant by the City’s Department of Neighborhood Development (DND), we noted that for two subrecipients from our sample of 15, DND obtained the entity’s Circular A-133 report in excess of four months after its issuance.

Cause

The untimely receipt and review of subrecipient audit reports appears to be due to the lack of follow-up on the part of the City.

Effect

Untimely receipt and review of subrecipient audit reports could result in findings related to the Community Development Block Grants – Entitlement Grant Program not being addressed by the City and corrected by the subrecipient in timely manner.

Questioned Costs: None

Recommendation:

We recommend that DND incorporate more stringent efforts for tracking when subrecipient audit reports should be received, and to reiterate policies and procedures in place to ensure the reports are received and reviewed timely.

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Auditee Correction Action Plan

Contact Person: Kelli Lazar

Management's Response:

While two of the audits requested were not submitted in a timely fashion, both submissions were accepted as meeting A-133 standards and no further action was required of either subrecipient.

DND is currently in the process of collecting and reviewing audits for current subrecipients and anticipates timely collection and review.

Anticipated Completion Date:

June 30, 2016

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Finding number:	2015-005
Federal agency:	U.S. Department of Education
Pass-through agencies:	Massachusetts Department of Elementary and Secondary Education
Programs:	Special Education (IDEA) Cluster Title I – Grants to Local Education Agencies
CFDA#s:	See below
Award numbers:	See below
Award years:	See below
Finding:	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."

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, 2014, 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 2015 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, or the FR-1 was filed beyond its due date.

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

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Additionally, in testing the final FR-1 financial reports for awards received from DESE for the state grant year ending August 31, 2014, 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:

ID	Grant	CFDA	City grant number	DESE award number	Grant period
A	Title I	84.010	BPS13150	0305-007438-2013-0035	7/1/2012 to 6/30/2014
B	Special Education Cluster	84.027	BPS14145	240-360-4-0035-O	9/1/2013 to 8/31/2014

Cash Management Results:

Grant	Cash Drawn at August 2014	Expenditures recorded for award filing for FR-1	Overdrawn at filling of FR-1 Report	Amount returned to DESE with FR-1 Report	Overdrawn subsequent to return of funds
A	36,553,634	36,345,178	208,456	-	208,456
B	16,499,516	15,195,081	1,304,435	1,304,435	-

Reporting Results:

ID	Expenditure amount per FR-1	Expenditure amount per general ledger	Difference
A	36,553,634	36,345,178	208,456

A similar finding was included in the prior year report as finding number 2014-012.

Cause

Under DESE requirements, the City is generally 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.

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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:

Boston Public Schools concurs with the finding and the recommendation.

Boston Public Schools will continue its practice monitoring spending rates during the grant period, and bringing critical variances to the attention of senior leadership and grant program managers. Boston Public Schools has reestablished its network of grant managers that now receive periodic communication throughout the life of their grants. This allows for regular and consistent data review, sharing of best practice, and mutual accountability for financial results. Boston Public Schools is working closely with Massachusetts Department of Elementary and Secondary Education 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.

Anticipated Completion Date:

June 30, 2016

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Year ended June 30, 2015

Finding number:	2015-006
Federal agency:	U.S. Department of Education
Pass-through agencies:	Massachusetts Department of Elementary and Secondary Education
Programs:	Title I – Grants to Local Education Agencies; Special Education (IDEA) Cluster
CFDA#:	84.010; 84.027
Award numbers:	305-054777-2015-0035; 240-360-4-0035-O
Award years:	September 1, 2014 to June 30, 2015; September 1, 2013 to August 31, 2014
Finding:	Period of Availability

Criteria

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre- award costs authorized by the Federal awarding agency. Obligations means the amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, § .23; OMB Circular A-110 (2 CFR section 215.28)).

Condition

During our testwork, we noted that five out of the 65 expenditure transactions selected for the Title I program related to charges posted during the award period were obligated and incurred prior to the beginning of the grant award date. We also noted that one out of the 25 expenditure transactions for the Special Education Cluster related to charges posted subsequent to the end of the award period were obligated and incurred subsequent to the end of the award.

Cause

For the Title I award, the grant start date in the general ledger system was incorrectly inputted as August 1, 2014 versus the correct grant start date of September 1, 2014. As such, costs incurred during the month of August 2014 were inaccurately charged to this grant.

For the Special Education Cluster, this appears to be due to insufficient review of expenditures to ensure they are charged to the appropriate grant.

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Effect

Unallowable costs were charged to this Federal program.

Questioned Costs: \$43,430 for Title I;
\$1,995 for Special Education (IDEA) Cluster

Recommendation:

We recommend that the City implement policies and procedures to ensure that expenditures charged to Federal programs are to be obligated or incurred within the period of availability.

Auditee Corrective Action Plan

Contact Person: Kelli Lazar

Management's Response:

In order to prevent expenses from being incurred outside of the grant start and end dates BPS and the City will together be implementing several checkpoints. Dates will be periodically checked by the Grants Management team at BPS and matched up against the grant award notifications to ensure accuracy. The City and BPS are working to put automated controls in place in order to prevent purchases from occurring after the end date. Grants will be 'locked' as of the end date, hence minimizing human error. Grant managers will also receive timely communication around grant start and end dates and their responsibilities regarding procurement.

Anticipated Completion Date:

June 30, 2016

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Finding number:	2015-007
Federal agency:	U.S. Department of Education
Pass-through agency:	Massachusetts Department of Elementary and Secondary Education
Program:	Title I – Grants to Local Education Agencies
CFDA #:	84.010
Award number:	Various
Award year:	Various
Finding:	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 32 of 40 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 official written documentation that the student emigrated to another country, is deceased, or is enrolled in another school or in an education program that culminates in the award of a regular high school diploma.

A similar finding was included in the prior year report as finding number 2014-013.

Cause

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

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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.

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 official written documentation of student transfers required to remove students from their respective cohort.

Auditee Corrective Action Plan

Contact Person: Kelli Lazar

Management's Response

BPS will centrally generate a list of withdrawals by schools (with reasons) shared through Principal Leaders. This will be documented on the BPS Student Information System (SIS)*.

Through the Superintendent's bulletin as well as through the Principal Leaders we will be announcing the process that needs to be followed and tracking these students to ensure transfers are documented and these students are removed from the cohort. School Leaders will be informed that the reasons for withdrawal will have to be included in the SIS system and supporting documentation will need to be saved. As per the guidance issued by the US Department of Education the following documentation will be collected:

1. If student is transferring to another school or educational program that culminates in the award of a regular high school diploma:
 - If the new school is within the State – a record from the State's data system
 - Students records from the receiving public or private high school or educational program.
 - A written record of a response from an official in the receiving school or program acknowledging the student's enrollment.
2. If student emigrated to another country:
 - Documentation of the conversation with the parent/ guardian in writing and inclusion in the student's file on SIS.
3. If student is deceased:
 - An obituary or death certificate.

* The SIS system is a system parents, educators and school leaders can easily access and manage real-time information on student learning to help personalize instruction. It is a safe, secure, online tool that helps families engage in their child's education.

Anticipated Completion Date

June 30, 2016

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Finding number: 2015-008
Federal agency: U.S. Department of Homeland Security
Pass-through agency: Massachusetts Executive Office of Public Safety
Program: Homeland Security Grant Program
CFDA #: 97.067
Award number: Boston FFY 11 UASI
Award year: February 27, 2012 to January 31, 2015
Finding: Accuracy of Federal Equipment Inventory Records

Criteria

Federal guidelines for equipment purchased with Federal funds require that property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition

Of the twenty-five equipment purchase transactions we reviewed during our audit, we noted that for one piece of equipment the cost listed in the Federal equipment inventory records was overstated by \$12,506 as compared to the City’s financial records (\$139,900 reported in the Federal equipment inventory records with the financial records indicating the cost of the property was \$127,394).

Cause

This inventory difference appears to be the result of a clerical error.

Effect

The City’s Federal equipment inventory is overstated by \$12,506.

Questioned Costs: None

Recommendation:

We recommend that the City re-emphasize its policies and procedures related to the Homeland Security Grant Programs to ensure that all amounts reported on the Federal equipment inventory records agree to the City’s financial records.

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Auditee Corrective Action Plan

Contact Person: Kelli Lazar

Management's Response:

The Mayor's Office of Emergency Management will enhance Regional Planner training on inventory data entry. Data will only be initiated when goods are received and all details are verified. OEM will institute an additional level of review and management at the Project Director level.

Anticipated Completion Date:

June 30, 2016

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Year ended June 30, 2015

Finding number: 2015-009

Federal agency: U.S. Department of Homeland Security

Pass-through agency: Massachusetts Executive Office of Public Safety

Program: Homeland Security Grant Program

CFDA #: 97.067

Award number: Boston FFY 13 UASI; Boston FFY 14 UASI

Award year: September 1, 2013 to July 31, 2015;
October 10, 2014 to July 31, 2016

Finding: Inaccurate Financial Reporting

Criteria

The Commonwealth of Massachusetts Executive Office of Public Safety and Security (EOPSS) requires its subrecipients of Homeland Security Grant Program awards to file a Quarterly Financial Report for each contract that the subrecipient has with EOPSS. These reports include amounts expended for the quarter and expended to date, and are required to be based on information contained in the subrecipient's financial records.

Condition

Of the seven Quarterly Financial Reports we reviewed during our audit, we noted that the amount listed as expended for the quarter on one of the Quarterly Financial Reports appeared overstated by \$81,456 when compared to the City's financial records (\$898,225 was reported in the Quarterly Financial Report with financial records indicating \$816,779 in expenditures).

Additionally, it was noted that the amount reported as expended to date on another Quarterly Financial Report was overstated by \$33,915 when compared to the City's financial records (\$33,915 was reported in the Quarterly Financial Report with the financial records indicating \$0 in expenditures).

Cause

These reporting differences appear to be the result of clerical errors.

Effect

The City filed inaccurate reports and an inaccurate cash drawdown request with EOPSS.

Questioned Costs: None

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Recommendation:

We recommend that the City re-emphasize its reporting policies and procedures related to the Homeland Security Grant Programs to ensure that all financial reports filed are complete and accurate, and to ensure that cash drawdowns reflect actual liquidated expenditures.

Auditee Corrective Action Plan

Contact Person: Kelli Lazar

Management's Response:

The Mayor's Office of Emergency Management (OEM) has clarified the definition of each reporting category for the most accurate accounting of funds. In addition, the invoices log and individual drawdown requests will be verified at each review within OEM Administrative procedures.

Anticipated Completion Date:

June 30, 2016