

CITY OF WALTHAM, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2006

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FISCAL YEAR ENDED JUNE 30, 2006

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor Jeannette A. McCarthy
and Members of the City Council
City of Waltham, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waltham, Massachusetts as of and for the year ended June 30, 2006, which collectively comprise the City of Waltham Massachusetts' basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Waltham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Waltham, Massachusetts, in a separate letter dated October 13, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waltham's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Waltham, Massachusetts, in a separate letter dated October 13, 2006.

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

October 13, 2006



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

To the Honorable Mayor Jeannette A. McCarthy
and Members of the City Council
City of Waltham, Massachusetts

Compliance

We have audited the compliance of the City of Waltham, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The City of Waltham's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Waltham's management. Our responsibility is to express an opinion on the City of Waltham's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Waltham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Waltham's compliance with those requirements.

In our opinion, the City of Waltham, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-01 and 06-02.

Internal Control Over Compliance

The management of the City of Waltham, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Waltham's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in dark ink, appearing to read "Powers & Sullivan". The signature is fluid and cursive, with a small dot at the end.

October 13, 2006



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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor Jeannette A. McCarthy
and Members of the City Council
City of Waltham, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Waltham, Massachusetts, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Waltham, Massachusetts', 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

October 13, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through State Department</u>		
<u>of Education:</u>		
Food Donation	10.550	\$ 107,409
School Breakfast Program	10.553	77,337
National School Lunch Program	10.555	557,955
Special Milk Program for Children	10.556	1,931
TOTAL AGRICULTURE		744,632
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Program:</u>		
Community Development Block Grants/Entitlement Grants	14.218	1,888,969
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through State Department</u>		
<u>of Criminal Justice:</u>		
Byrne Formula Grant Program	16.579	94,348
<u>Direct Program:</u>		
Grants to Encourage Arrest Policies		
and Enforcement of Protection Orders	16.590	19,469
<u>Passed through the Executive Office</u>		
<u>of Public Safety:</u>		
Local Law Enforcement Block Grants Program	16.592	23,623
TOTAL JUSTICE		137,440
NATIONAL SCIENCE FOUNDATION:		
<u>Direct Program:</u>		
Education and Human Resources	47.076	21,632
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through State Department</u>		
<u>of Education:</u>		
Title I Grants to Local Educational Agencies	84.010	526,566
Special Education Grants to States	84.027	1,500,822
Vocational Education Basic Grants to States	84.048	35,054
State Grants for Innovative Programs	84.151	13,730
Special Education Preschool Grants	84.173	30,911
Safe and Drug-Free Schools and Communities State Grants	84.186	37,729
Education of Homeless Children and Youth	84.196	15,876
Even Start State Educational Agencies	84.213	240,409
Twenty-First Century Community Learning Centers	84.287	120,083
Education Technology State Grants	84.318	8,926
English Language Acquisition Grants	84.365	49,728
Improving Teacher Quality State Grants	84.367	172,376
TOTAL EDUCATION		2,752,210

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOMELAND SECURITY:		
<u>Direct Program:</u>		
Assistance to Firefighters Grant	97.044	<u>12,288</u>
TOTAL		\$ <u>5,557,171</u>

See notes to schedule of expenditures of federal awards.

Note 1 – Definition of Reporting Entity

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

Note 2 – Significant Accounting Policies

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

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.
- (b) School Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

Note 3 – Program Clusters

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

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Waltham, Massachusetts.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Waltham, Massachusetts, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Waltham, Massachusetts, expresses an unqualified opinion.
6. The audit findings relative to the major federal award programs for the City of Waltham, Massachusetts, are reported in Part C of this Schedule.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Waltham, Massachusetts, was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None.

C. Findings and Questioned Costs-Major Federal Award Programs Audit**U.S. DEPARTMENT OF EDUCATION****Questioned
Costs**

SPED 94-142 Allocation, SPED Program Improvement and SPED Early Childhood Allocation
CFDA 84.027, 84.173

- 06-01: *Condition and Criteria:* Form FR-1 (Final Financial Report) for the SPED 94-142 Allocation, SPED Program Improvement and SPED Early Childhood Allocation grants were due on October 31, 2005, and were not submitted until June 1, 2006, March 20, 2006 and June 1, 2006, respectively. None

Cause: Lack of procedures in place to file Form FR-1 timely.

Effect: The City is not in compliance with the grant requirements.

Auditors' Recommendation: We recommend the City implement procedures to comply with all grant reporting requirements.

- 06-02: *Condition and Criteria:* Form RF-1 (Request for Funds) for the SPED 94-142 Allocation, SPED Program Improvement and SPED Early Childhood Allocation grants were not clerically accurate. Also, the actual expenditures reported on Form RF-1 did not agree with the expenditures reported on the School's general ledger. None

Cause: Lack of procedures in place to file Form RF-1 accurately.

Effect: The City is not in compliance with the grant requirements.

Auditors' Recommendation: We recommend the City implement procedures to comply with all grant reporting requirements.

D. Summary Schedule of Prior Audit Findings

None.