

CITY OF WALTHAM, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2017

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**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**

Honorable Mayor and City Council
City of Waltham, 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 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, 2017, 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 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Waltham, Massachusetts' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Waltham, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waltham, Massachusetts' 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 a 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. 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.

Honorable Mayor and City Council
City of Waltham, Massachusetts

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waltham, Massachusetts' 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Boston, Massachusetts
December 27, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Waltham, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Waltham, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Waltham, Massachusetts' major federal programs for the year ended June 30, 2017. The City of Waltham, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Waltham, Massachusetts' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Waltham, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Waltham, Massachusetts 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The City of Waltham, Massachusetts's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waltham, Massachusetts's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Waltham, Massachusetts 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 of Waltham, Massachusetts'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Waltham, Massachusetts'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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The City of Waltham, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waltham, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017 (except for the Waltham Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Waltham, Massachusetts. We issued our report thereon dated December 27, 2017, 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 the Uniform Guidance 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 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.



CliftonLarsonAllen LLP

Boston, Massachusetts

December 27, 2017

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipient
U.S. Department of Agriculture				
<u>Passed Through the State Department of Elementary and Secondary Education:</u>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program - Cash Assistance	10.553	09-308	\$ 317,051	\$ -
National School Lunch Program - Cash Assistance	10.555	09-308	1,365,815	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-308	267,697	-
Subtotal - 10.555			1,633,512	-
Subtotal - Child Nutrition Cluster			1,950,563	-
Fresh Fruit and Vegetable Program	10.582	09-308	29,643	-
Total U.S. Department of Agriculture			1,980,206	-
U.S. Department of Housing and Urban Development				
<u>Direct Program:</u>				
Community Development Block Grant	14.218	Not Applicable	1,432,862	380,283
U.S. Department of Justice				
<u>Direct Programs:</u>				
DEA Asset Forfeitures	16.unk	Not Applicable	159,633	-
<u>Passed Through the State Executive Office of Public Safety:</u>				
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Available	6,577	-
Total U.S. Department of Justice			166,210	-
U.S. Department of Transportation				
<u>Passed through the State Department of Transportation:</u>				
State and Community Highway Safety	20.600	Not Available	2,656	-
National Priority Safety Programs	20.616	Not Available	11,969	-
<u>Passed Through the State Office of Emergency Management:</u>				
Hazardous Materials Emergency Preparedness	20.703	FY16HMEP0000000WALTH	1,563	-
Total U.S Department of Transportation			16,188	-
U.S. Department of Education				
<u>Passed Through the State Department of Elementary and Secondary Education:</u>				
<i>Title I, Part A</i>				
Title I Distribution (fiscal year 2016)	84.010	0305-048111-2015-0308	340,642	-
Title I Distribution (fiscal year 2017)	84.010	0305-095058-2017-0308	567,490	-
Title I School Support (fiscal year 2016)	84.010	323-024-6-0308-Q	5,576	-
Title I School Support (fiscal year 2017)	84.010	323-030-7-0308-R	3,197	-
Subtotal - Title I, Part A			916,905	-

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipient
U.S. Department of Education (Continued)				
<u>Passed Through the State Department of Elementary and Secondary Education:</u>				
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2016)	84.027	240-245-6-0308	398,923	-
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-245-7-0308	1,181,961	-
SPED Program Improvement (fiscal year 2016)	84.027	274-074-6-0308	20,545	-
SPED Program Improvement (fiscal year 2017)	84.027	274-074-67-0308	32,952	-
SPED Early Childhood Program Improvement (fiscal year 2016)	84.027	298-266-6-0308	285	-
SPED Early Childhood Program Improvement (fiscal year 2017)	84.027	298-031-7-0308	442	-
Subtotal - CFDA 84.027			<u>1,635,108</u>	<u>-</u>
<u>Passed Through the State Department of Early Education and Care:</u>				
SPED Early Childhood Allocation (fiscal year 2016)	84.173	26216WALTHAMPUBLIC	33,940	-
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217WALTHAMPUBLIC	24,720	-
Subtotal - CFDA 84.173			<u>58,660</u>	<u>-</u>
Subtotal - Special Education Cluster			<u>1,693,768</u>	<u>-</u>
<u>Passed Through the State Department of Elementary and Secondary Education:</u>				
Carl Perkins Occupational Education (fiscal year 2016)	84.048	400-049-6-0308	48,222	-
Carl Perkins Occupational Education (fiscal year 2017)	84.048	400-049-7-0308	46,335	-
Subtotal - CFDA 84.048			<u>94,557</u>	<u>-</u>
Education for Homeless Children & Youth (fiscal year 2016)	84.196	310-027-6-0308	153	-
Education for Homeless Children & Youth (fiscal year 2017)	84.196	310-027-7-0308	19,796	-
Subtotal - CFDA 84.196			<u>19,949</u>	<u>-</u>
Title III - English Language Acquisition (fiscal year 2016)	84.365	180-073-6-0308	101,551	-
Title III - English Language Acquisition (fiscal year 2017)	84.365	180-073-7-0308	28,238	-
Title III - 186 (fiscal year 2017)	84.365	186-102068-2017-0308	1,077	-
Subtotal - CFDA 84.365			<u>130,866</u>	<u>-</u>
Title IIA - Improving Teacher Quality (fiscal year 2016)	84.367	0140-061749-2016-0308	34,721	-
Title IIA - Improving Teacher Quality (fiscal year 2017)	84.367	0140-061749-2016-0308	114,875	-
Subtotal - CFDA 84.367			<u>149,596</u>	<u>-</u>
Total U.S. Department of Education			<u>3,005,641</u>	<u>-</u>
U.S. Department of Health and Human Services				
<u>Passed Through the State Executive Office of Health and Human Services:</u>				
School-Based Medicaid Reimbursement Program	93.778	110030884	393,325	-
U.S. Department of Homeland Security				
<u>Passed Through the State Office of Emergency Management:</u>				
Public Assistance Grants	97.036	CTFEMA1895WALTH00430	502	-
Public Assistance Grants	97.036	CTFEMA4214WALTH01052	701,072	-
Subtotal - CFDA 97.036			<u>701,574</u>	<u>-</u>
Emergency Management Performance Grants	97.042	FY16EMPG1500000WALTH	22,460	-
Total U.S. Department of Homeland Security			<u>724,034</u>	<u>-</u>
Total			<u>\$ 7,718,466</u>	<u>\$ 380,283</u>

CITY OF WALTHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Waltham, Massachusetts under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Waltham, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Waltham, Massachusetts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles in OMB Circular A-87, Cost Principles for State, Local or Indian Tribal Governments, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Waltham, Massachusetts did not elect to use the 10-percent de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

NOTE 3 U.S. DEPARTMENT OF AGRICULTURE

The amount reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represents non-monetary assistance and is reported in the Schedule at the fair market value of the commodities received. The amounts reported for the National School Lunch Program – Cash Assistance, School Breakfast Program – Cash Assistance and Fresh Fruit and Vegetable Program represent cash receipts from federal reimbursements.

NOTE 4 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements for Administrative Activity Claims.

NOTE 5 U.S. DEPARTMENT OF HOMELAND SECURITY

The amounts reported for the Emergency Management Performance and Public Assistance Grants represent federal reimbursements.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Subpart F, Section 516(a) of the Uniform Guidance? x yes _____ no

Identification of Major Federal Programs

10.553, 10.555, 10.556
84.027, 84.173

Child Nutrition Cluster
Special Education Cluster

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee pursuant
to Uniform Guidance? yes x no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2017-001

Federal agency: U.S. Department of Education

Federal program: Special Education Cluster

CFDA Number: 84.027, 84.173

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education

Pass-Through Number(s): 240-246-6-0308, 240-245-7-0308

Award Period: July 1, 2016 – June 30, 2017

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Reporting

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of reporting. The City of Waltham, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Special Reporting – The City of Waltham, Massachusetts is required to report an unduplicated count of children with disabilities receiving special education and related services.

Condition: Internal controls were not in place to ensure the accuracy of the special reporting requirements.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Questioned costs: None

Context: 2 of the 60 students included in the October 2016 SIMS report were not eligible to receive benefits until subsequent to the effective date of the report. In addition, 2 additional students out of the 60 students tested did not have proper documentation of approval for inclusion in the reports.

Cause: Procedures were not in place to ensure the documentation maintained was sufficient to support the inclusion of the students in the SIMS report.

Effect: Over reporting of students in the SIMS report.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2016-003.

Recommendation: Procedures must be implemented to ensure that only students meeting the requirements for SPED inclusion in the SIMS report are included.

Views of responsible officials: There is no disagreement with the audit finding.