CITY OF WALTHAM, MASSACHUSETTS

GAO AND UNIFORM GUIDANCE REPORTS

YEAR ENDED JUNE 30, 2019



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GAO AND UNIFORM GUIDANCE REPORTS
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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, 2019 (except for the Waltham Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 30, 2019.

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.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 30, 2019

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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

The City of Waltham, Massachusetts' response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Waltham, Massachusetts' response were 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, 2019 (except for the Waltham Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 30, 2019, 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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 30, 2019

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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				
Passed Through the State Department of Elementary and Secondary Education:				
Child Nutrition Cluster				
School Breakfast Program - Cash Assistance	10.553	09-308	$ 355,780	$ -
National School Lunch Program - Cash Assistance	10.555	09-308	1,522,520	-
National School Lunch Program - Noncash Assistance (Commodities)	10.555	09-308	299,081	-
Subtotal - 10.555			1,821,601	-
Subtotal - Child Nutrition Cluster			2,177,381	-
Fresh Fruit and Vegetable Program	10.582	09-308	40,923	-
Total U.S. Department of Agriculture			2,218,304	-
U.S. Department of Housing and Urban Development				
Direct Program:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	Not Applicable	879,546	239,685
Subtotal - CDBG Entitlements Grants Cluster			879,546	239,685
Passed Through the City of Newton, Massachusetts				
HOME Investment Partnerships Program	14.239	Unknown	12,906	-
Total U.S. Department of Housing and Urban Development			892,452	239,685
U.S. Department of Justice				
Direct Programs:				
DEA Asset Forfeitures	16.922	Not Applicable	412,618	-
Passed Through the State Executive Office of Public Safety:				
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Available	2,391	-
Total U.S. Department of Justice			415,009	-
U.S. Department of Transportation				
Passed through the State Department of Transportation:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	Not Available	2,685	-
National Priority Safety Programs	20.616	Not Available	9,435	-
Subtotal - Highway Safety Cluster			12,120	-
Passed Through the State Office of Emergency Management:				
Hazardous Materials Emergency Preparedness	20.703	FY17HMEP0000000WALTH	1,400	-
Total U.S Department of Transportation			13,520	-
Institute of Museum and Library Services				
Passed Through the State Library Board of Commissioners:				
Library Services and Technology Grant	45.310	Not Available	5,987	-
U.S. Department of Education				
Passed Through the State Department of Elementary and Secondary Education:				
Title I, Part A				
Title I Distribution (fiscal year 2018)	84.010	305-144738-2018-0308	176,859	-
Title I Distribution (fiscal year 2019)	84.010	305-215667-2019-0308	462,752	-
Title I School Support (fiscal year 2018)	84.010	323-202033-2018-0308	4,412	-
Subtotal - Title I, Part A			644,023	-

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, 2019

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)				
Passed Through the State Department of Elementary and Secondary Education:				
Special Education Cluster				
SPED 94-142 Allocation (fiscal year 2018)	84.027	240-146362-2018-0308	$ 27,228	$ -
SPED 94-142 Allocation (fiscal year 2019)	84.027	240-209288-2019-0308	1,353,475	-
Systems for Student Success (fiscal year 2018)	84.027	248-202676-2018-0308	820	-
Systems for Student Success (fiscal year 2019)	84.027	248-281225-2019-0308	11,127	-
Title IV (fiscal year 2019)	84.027	309-215670-2019-0308	41,403	-
SPED Program Improvement (fiscal year 2018)	84.027	274-202041-2018-0308	12,512	-
Subtotal - CFDA 84.027			1,446,565	-
Passed Through the State Department of Early Education and Care:				
SPED Early Childhood Allocation (fiscal year 2018)	84.173	26219WALTHAMPUBLIC	47,349	-
Subtotal - CFDA 84.173			47,349	-
Subtotal - Special Education Cluster			1,493,914	-
Passed Through the State Department of Elementary and Secondary Education:				
Carl Perkins Occupational Education (fiscal year 2018)	84.048	400-156175-2018-0308	13,537	-
Carl Perkins Occupational Education (fiscal year 2019)	84.048	400-241264-2019-0308	40,945	-
Subtotal - CFDA 84.048			54,482	-
Education for Homeless Children & Youth (fiscal year 2018)	84.196	310-147650-2018-0308	254	-
Education for Homeless Children & Youth (fiscal year 2019)	84.196	310-281378-2019-0308	10,000	-
Subtotal - CFDA 84.196			10,254	-
Title III - English Language Acquisition (fiscal year 2018)	84.365	180-162871-2018-0308	174,195	-
Title III - English Language Acquisition (fiscal year 2019)	84.365	180-215669-2019-0308	5,701	-
Title III - 186 (fiscal year 2018)	84.365	186-202032-2018-0308	21,981	-
Title III - 186 (fiscal year 2019)	84.365	186-285740-2019-0308	33,632	-
Subtotal - CFDA 84.365			235,509	-
Title IIA - Improving Teacher Quality (fiscal year 2018)	84.367	140-149397-2018-0308	17,739	-
Title IIA - Improving Teacher Quality (fiscal year 2019)	84.367	140-215668-2019-0308	117,811	-
Summer Planning Grant (fiscal year 2018)	84.367	144-205830-2018-0308	15,000	-
Subtotal - CFDA 84.367			150,550	-
RADAR Grant (fiscal year 2018)	84.372	110-201260-2018-0308	3,575	
RADAR Grant (fiscal year 2019)	84.372	110-212000-2019-0308	22,755	-
Subtotal - CFDA 84.372			26,330	-
Total U.S. Department of Education			2,615,062	-
U.S. Department of Health and Human Services				
Passed Through the State Executive Office of Health and Human Services:				
Medicaid Cluster				
School-Based Medicaid Reimbursement Program	93.778	110030884	375,139	-
Subtotal - Medicaid Cluster			375,139	-
U.S. Department of Homeland Security				
Passed Through the State Office of Emergency Management:				
Public Assistance Grants	97.036	CTFEMA4379WALTH00200	655,667	-
Emergency Management Performance Grants	97.042	FY17EMPG1600000WALTH	22,460	-
Total U.S. Department of Homeland Security			678,127	-
Total			$ 7,213,600	$ 239,685

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF WALTHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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, 2019. 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 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 – Noncash 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, 2019

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	Child Nutrition Cluster
14.218	CDBG – Entitlement Grants Cluster

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

2019-001

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

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2018 – June 30, 2019

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.

Financial Reporting – The City of Waltham, Massachusetts is required annually to submit a C04PR26 – CDBG Financial Summary report through the *Integrated Disbursements and Information System* (IDIS)

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

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019-001 (Continued)

Questioned costs: None

Context: The annual C04PR-26 report was tested for accuracy and certain amounts reported in the IDIS report were unable to be traced to the underlying accounting records or other support.

Cause: Procedures were not in place to ensure the accuracy of the information reporting in the C04PR26 within the IDIS system.

Effect: Inaccurate reporting within the IDIS system.

Recommendation: Procedures should be updated to review and ensure the accuracy of the financial amounts reporting the in the IDIS system.

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

2019-002

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

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2018 – June 30, 2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Compliance Requirement: Special Tests and Provisions

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 special tests and provisions. The City of Waltham, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Environmental Reviews – The City of Waltham, Massachusetts must have an environmental review for all projects unless they meet criteria specified in the regulations that would exempt or exclude them from RROF and environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604).

Condition: Internal controls were not in place to ensure the accuracy of the environmental review exemption documentation.

Questioned costs: None

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019-002 (Continued)

Context: 2 of the 8 projects tested were exempt from the environmental review requirement. However, the documentation reviewed stated the projects were exempt under 24 CFR section 58.34(a)(4) when in fact the projects were exempt under 24 CFR section 58.34(a)(10). Sample was a statistically valid sample.

Cause: Procedures were not in place to ensure the accuracy of the information reported in the environmental review exclusion letters created for each project.

Effect: We noted no instances of noncompliance with the provisions of environmental reviews; however, the lack of internal controls over the accuracy of the documented exemptions provides an opportunity for noncompliance if the project is inappropriately reported as exempt.

Recommendation: Procedures should be updated to review and ensure the accuracy of the environmental review procedures and documentation.

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

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