

CITY OF WALTHAM, MASSACHUSETTS

GAO AND OMB A-133 REPORTS

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF WALTHAM, MASSACHUSETTS

GAO AND OMB A-133 REPORTS

FOR THE YEAR ENDED JUNE 30, 2014

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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**

To the 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Waltham, Massachusetts' basic financial statements, and have issued our report thereon dated January 29, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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*.

Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the 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 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
January 29, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the 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 Circular A-133 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, 2014. 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 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 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 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, 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.

Basis for Qualified Opinion on Community Development Block Grant Program

As described in the accompanying schedule of findings and questioned costs the City of Waltham, Massachusetts did not comply with requirements regarding CFDA 14.218, Community Development Block Grant, as described in finding number 2014-002 for sub-recipient monitoring. Compliance with such requirements is necessary, in our opinion, for the City of Waltham, Massachusetts to comply with the requirements applicable to the program.

Qualified Opinion on Community Development Block Grant

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, 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 the Community Development Block Grant program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other 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 findings and questioned costs as items 2014-005 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters. The City of Waltham, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Waltham, Massachusetts' 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 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' 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 of Waltham, Massachusetts' internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-005 and 2014-006 to be significant deficiencies.

The City of Waltham, Massachusetts' responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waltham, Massachusetts' 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 result 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 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, 2014, 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 January 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 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
January 29, 2015

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS
YEAR ENDED JUNE 30, 2014

| Federal Grantor/ Pass-Through Grantor/ Program | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Agriculture | | | |
| <u>Passed through the State Department of Elementary & Secondary Education:</u> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| School Breakfast Program - Cash Assistance | 10.553 | 09-308 | \$ 220,315 |
| National School Lunch Program - Cash Assistance | 10.555 | 09-308 | 983,554 |
| National School Lunch Program - Non-Cash Assistance (Commodities) | 10.555 | 09-308 | 225,330 |
| Special Milk Program for Children | 10.556 | 09-308 | 664 |
| Fresh Fruit and Vegetable Program | 10.582 | 09-308 | 45,683 |
| Total U.S. Department of Agriculture | | | 1,475,546 |
| U.S. Department of Housing and Urban Development | | | |
| <u>Direct Program:</u> | | | |
| Community Development Block Grant | 14.218 | Not Applicable | 763,582 |
| U.S. Department of Justice | | | |
| <u>Passed through the State Executive Office of Public Safety:</u> | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | Not available | 14,827 |
| Institute of Museum and Library Services | | | |
| <u>Passed through the State Library Board of Commissioners:</u> | | | |
| Library Services and Technology Grant | 45.310 | Not available | 4,168 |
| U.S. Department of Education | | | |
| <u>Direct Program:</u> | | | |
| Physical Education Grant | 84.215F | Not Applicable | 306,070 |
| <u>Passed through the State Department of Elementary & Secondary Education:</u> | | | |
| <i>Title I, Part A Cluster</i> | | | |
| Title I Distribution (fiscal year 2013) | 84.010 | 0305-000553-2013-0308 | 316,541 |
| Title I Distribution (fiscal year 2014) | 84.010 | 0305-024808-2014-0308 | 449,072 |
| Title I School Support (fiscal year 2013) | 84.010 | 323-014-3-0308-N | 2,350 |
| Title I School Support (fiscal year 2014) | 84.010 | 323-024-4-0308-O | 1,942 |
| <i>Special Education Cluster</i> | | | |
| SPED 94-142 Allocation (fiscal year 2013) | 84.027 | 240-305-3-0308-N | 228,854 |
| SPED 94-142 Allocation (fiscal year 2014) | 84.027 | 240-246-4-0308-O | 1,346,481 |
| SPED Program Improvement (fiscal year 2013) | 84.027 | 274-233-3-0308-N | 7,431 |
| SPED Program Improvement (fiscal year 2014) | 84.027 | 274-318-4-0308-O | 15,534 |
| SPED Transition (fiscal year 2014) | 84.027 | 243-095-4-0308-O | 1,900 |
| SPED Early Childhood Program Improvement (fiscal year 2013) | 84.173 | 760-049-1-0308-L | 75 |
| SPED Early Childhood Program Improvement (fiscal year 2014) | 84.173 | 298-266-4-0308-O | 2,775 |
| <u>Passed through the State Department of Early Education and Care:</u> | | | |
| SPED Early Childhood Allocation (fiscal year 2013) | 84.173 | 26213WALTHAMPUBLIC | 15,838 |
| SPED Early Childhood Allocation (fiscal year 2014) | 84.173 | 26214WALTHAMPUBLIC | 54,968 |

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2014

U.S. Department of Education (continued)

Passed through the State Department of Elementary &
Secondary Education:

| | | | |
|---|--------|-----------------------|-----------|
| Carl Perkins Occupational Education (fiscal year 2013) | 84.048 | 400-065-3-0308-N | 11,813 |
| Carl Perkins Occupational Education (fiscal year 2014) | 84.048 | 400-035-4-0308-O | 45,204 |
| Education for Homeless Children & Youth (fiscal year 2013) | 84.196 | 310-020-3-0308-N | 2,571 |
| Education for Homeless Children & Youth (fiscal year 2014) | 84.196 | 310-023-4-0308-O | 19,037 |
| Title III - English Language Acquisition (fiscal year 2013) | 84.365 | 180-076-3-0308-N | 72,321 |
| Title III - English Language Acquisition (fiscal year 2014) | 84.365 | 180-037-4-0308-O | 33,106 |
| Title IIA - Improving Teacher Quality (fiscal year 2013) | 84.367 | 0140-002906-2013-0308 | 69,135 |
| Title IIA - Improving Teacher Quality (fiscal year 2014) | 84.367 | 0140-031073-2014-0308 | 161,967 |
| ARRA - Race to the Top (fiscal year 2013) | 84.395 | 201-000387-2013-0308 | 57,899 |
| ARRA - Race to the Top (fiscal year 2014) | 84.395 | 201-015702-2014-0308 | 95,115 |
| | | | <hr/> |
| Total U.S. Department of Education | | | 3,317,999 |
| | | | <hr/> |

U.S. Department of Health and Human Services

Passed through the State Executive Office of Health and
Human Services:

| | | | |
|---|--------|-----------|---------|
| School-Based Medicaid Reimbursement Program | 93.778 | 110030884 | 236,323 |
| | | | <hr/> |

U.S. Department of Homeland Security

Direct Program:

| | | | |
|----------------------------------|--------|----------------|---------|
| Assistance to Firefighters Grant | 97.044 | Not Applicable | 328,000 |
|----------------------------------|--------|----------------|---------|

Passed through the State Office of Emergency Management:

| | | | |
|---|--------|----------------------|---------|
| Public Assistance Grants | 97.036 | CTFEMA3362WALTH | 17,290 |
| Public Assistance Grants | 97.036 | CTFEMA4110WALTH | 382,435 |
| Emergency Management Performance Grants | 97.042 | FY13EMPG1100000WALTH | 24,957 |
| Emergency Management Performance Grants | 97.042 | FY14EMPG1100000WALTH | 2,540 |
| | | | <hr/> |

| | | | |
|--|--|--|---------|
| Total U.S. Department of Homeland Security | | | 755,222 |
| | | | <hr/> |

| | | | |
|-------|--|--|--------------|
| Total | | | \$ 6,567,667 |
| | | | <hr/> <hr/> |

The accompanying notes are an integral part of this schedule of expenditures of federal award programs.

CITY OF WALTHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS
YEAR ENDED JUNE 30, 2014

Note 1 - Single Audit Reporting Entity

The accompanying Schedule of Expenditures of Federal Award programs (SEFA) presents the expenditures of all federal award programs of the City of Waltham, Massachusetts (the City) for the year ended June 30, 2014. Federal Financial Assistance received includes funds received directly from federal agencies as well as Federal Financial Assistance passed through other governmental agencies.

Note 2 - Basis of Presentation

The accompanying SEFA is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3 - Loan Transactions

As of June 30, 2014, net loans receivable outstanding for the CDBG program totaled \$2,053,859.

Note 4 - Subrecipients

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

| <u>Program Description</u> | <u>CFDA Number</u> | <u>Amount</u> |
|-----------------------------------|------------------------|---------------|
| Community Development Block Grant | 14.218 | \$ 138,211 |

This information is an integral part of the accompanying schedule of expenditures of federal award programs.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

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? | _____ x _____ | yes 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? | _____ x _____ | yes 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: | Modified for Community Development Block Grant Unmodified for all other major programs | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | _____ x _____ | yes no |

Identification of Major Federal Programs

| | |
|--|---|
| 10.553, 10.555, 10.556 14.218 84.027, 84.173 84.395 97.036 97.044 | Child Nutrition Cluster Community Development Block Grant Special Education Cluster ARRA – Race to the Top Public Assistance Grants Assistance to Firefighters |
|--|---|

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee pursuant
to OMB Circular A-133?

_____ yes

_____ x _____ no

Section II – Financial Statement Findings

2014-001 *Building Permits*

Type of Finding: Material weakness in internal control over financial reporting.

Condition and context: The City's Building Department collects cash receipts for various building permits issued. The Building Department is responsible for submitting collected cash receipts to the Treasurer for deposit. We identified 40 cash receipts, with dates ranging between June 25, 2014 and June 30, 2014 and totaling approximately \$1,100,000, that were not submitted to the Treasurer until July 2, 2014. Consequently, we proposed adjustments to properly record the building permit activity.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls over cash receipts to prevent a direct and material misstatement to the financial statements.

Effect: The City's general fund and governmental activities revenues and fund balance/net position were understated by \$1,122,518.

Cause: Procedures are not in place to perform a cutoff of the Building Department's cash receipts to report such amounts in the proper accounting period.

Recommendation: We recommend cutoff procedures be implemented to report the Building Department's cash receipts in the proper accounting period.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: Larger receipt amounts will be monitored more closely for deposit.

Responsible party: Mr. Patrick Powell, Acting Superintendent of Public Buildings.

Planned completion date for corrective action plan: Immediate.

Plan to monitor completion of corrective action plan: Review deposit slips monthly.

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Section III – Findings and Questioned Costs – Major Federal Programs

2014-002

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

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2013 – June 30, 2014

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance

Criteria or specific requirement: Federal guidelines require that pass-through entities, during the award period, conduct monitoring of sub-recipients and ensure that the sub-recipients expending more than \$500,000 of federal awards in the fiscal year have met the OMB Circular A-133 audit requirements.

Condition: The City did not conduct any sub-recipient monitoring activities during fiscal year 2014.

Questioned costs: \$15,468.

Context: All three of the sub-recipient files tested contained no documentation supporting sub-recipient monitoring activities and all three files tested did not contain contracts with the federal CFDA number identified in the contract..

Cause: Procedures were not in place to perform the required monitoring of sub-recipients.

Effect: There was noncompliance with, and a material weakness in internal control over, the federal award program's sub-recipient monitoring requirements. In addition, noncompliance by sub-recipients could occur and not be detected and corrected timely.

Recommendation: Procedures must be implemented to ensure that, during the award period, monitoring of all sub-recipients is performed each year through reporting, site visits, and other reasonable means, and that documentation supporting the monitoring activities and sub-recipients' compliance with OMB Circular A-133 audit requirements is maintained in the sub-recipients' files.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: This finding was identified by the US Department of Housing and Urban Development in April 2014 and has since been remedied. All sub-recipients are currently being monitored based on a risk assessment. Beginning April 2014 every CDBG contract contains a CFDA number.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Responsible party: Ms. Catherine Cagle, Director, Planning Department

Planned completion date for corrective action plan: Completed.

Plan to monitor completion of corrective action plan: Perform quarterly risk assessments based on reports submitted by sub recipients and determine on site monitoring accordingly.

2014-003

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

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2013 – June 30, 2014

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations (CFR) Title 2, part 180.220 states that “non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., sub-awards to sub-recipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.”

Condition: The City did not obtain a debarment certification or check the *System for Award Management* website for vendors contracted with in excess of \$25,000 related to the grant program.

Questioned costs: None

Context: Both of the vendor files tested for vendors contracted with in excess of \$25,000.

Cause: Procedures are not in place to verify that vendors contracted with in excess of \$25,000 related to the grant program are not suspended, debarred or otherwise excluded from doing business.

Effect: Noncompliance with the federal award program’s procurement and suspension and debarment compliance requirements could occur and not be detected and corrected timely.

Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or debarred or otherwise excluded from doing business, prior to procuring their services. In order to verify this, program management should either obtain debarment certifications from the vendors or check the *System for Award Management* website. Procedures must also be implemented to maintain documentation supporting the debarment checks performed.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: As of April 2014 every sub-recipient requires active registration in the SAM.gov system. This policy has been implemented in the internal CDBG policies and procedures handbook.

Responsible party: Ms. Catherine Cagle, Director, Planning Department

Planned completion date for corrective action plan: Completed.

Plan to monitor completion of corrective action plan: The CDBG Administrator keeps a log of when SAM.gov CAGE numbers expire and will remind Subrecipients to update registration. Subrecipients failing to register and/or updated registration will not receive reimbursements until registration has been updated.

2014-004

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

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2013 – June 30, 2014

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. For the financial reporting compliance requirement, internal controls should be in place to require supervisory reviews of reports prepared and submitted in order to ensure accuracy and completeness.

Condition: There was no evidence to support that supervisory personnel reviewed drawdowns prior to their submission to the Department of Housing and Urban Development (HUD).

Questioned costs: None

Context: Three of the four drawdowns tested did not include a supervisory review.

Cause: Procedures are not in place to perform and/or document supervisory reviews of drawdown requests prior to submission to HUD.

Effect: Noncompliance with the federal award program's reporting compliance requirements could occur and not be detected and corrected timely.

Recommendation: Procedures must be implemented to ensure that all drawdown requests are reviewed by supervisory personnel prior to submission to HUD and evidence (signature) exists to support the review procedures.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: Supervisory signature is required on all drawdowns as of April 2014. This policy has been implemented in the internal CDBG policies and procedures handbook.

Responsible party: Ms. Catherine Cagle, Director, Planning Department

Planned completion date for corrective action plan: Completed.

Plan to monitor completion of corrective action plan: Each draw is checked for signature first before requesting the funding from HUD's IDIS system.

2014-005

Federal agency: U.S. Department of Homeland Security

Federal program: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Period: March 14, 2013 – March 13, 2014

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Noncompliance

Criteria or specific requirement: The City is required to file its semi-annual SF-425 financial report no later than 30 days after the end of a semi-annual period, and its final financial report and final performance report no later than 90 days after the close of the grant period.

Condition: The City did not file the semi-annual SF-425 financial report, final financial report and the final performance report within the required filing deadlines.

Questioned costs: None.

Context: The condition relates to the only semi-annual SF-425 financial report, final financial report, and final performance report required to be filed for the grant.

Cause: Procedures were not in place to file the required reports timely.

Effect: There was noncompliance with the federal award program's financial and performance reporting requirements.

Recommendation: Procedures must be implemented to file all financial and performance reports by the applicable deadline dates.

**CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: A staff officer will be assigned to all future Grant awards to ensure compliance with deadlines.

Responsible party: Chief Paul Ciccone.

Planned completion date for corrective action plan: April 1st.

Plan to monitor completion of corrective action plan: A plan will be formulated and reviewed with the City Auditor.

2014-006

Federal agency: U.S. Department of Homeland Security

Federal program: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Period: March 14, 2013 – March 13, 2014

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Noncompliance

Criteria or specific requirement: Equipment purchased with advanced funds must be delivered within 30 days of the advanced funds request.

Condition: The City requested an advance for funds request more than 30 days prior to the delivery of the fire truck purchased.

Questioned costs: None.

Context: The fire truck was delivered 73 days after the advance for funds request was submitted.

Cause: Procedures were not in place to minimize the time between the advance for funds request and the delivery of the fire truck.

Effect: There was noncompliance with the federal award program's cash management requirements.

Recommendation: Procedures must be implemented to minimize the time elapsing between advance for funds requests and the delivery of equipment.

CITY OF WALTHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: Although the finding is factually correct there were extenuating circumstances that effected the management of funds. The vehicle was originally slated for a mid-January 2014 delivery. Upon informing my FEMA representative he recommended applying for the funds on the date that we did due to the fact that FEMA was sometimes slow with the reimbursements. After the application was complete weather and factory delays were encountered pushing the delivery back to mid to late February. These issues were beyond our control.

Actions planned in response to finding: In the future we will attempt to foresee any possible delays in delivery as much as humanly possible.

Responsible party: Chief Paul Ciccone.

Planned completion date for corrective action plan: Immediate.

Plan to monitor completion of corrective action plan: Work more closely with manufacturer to anticipate delays.

Section IV – Prior Year Major Federal Program Findings

None.