

CITY OF WALTHAM, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2007

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TABLE OF CONTENTS

	Page
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	1
Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	3
Report on the schedule of expenditures of federal awards	5
Schedule of expenditures of federal awards	6
Notes to schedule of expenditures of federal awards	7
Schedule of findings and questioned costs	8



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**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 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, 2007, which collectively comprise the City of Waltham, Massachusetts' basic financial statements and have issued our report thereon dated December 14, 2007. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Waltham, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Waltham, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by City of Waltham, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Waltham, Massachusetts' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Waltham, Massachusetts in a separate letter dated December 14, 2007.

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".

December 14, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON 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, 2007. 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, 2007.

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, Massachusetts' 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, 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 City of Waltham, Massachusetts' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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".

December 14, 2007



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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, 2007, and have issued our report thereon dated December 14, 2007. 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.

December 14, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE: <u>Passed through State Department of Education:</u>		
Food Donation	10.550	\$ 112,478
School Breakfast Program	10.553	78,352
National School Lunch Program	10.555	<u>619,378</u>
TOTAL AGRICULTURE		<u>810,208</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: <u>Direct Program:</u>		
Community Development Block Grants/Entitlement Grants	14.218	<u>873,908</u>
U.S. DEPARTMENT OF JUSTICE: <u>Passed through State Department of Criminal Justice:</u>		
Byrne Formula Grant Program	16.579	123,975
<u>Direct Program:</u>		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	3,490
<u>Passed through the Executive Office of Public Safety:</u>		
Local Law Enforcement Block Grants Program	16.592	<u>2,385</u>
TOTAL JUSTICE		<u>129,850</u>
NATIONAL SCIENCE FOUNDATION: <u>Direct Program:</u>		
Education and Human Resources	47.076	<u>13,950</u>
U.S. DEPARTMENT OF EDUCATION: <u>Passed through State Department of Education:</u>		
Title I Grants to Local Educational Agencies	84.010	452,942
Special Education Grants to States	84.027	1,393,304
Vocational Education Basic Grants to States	84.048	71,003
State Grants for Innovative Programs	84.151	10,161
Safe and Drug-Free Schools and Communities State Grants	84.186	16,354
Education of Homeless Children and Youth	84.196	22,583
Even Start State Educational Agencies	84.213	163,394
Twenty-First Century Community Learning Centers	84.287	123,351
Education Technology State Grants	84.318	6,849
English Language Acquisition Grants	84.365	49,916
Improving Teacher Quality State Grants	84.367	288,663
<u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	<u>64,164</u>
TOTAL EDUCATION		<u>2,662,684</u>
TOTAL		<u>\$ 4,490,600</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 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 significant deficiencies 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 significant deficiencies 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 on 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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
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

None.

D. Summary Schedule of Prior Audit Findings**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:* The Form FR-1 (Final Financial Report) for the SPED 94-142 Allocation grant and SPED Program Improvement grant was not filed with the Department of Education by October 31, the due date. None

Auditors' Recommendation: The auditor recommended that the City implement procedures to ensure that grant reporting is completed on a timely basis.

Current Status: The recommendation was adopted in fiscal 2007. No similar findings were noted in the fiscal 2007 audit.

- 06-02: *Condition and Criteria:* The Form RF-1 (Request For Funds) for the SPED 94-142 Allocation grant and SPED Program Improvement grant was not clerically accurate. Also, the Request for funds included estimated expenditures instead of actual expenditures as required by the grant reporting requirements. None

Auditors' Recommendation: The auditor recommended that the City implement procedures to ensure that grant reporting is completed accurately and on a timely basis.

Current Status: The recommendation was adopted in fiscal 2007. No similar findings were noted in the fiscal 2007 audit.