



CITY OF CAMBRIDGE, MASSACHUSETTS

Independent Auditors' Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

Year Ended June 30, 2018

CITY OF CAMBRIDGE, MASSACHUSETTS

Table of Contents

	Exhibit
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	I
Schedule of Expenditures of Federal Awards	II
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 <i>Government Auditing Standards</i>	III
Schedule of Current Year Findings and Questioned Costs	IV



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit I

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Mayor and City Council
City of Cambridge, Massachusetts:

Report on Compliance for Each Major Federal Program

We have audited the City of Cambridge, Massachusetts' (the City's) 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's major Federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs.

The City's basic financial statements include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority that received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority because they engaged other auditors to perform an audit in accordance with the Uniform Guidance.

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's 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cambridge, 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, 2018.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of current year findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City's 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 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'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'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 a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City's 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 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 activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 24, 2018, 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 (the Schedule) 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 basic 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

March 28, 2019

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2018

Federal grantor/pass-through grantor/program title	CFDA number	Passed through to subrecipients	Federal expenditures
U.S. Department of Agriculture:			
Passed through the Commonwealth of Massachusetts Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program (SBP)	10.553	—	319,711
National School Lunch Program (NSLP)	10.555	—	1,213,040
Summer Food Service Program for Children (SFSPC)	10.559	108,668	117,076
Total Child Nutrition Cluster		108,668	1,649,827
Child and Adult Care Food Program	10.558	—	6,900
Total U.S. Department of Agriculture		108,668	1,656,727
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	3,343,575	4,087,261
Total CDBG - Entitlement Grants Cluster		3,343,575	4,087,261
HOME Investment Partnerships Program	14.239	16,297	13,777,240
Continuum of Care Program	14.267	3,339,556	3,609,792
Fair Housing Assistance Program State and Local	14.401	—	35,153
Emergency Solutions Grants Program			
Direct Program	14.231	144,690	204,778
Passed through the Commonwealth of Massachusetts Department of Housing and Community Development	14.231	64,350	87,873
Total Emergency Solutions Grants Program		209,040	292,651
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	98,625
Total U.S. Department of Housing and Urban Development		6,908,468	21,900,722
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program			
Direct Program	16.738	—	60,010
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety	16.738	—	67,615
Total Edward Byrne Memorial Justice Assistance Grant Program		—	127,625
Passed through the Commonwealth of Massachusetts Office of Victim Assistance:			
Crime Victim Assistance Discretionary Grants	16.582	17,534	18,400
Passed through the New England Region of OCEDEF Regional Coordination Group:			
Regional Information Sharing Systems	16.610	—	6,280
Total U.S. Department of Justice		17,534	152,305
U.S. Department of Transportation:			
Passed through the Commonwealth of Massachusetts Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction Program	20.205	—	24,333
Total Highway Planning and Construction Cluster		—	24,333
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	5,899
National Priority Safety Programs	20.616	—	14,448
Total Highway Safety Cluster		—	20,347
Passed through the Massachusetts Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	—	5,050
Total U.S. Department of Transportation		—	49,730
National Endowment for the Arts:			
Direct Programs:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	—	34,343
Total National Endowment for the Arts		—	34,343
U.S. Environmental Protection Agency:			
Passed through the Commonwealth of Massachusetts Department of Environmental Protection:			
Water Quality Management Planning	66.454	—	32,838
Passed through the Massachusetts Clean Water Trust:			
Clean Water State Revolving Fund Cluster:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	—	1,781,124
Total Clean Water State Revolving Fund Cluster		—	1,781,124
Total U.S. Environmental Protection Agency		\$ —	1,813,962

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal grantor/pass-through grantor/program title	CFDA number	Passed through to subrecipients	Federal expenditures
U.S. Department of Education:			
Passed through the Commonwealth of Massachusetts Department of Education:			
Adult Education Basic Grants to States	84.002	43,830	308,234
Title I Grants to Local Educational Agencies	84.010	—	1,076,228
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	—	2,863,772
Special Education-Preschool Grants (IDEA Preschool)	84.173	—	75,308
Total Special Education Cluster (IDEA)		—	2,939,080
Career and Technical Education Basic Grants to States	84.048	—	139,247
Education for Homeless Children and Youth	84.196	—	28,077
Twenty-First Century Community Learning Centers	84.287	44,598	51,587
English Language Acquisition State Grants	84.365	—	108,318
Supporting Effective Instruction State Grants	84.367	—	170,388
D.C. School Choice Incentive Program	84.370	—	17,589
Student Support and Academic Enrichment Program	84.424	—	28,449
Total U.S. Department of Education		88,428	4,867,197
U.S. Department of Health and Human Services:			
Passed through the Cambridge Health Alliance:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	—	1,760
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:			
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	1,259,242
Passed through the Commonwealth of Massachusetts Department of Education:			
Community Based Child Abuse Prevention Grant	93.590	—	62,997
Passed through the Commonwealth of Massachusetts Department of Public Health:			
National Bioterrorism Hospital Preparedness Program	93.889	—	2,572
Total U.S. Department of Health and Human Services		—	1,326,571
U.S. Department of Homeland Security:			
Passed through the Middlesex County Local Emergency Food and Shelter Board:			
Emergency Food and Shelter National Board Program	97.024	—	19,488
Passed through the Massachusetts Emergency Management Agency:			
Emergency Management Performance Grants	97.042	—	35,188
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	300,796
Total U.S. Department of Homeland Security		—	355,472
Total federal expenditures		\$ 7,123,098	32,157,029

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(1) Definition of Reporting Entity

The schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards of the City of Cambridge, Massachusetts (the City) exclusive of the City's component units, Cambridge Health Alliance and Cambridge Redevelopment Authority. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The Schedule is presented using the modified accrual basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the Schedule represent total federal reimbursements for meals provided during fiscal 2018.

(c) National School Lunch Program

Noncash contributions of commodities under the National School Lunch Program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of the Schedule. Contributions of commodities received by the City are included in the Schedule as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Noncash awards</u>
National School Lunch Program (NSLP)	10.555	\$ 96,326

(d) Other

Certain federal programs stipulate that a portion of the grant award be paid directly to the Massachusetts Teachers Retirement System (MTRS). The City does not report the amount paid directly to the MTRS as an expenditure in the accompanying Schedule. The program and corresponding amounts paid directly to the MTRS are as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Amount paid to MTRS</u>
Title I Grants to Local Educational Agencies	84.010	\$ 48,333

CITY OF CAMBRIDGE, MASSACHUSETTS
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

(3) HOME Investment Partnerships Program Loans (CFDA # 14.239)

Total expenditures in the Schedule for the HOME Investment Partnerships (HOME) program include the total amount of new loans made during fiscal year 2018, as well as the unpaid principal balance from loans originated in previous years that are subject to continuing compliance requirements, as defined by the Uniform Guidance. As of June 30, 2018, the HOME program had loan balances subject to continuing compliance requirements of \$13,736,310.

(4) Indirect Cost Rate

The City has elected to not use the 10% de minimus cost rate as discussed in Section 200.514 of the Uniform Guidance.



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit III

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*

The Honorable Mayor and City Council
City of Cambridge, 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 activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City) as of and for the year ended June 30, 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 24, 2018. Our report includes a paragraph on other matters related to the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions were not modified with respect to this matter. Our report also includes a reference to other auditors who audited the financial statements of the Cambridge Health Alliance and Cambridge Redevelopment Authority, the discretely presented component units as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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's 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 24, 2018

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Current Year Findings and Questioned Costs
 Year ended June 30, 2018

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified for all opinion units

Internal control deficiencies over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control deficiencies over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified for all major programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Programs

Name of federal program or cluster	CFDA number
Child Nutrition Cluster:	
School Breakfast Program (SBP)	10.553
National School Lunch Program (NSLP)	10.555
Summer Food Service Program for Children (SFSPC)	10.559
CDBG - Entitlement Grants Cluster:	
Community Development Block Grants	14.218
Clean Water State Revolving Fund Cluster:	
Capitalization Grants for Clean Water State Revolving Funds	66.458
Title I Grants to Local Educational Agencies	84.010

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Current Year Findings and Questioned Costs
 Year ended June 30, 2018

Dollar threshold used to distinguish between
 type A and type B programs: \$964,711

Auditee qualified as low-risk auditee? X yes no

(2) Findings and Questioned Costs Relating to Financial Statements Reported in Accordance with Government Auditing Standards

None

**(3) Findings and Questioned Costs Relating to Federal Awards
 Community Development Block Grants (14.218)**

Federal Award Number: B-17-MC-25-005 **Award Year:** 2018

U.S. Department of Housing and Urban Development

Finding Reference: 2018-001

Subrecipient Monitoring

Type of finding: Significant Deficiency and Noncompliance

Prior year finding: No

Statistically valid sample: No

Requirement

The City is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward.

According to 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

According to 2 CFR 200.331(a), a pass-through entity must: “ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

Finding

During our testwork over subrecipient monitoring we noted no documentation of risk evaluation performed over subrecipients.

The City has three types of programs overseen by subrecipients: housing, economic development and public services. During our testwork we noted that 4 of the 7 subrecipients awards tested did not include the CFDA. All four subrecipients oversee a public service program.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Current Year Findings and Questioned Costs
Year ended June 30, 2018

Recommendation

We recommend the City develop and implement procedures to evaluate its subrecipients risk in accordance with the applicable federal guidance.

We recommend that the City assess the design of its internal controls over subrecipient monitoring to ensure all subrecipients are informed of the expectations of being a subrecipient of federal funds.

Questioned Costs

Undeterminable

Views of Responsible Officials and Corrective Actions

The City will develop a risk assessment matrix that will be applied to all subrecipient contracts. This assessment will take into account all factors that might impede a grantee from successfully executing the terms of the contract and will be used to determine monitoring and oversight activities during the term of the contract.

Responsible Official: Betty Lyons, Federal Grants Manager

Implementation Date: Plan to have assessment narrative completed by May 2019 to implement in FY20.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Current Year Findings and Questioned Costs
Year ended June 30, 2018

Community Development Block Grants (14.218)

Federal Award Number: B-17-MC-25-005 **Award Year:** 2018

U.S. Department of Housing and Urban Development

Finding Reference: 2018-002

Reporting

Type of finding: Significant Deficiency and Noncompliance

Prior year finding: No

Statistically valid sample: No

Requirement

Each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information using the Section 3 Summary Reporting System (24 CFR sections 135.3(a)(1) and 135.90).

Finding

CDBG did not submit a HUD 60002 information using the Section 3 Summary Reporting System.

Recommendation

We recommend the City develop and implement procedures to submit the required Section 3 report or obtain written documentation from HUD that the report is not applicable to the City.

Questioned Costs

Undeterminable

Views of Responsible Officials and Corrective Actions

The City will file the zero data report and also confer with HUD as to the required protocol of the HUD 6002 Section 3 Report in cases where there is no relevant data to report. The City will then implement HUD's guidance as a part of its standard reporting schedule.

Responsible Official: Betty Lyons, Federal Grants Manager

Implementation Date: February 28, 2019