



## **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, 2020

# CITY OF CAMBRIDGE, MASSACHUSETTS

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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, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of 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, 2020. 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 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, 2020.



### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-003 and 2020-004. 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 findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

### **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 2020-002, 2020-003 and 2020-004 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 findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

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 Expenditure of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate 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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 20, 2021, 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*

Boston, Massachusetts  
July 19, 2021

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

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	\$ —	255,844
National School Lunch Program (NSLP)	10.555	—	799,617
Summer Food Service Program for Children (SFSPC)	10.559	115,884	390,036
Total Child Nutrition Cluster		115,884	1,445,497
Child and Adult Care Food Program	10.558	—	6,656
Child Nutrition Discretionary Grants Limited Availability	10.579	—	17,948
Total U.S. Department of Agriculture		115,884	1,470,101
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG – Entitlement Grants Cluster:			
Community Development Block Grants	14.218	2,232,308	2,883,542
Total CDBG – Entitlement Grants Cluster		2,232,308	2,883,542
HOME Investment Partnerships Program	14.239	829,750	13,110,695
Continuum of Care Program	14.267	3,755,011	4,072,195
Fair Housing Assistance Program State and Local	14.401	—	42,296
Emergency Solutions Grant Program:			
Direct Program	14.231	182,898	207,211
Passed through the Commonwealth of Massachusetts Department of Housing and Community Development	14.231	63,976	100,363
Total Emergency Solutions Grants Program		246,874	307,574
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	77,957
Total U.S. Department of Housing and Urban Development		7,063,943	20,494,259
U.S. Department of Justice:			
Direct Programs:			
Equitable Sharing Program	16.922	—	10,390
Passed through the Commonwealth of Massachusetts Office of Victim Assistance:			
Crime Victim Assistance	16.575	—	4,900
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Violence Against Women Formula Grants	16.588	—	41,418
Total U.S. Department of Justice		—	56,708
U.S. Department of Transportation:			
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	18,771
Total Highway Safety Cluster		—	18,771
Total U.S. Department of Transportation		—	18,771
U.S. Department of Treasury:			
Passed through the Commonwealth of Massachusetts Office of Administration and Finance:			
COVID-19 Coronavirus Relief Fund	21.019	—	661,780
Total U.S. Department of Treasury		—	661,780
Institute of Museum and Library Services:			
Passed through the Commonwealth of Massachusetts Board of Library Commissioners:			
IMLS Grants to States	45.310	—	4,200
Total Institute of Museum and Library Services		—	4,200

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

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	\$ 49,375	1,004,633
Title I Grants to Local Educational Agencies	84.010	—	981,489
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	—	2,774,197
Special Education-Preschool Grants (IDEA Preschool)	84.173	—	17,166
Total Special Education Cluster (IDEA)		—	2,791,363
Career and Technical Education Basic Grants to States	84.048	—	81,226
Education for Homeless Children and Youth	84.196	—	17,078
English Language Acquisition State Grants	84.365	—	106,620
Supporting Effective Instruction State Grants	84.367	—	237,883
Student Support and Academic Enrichment Program	84.424	—	131,034
Disaster Recovery Assistance for Education	84.938	—	1,215
Total U.S. Department of Education		49,375	5,352,541
U.S. Department of Health and Human Services:			
Passed through the Metropolitan Boston Emergency Medical Services Council:			
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	—	4,000
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:			
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	649,342
Passed through the Commonwealth of Massachusetts Department of Education:			
Child Care and Development Fund Cluster (CCDF):			
Child Care and Development Block Grant	93.575	16,425	25,443
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	22,400	25,443
Total Child Care and Development Fund Cluster (CCDF)		38,825	50,886
Community Based Child Abuse Prevention Grant	93.590	—	68,727
Passed through the Commonwealth of Massachusetts Department of Public Health:			
National Bioterrorism Hospital Preparedness Grant	93.889	—	1,646
Total U.S. Department of Health and Human Services		38,825	774,601
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	—	11,383
Passed through the Massachusetts Emergency Management Agency:			
Emergency Management Performance Grants	97.042	—	39,600
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	800,459
Total U.S. Department of Homeland Security		—	851,442
Total federal expenditures		\$ 7,268,027	29,684,403

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, 2020

**(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 2020.

**(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	\$ 67,290

**(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.

**(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 2020, 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, 2020, the HOME program had loan balances subject to federal continuing compliance requirements of \$13,074,777.



**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2020

**(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.



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**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 aggregate 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2021. Our report includes a reference to other auditors who audited the financial statements of the Cambridge Health Alliance and Cambridge Redevelopment Authority, the aggregate 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) as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.



**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 financial statements. 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*.

**The City’s Response to Finding**

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 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

Boston, Massachusetts  
January 20, 2021

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**(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   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   yes \_\_\_ none reported

Noncompliance material to the financial statements noted?

\_\_\_ yes   x   no

*Federal Awards*

Internal control deficiencies over major programs:

- Material weakness(es) identified? \_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   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)?

  x   yes \_\_\_ no

*Identification of Major Programs*

Name of federal program or cluster	CFDA number
HOME Investment Partnerships Program	14.239
Continuum of Care Program	14.267
Adult Education – Basic Grants to States	84.002
Special Education – Grants to States (IDEA, Part B), Preschool Grants (IDEA Preschool)	84.027; 84.173

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Dollar threshold used to distinguish  
between type A and type B programs: \$890,532

Auditee qualified as low-risk auditee?                    \_\_\_    yes      x      no

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

**2020-001    GAAP Financial Reporting and Review**

*Background*

During the year, the City maintains its books and records on a statutory basis of accounting. At year end, the City converts its books and records to reflect those adjustments necessary to prepare its financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for a governmental entity.

*Observation*

During our audit, we noted errors and or omissions in GAAP reporting either caused by not properly converting from a statutory to a GAAP basis of reporting and or misapplying GAAP as follows:

- For certain grants (Chapter 90 and HOME), the City records grant authorizations as a receivable and revenue (statutory basis) prior to having incurred qualifying expenditures (GAAP basis).
- Based upon MGL guidance issued in 2017 (statutory basis), the City has not reflected bond premiums received in 2017 through 2019 on its Governmental Activities Statement of Net Position as required under GAAP.
- Proper application of GAAP requires that depreciation be recorded once a capital asset is placed in service. During our audit, we note that the City had not properly transferred completed capital projects from construction-in-progress to completed project status in a timely fashion which resulted in depreciation expense being misreported (either in the wrong period and or not at all).

As of and for the fiscal year ending June 30, 2020, the City has recorded adjusting journal entries to correct for the current year impact of the above. However, the cumulative prior year impact for the above approximating \$5.6 million and \$47.7 million, respectively on the Capital fund governmental fund balance and the governmental activities net position remains unadjusted.

Additionally, we noted certain journal entries recorded by members of the Finance team are not reviewed and approved by someone other than the preparer.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

*Recommendation*

We recommend the City consider GAAP accounting literature when recording entries that may differ on a statutory basis. Further, we recommend that any entry recorded be reviewed and approved by someone other than the preparer. We also recommend the City perform a comprehensive review of their construction-in-progress accounts and determine the proper reporting. The City should coordinate amongst departments to determine when capital assets are in use so that accurate accounting may follow.

*Management Response*

The City will continue to consult GAAP accounting literature in order to properly account for transactions on its GAAP statements. If it is found that the City's interpretation of the literature was incorrect, then the City will promptly record a GAAP adjustment to correct the issue going forward. Based on the observations above, the City recorded current year adjustments on the FY2020 GAAP statements to ensure that the only receivables recorded are those for which qualifying expenses have been incurred. Additionally, the City has made the correction to the Statutory to GAAP for the 2020 bond premium in the current year. The City will also provide the necessary resources to ensure the Finance staff has access to updated GAAP accounting literature and training through the GFOA online training opportunities.

To address the construction-in-progress, the City Auditor will review the current procedures in place to communicate with outside departments in order to determine if a project is complete. The current procedures will be updated and include percentage of completion benchmarks, coordination with departmental project managers to determine proper asset status, and a final sign-off document to ensure all construction in progress assets are properly recorded.

Finally, the finance team only posts entries once supporting documentation has been reviewed and the act of posting the journal by someone on the finance team was considered proper approval. However, going forward manual journals posted to the system by the finance team will be initialed by both the preparer and the reviewer.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding Number:** 2020-002

**Program:** HOME Investment Partnerships Program **CFDA #:** 14.239

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Number:** B-19-MC-25-0005 **Award Year:** 7/1/19-6/30/20

**Eligibility**

**Type of finding:** Significant Deficiency and Noncompliance

**Prior year finding:** Yes 2019-005

**Statistically valid sample:** No

**Criteria**

According to 24 CFR 92.203(b):

The HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income.

- (1) For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (a)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any of the following methods in accordance with 92.252(h):
  - (i) Examine the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the family.
  - (ii) Obtain from the family a written statement of the amount of the family's annual income and family size, along with a certification that the information is complete and accurate. The certification must state that the family will provide source documents upon request.
  - (iii) Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income; or alternatively, the statement must indicate the current dollar limit for very low or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.
- (2) For all other families, the participating jurisdiction must determine annual income by examining the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment, compensation statement) for the family.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2020

According to 92.252(h):

The income of each tenant must be determined initially in accordance with 24 CFR 92.203(a)(1)(i). In addition, each year during the period of affordability the project owner must re-examine each tenant's annual income in accordance with one of the options at 24 CFR 92.203 selected by the participating jurisdiction. An owner of a multifamily project with an affordability period of 10 years or more who re-examines tenant's annual income through a statement and certification in accordance with 24 CFR 92.203(a)(1)(ii), must examine the income of each tenant, in accordance with 24 CFR 92.203(a)(1)(i), every sixth year of the affordability period. Otherwise, an owner who accepts the tenant's statement and certification in accordance with 24 CFR 92.203(a)(1)(ii) is not required to examine income of tenants in multi-family or single-family projects unless there is evidence that the tenant's written statement failed to completely and accurately state information about the family's size or income.

Additionally, 2 CFR 200.303 indicates that non Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

**Condition**

The Federal Government requires that participating jurisdictions must establish and maintain effective internal controls over the HOME program that provide reasonable assurance that only eligible participants are included in the program. During testwork, we noted a lack of formal controls over eligibility. More specifically, the forms used to complete eligibility monitoring were not approved or certified by the City and did not include formal evidence the City validated eligibility. The City relies on the subrecipient to obtain annual income certifications, and reviews eligibility determinations during on-site monitoring. However, for fiscal 2020, the HOME program received a waiver for the on-site monitoring requirement. As the HOME program validates eligibility during the onsite reviews, no verification of eligibility took place by the City in fiscal year 2020, other than obtaining the project compliance reports from the property managers. Further, the City is not tracking when the required 6-year income reviews are completed by the property manager.

**Cause**

The City did not have formal documented controls in place to ensure compliance with eligibility requirements for the HOME program.

**Effect**

Lack of formal controls could result in federal noncompliance providing benefits to ineligible recipients.

**Questioned Costs**

Not determinable

**Recommendation**

We recommend the City review their policies and procedures for HOME eligibility and add formal documented controls. We recommend the City utilize a formal checklist that includes all eligibility requirements to ensure they are in compliance with Federal requirements for the HOME program. This checklist should include detailed descriptions of the supporting documentation used to verify eligibility. The



**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

checklist should also include the date of the last 6-year review and whether the 6-year review was required and completed during the current year. The checklist should be signed and dated by the City employee who completed the checklist and certified the participant's eligibility.

**Views of Responsible Officials and Corrective Actions**

HOME Compliance Monitoring Document has been updated, and a monitoring checklist for HOME-assisted rental properties has been created. These changes were made in response to a similar finding in FY19 and have been reviewed by HUD. HUD has closed the FY19 finding.

**Implementation Date**

Fiscal Year 2021

**Responsible Officials**

Judith Tumusiime, Federal Grants Manager; Chris Cotter, Director of Housing

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Finding Number:** 2020-003

**Program:** Adult Education – Basic Grants to States **CFDA #:** 84.002

**Federal Agency:** Department of Education

**Federal Award Number:** HS19152 **Award Year:** 9/1/2018 – 8/31/2019; 9/1/2019 – 8/31/2020

**Allowable costs**

**Type of finding:** Significant Deficiency and Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Requirement**

Allowable Cost Basic Guidelines

Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under federal awards;

1. Be necessary and reasonable for the performance of the federal award and be allocable thereto under the principles in 2 CFR part 200, subpart E.
2. Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart E or in the federal award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only as otherwise provided for in 2 CFR part 200.
6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.
7. Be adequately documented.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2020

The 2 CFR sections 200.420 through 200.475 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

**Condition**

The City's Community Learning Center charges allowable health insurance costs to the Adult Education program based on a percentage of payroll, hereafter referred to as the Health Insurance Rate.

During our audit, we noted the City's Health Insurance Rate is not annually updated and incorrectly includes the employee portion of health care costs. Further, we noted the 4th quarter health insurance costs charged to the grant did not agree to the underlying supporting calculation. The difference between the amount charged (\$6,330) and the supporting documentation (\$3,822) totaled \$2,508.

**Cause**

The City's formal control in place was not performed at a precise enough level to detect the incorrect amount of health insurance costs charged to the grant.

**Effect**

Lack of precision of control and lack of formal policies and procedures over the Health Insurance Rate could result in unallowable costs charged to the program.

**Questioned Costs**

Not determinable

**Recommendation**

We recommend the Community Learning Center review their policies and procedures over charging health insurance to the Adult Education grant. We also recommend controls be performed at a level of precision which would identify any incorrect charges to the program. Further, we recommend the City formally document the method used to determine the proper Health Insurance Rate and update the calculation annually.

**Views of Responsible Officials and Corrective Actions**

The Community Learning Center charges health insurance costs as a percentage of payroll for the Adult Basic Education (ABE). The City allows a 25% allocation for health insurance for grant funded staff; and the calculation used for this grant period was 27%. The difference should have been allocated to salary, also an allowable cost for this grant. The Department of Human Service Programs Fiscal Team, in conjunction with the Community Learning Center will review and strengthen internal controls to ensure correct allocations are budgeted for the program. Additionally, the City will document the method and percentage allocation for grant funded health insurance and review annually.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Implementation Date**

Implementation will be complete prior to the start of the next Federal fiscal year, September 1, 2021.

**Responsible Officials**

Giovanna Alvarez and Janice Alger, Department of Human Service Programs

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Finding Number:** 2020-004

**Program:** Adult Education – Basic Grants to States **CFDA #:** 84.002

**Federal Agency:** Department of Education

**Federal Award Number:** Various **Award Year:** 9/1/2019 – 8/31/2020

**Eligibility**

**Type of finding:** Significant Deficiency and Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria**

The eligibility criteria for the Adult Education program is as follows:

*Eligibility for Individuals*

Eligible individuals are individuals who are at least 16 years of age, who are not enrolled or required to be enrolled in secondary school under state law, and who are basic skills deficient, do not have a secondary school diploma or its recognized equivalent and have not achieved an equivalent level of education, or are English language learners (29 USC 3272(4)).

Additionally, 2 CFR 200.303 indicates that non Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

**Condition**

During our testing for eligibility, we noted for 6 of 40 (15%) samples tested, an assessment documenting skill level was not provided and therefore not reviewed. The intake specialists sign off on the eligibility determinations; however, there is not a formal supervisory review of the eligibility determinations.

**Cause**

It appears the missing assessments were from one location and missing due to insufficient back –up procedures utilized. Also, a lack of a formal review of eligibility determinations does not provide proof a review occurred by someone other than intake personnel.

**Effect**

Without documentation of assessments, the City is unable to fully support the eligibility determination made. Further, a lack of a formal review over eligibility determinations increases the risk services are provided to ineligible recipients.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Questioned Costs**

Not determinable

**Recommendation**

We recommend the City strengthen their controls over ensuring supporting documentation for eligibility determinations are maintained and formalize a review control over eligibility determinations.

**Views of Responsible Officials and Corrective Actions**

A total of 40 samples were tested and all 40 were documented to comply with the eligibility criteria. However, 6 were missing a printout of their initial assessment to prove they were eligible for services because of their scoring range depending on the assessment tool and they came from one location and from the same laptop. The reason for missing those 6 assessments is that accidentally in March 2021 the relevant data was wiped out when the specific laptop that has them was serviced and there was no back up for them.

To remedy this and to ensure no similar loss of data will happen again, we are working on a plan to back up all the assessment data of the program participants.

In addition, and to address a more formal review of the eligibility criteria, after each assessment period, the Director will receive a printout of the assessment data and check off to ensure eligibility is checked and determined.

**Implementation Date**

July 2021

**Responsible Officials**

Maria Kefallinou, Community Learning Center Director