

CITY OF NEWTON, MASSACHUSETTS
GAO AND OMB REPORTS
FOR THE YEAR ENDED JUNE 30, 2019



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CITY OF NEWTON, MASSACHUSETTS

GAO AND OMB REPORTS

FOR THE YEAR ENDED JUNE 30, 2019

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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 City Council and Mayor
City of Newton, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the year ended June 30, 2019 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the City of Newton, Massachusetts' basic financial statements, and have issued our report thereon dated January 14, 2020. Our report includes a reference to other auditors who audited the financial statements of Newton Commonwealth Foundation, Inc. (as of and for the year ended December 31, 2018), 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 of Newton, 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 Newton, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newton, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

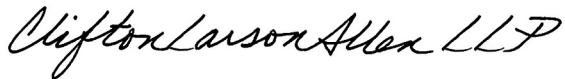
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
January 14, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable City Council and Mayor
City of Newton, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Newton, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Newton, Massachusetts' major federal programs for the year ended June 30, 2019. The City of Newton, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Newton, Massachusetts' financial statements include the operations of the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc. (as of and for the year ended December 31, 2018) and the Newton Community Development Authority (as of and for the year ended June 30, 2019). These are component units that did not receive federal awards and therefore did not meet the 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).

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Newton, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newton'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City of Newton, Massachusetts' compliance.

Basis for Qualified Opinion on Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the City of Newton, Massachusetts did not comply with requirements over subrecipient monitoring regarding CFDA 14.239, the HOME Investment Partnerships program, as described in finding 2019-001. Compliance with such requirements is necessary, in our opinion, for the City of Newton, Massachusetts to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Newton, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of Newton, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Newton, 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 Newton 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 Newton's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses or 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 2019-001 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

The City of Newton, Massachusetts' 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 of Newton, 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Massachusetts, as of and for the fiscal year ended June 30, 2019 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the fiscal year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the City of Newton, Massachusetts' basic financial statements. We issued our report thereon dated January 14, 2020, 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 City of Newton, Massachusetts' financial statements include the operations of the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc. (as of and for the year ended December 31, 2018) and the Newton Community Development Authority (as of and for the year ended June 30, 2019). The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Boston, Massachusetts
January 14, 2020

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

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
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	09-207	\$ -	\$ 51,849
National School Lunch Program - Cash Assistance	10.555	09-207	-	570,738
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-207	-	187,308
Subtotal CFDA 10.555			-	758,046
Subtotal Child Nutrition Cluster			-	809,895
Total U.S. Department of Agriculture			-	809,895
U.S. Department of Housing and Urban Development				
<u>Direct Programs:</u>				
Community Development Block Grant	14.218	Not Applicable	410,368	1,605,048
Emergency Solutions Grants Program	14.231	Not Applicable	269,048	288,787
HOME Investment Partnerships Program	14.239	Not Applicable	612,804	1,504,070
Total U.S. Department of Housing and Urban Development			1,292,220	3,397,905
U.S. Department of Justice				
<u>Direct Programs:</u>				
DEA Asset Forfeitures	16.UNK	Not Applicable	-	33,967
<u>Passed through the State Executive Office of Public Safety:</u>				
Byrne Equipment Grant	16.580	Not Available	-	19,742
Enforcing Underage Drinking Laws Program	16.727	2016NEWTONEUDL	-	793
Total U.S. Department of Justice			-	54,502
U.S. Institute of Museum and Library Services				
<u>Passed through State Library Board of Commissioners:</u>				
Library Services and Technology Grant	45.310	16NEWTONFREELIBRARY0	-	5,113
U.S. Department of Education				
<u>Direct Programs:</u>				
Climate Transformation Grant	84.184G	Not Applicable	-	271,693
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<i>Title I, Part A</i>				
Title I Distribution (fiscal year 2019)	84.010	305-069243-2019-0207	-	236,278
Title I Distribution (fiscal year 2018)	84.010	305-069243-2018-0207	-	225,572
Subtotal CFDA 84.010			-	461,850
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2019)	84.027	240-095248-2019-0207	-	3,312,051
SPED 94-142 Allocation (fiscal year 2018)	84.027	240-095248-2018-0207	-	230,079
Subtotal CFDA 84.027			-	3,542,130
<u>Passed through the State Department of Early Education and Care:</u>				
<i>Special Education Cluster (continued)</i>				
SPED Early Childhood Allocation (fiscal year 2019)	84.173	26218NEWTONPUBLICSCH	-	63,213
SPED Early Childhood Allocation (fiscal year 2018)	84.173	26218NEWTONPUBLICSCH	-	16,598
Subtotal CFDA 84.173			-	79,811
Subtotal Special Education Cluster			-	3,621,941

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

Passed through the State Department of Elementary & Secondary Education:

Carl Perkins Occupational Education (fiscal year 2019)	84.048	2019	-	78,645
Carl Perkins Occupational Education (fiscal year 2018)	84.048	2018	-	6,235
Subtotal CFDA 84.048			-	84,880
Title III - English Language Acquisition (fiscal year 2019)	84.365	2019	-	61,145
Title III - English Language Acquisition (fiscal year 2018)	84.365	2018	-	120,232
Subtotal CFDA 84.365			-	181,377
Title IIA - Improving Teacher Quality (fiscal year 2019)	84.367	2019	-	115,121
Title IIA - Improving Teacher Quality (fiscal year 2018)	84.367	2018	-	56,114
Subtotal CFDA 84.367			-	171,235
Title IVA (fiscal year 2019)	84.424	Not Available	-	13,596
Title IVA (fiscal year 2018)	84.424	Not Available	-	468
Subtotal CFDA 84.367			-	14,064
Total U.S. Department of Education			-	4,807,040

U.S. Department of Health and Human Services

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

School-Based Medicaid Reimbursement Program/ Medicaid Cluster	93.778	1951726	-	397,364
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Centers for Disease Control and Prevention

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

Medical Reserve Corps Grant	93.069	Not Available	-	1,015
<u>Passed through the Cambridge Public Health Department:</u> Public Health Emergency Preparedness Grant	93.074	Not Available	-	4,015
Total Centers for Disease Control and Prevention			-	5,030

U.S. Food & Drug Administration

Direct Programs:

Food Safety Inspection Grant	93.103	Not Applicable	-	25,026
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U.S. Department of Homeland Security

Direct Program:

Assistance to Firefighters Grant	97.044	Not Applicable	-	31,612
<u>Passed through the Massachusetts Executive Office of Public Safety:</u> Public Assistance Grants	97.036	CTFEMA4110NEWTO00666		20,479
Emergency Management Performance Grant	97.042	FY19EMPG1800000NEWTO	-	20,349
Citizens Corps Grant	97.053	Not Available		514
Buffer Zone Protection Grant	97.078	Not Available		1,193
Total U.S. Department of Homeland Security			-	74,147

Total	\$ 1,292,220	\$ 9,576,022
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See notes to schedule of expenditures of federal awards.

CITY OF NEWTON, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Newton, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Indirect Costs

The City of Newton, Massachusetts did not elect to use the 10% de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

Note 3 – U.S. Department of Agriculture

The amount reported for the National School Lunch Program - Non-Cash Assistance (Commodities) represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the National School Lunch Program - Cash Assistance and School Breakfast Program – Cash Assistance represent cash receipts from federal reimbursements.

Note 4 – U.S. Department of Health and Human Services

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements for Administrative Activity Claims.

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

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|---|------------|---|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <input checked="" type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <input checked="" type="checkbox"/> no |

Federal Awards

- | | | |
|--|--|----------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ <input checked="" type="checkbox"/> yes | _____ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ <input checked="" type="checkbox"/> yes | _____ no |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Modified – HOME Investment Partnerships
Unmodified – All other major programs | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Subpart F, Section 516(a) of the Uniform Guidance? | _____ <input checked="" type="checkbox"/> yes | _____ no |

Identification of Major Federal Programs

- | | |
|--|---|
| 14.239
84.027 & 84.173 | HOME Investment Partnerships
Special Education Cluster |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ <u>750,000</u> |
| Auditee qualified as low-risk auditee pursuant to the Uniform Guidance? | _____ <input checked="" type="checkbox"/> yes _____ no |

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Material Noncompliance and Material Weakness in Internal Control over Compliance

2019-001 HOME Investment Partnerships Program, CFDA No. 14.239

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

Compliance Requirement: Subrecipient Monitoring

Criteria or Specific Requirement: All pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes specific data elements 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 (2 CFR 200.331).

Condition and Context: The City did not obtain subaward documents including the elements required by the Uniform Grant Guidance prior to the disbursement of grant funds to all five (5) subrecipients in our statistically valid sample. Additionally, the City did not obtain Uniform Grant Guidance audit reports from subrecipients who were required to have an annual audit in accordance with the Uniform Grant Guidance.

Questioned Costs: None.

Cause: Controls were not in place to ensure that subaward documents were obtained and that Uniform Grant Guidance audit reports were obtained prior to expending grant funds to subrecipients.

Effect: Noncompliance with the federal grant program occurred.

Repeat Finding: No.

Recommendation: We recommend procedures be implemented to ensure that subaward documents are completed and executed prior to disbursing funds to subrecipients. The subaward documents should contain the elements required by the Uniform Grant Guidance. Additionally the City should obtain the annual audit reports from subrecipients who are required to have an audit in accordance with the Uniform Grant Guidance.

Views of Responsible Officials: Management agrees with the finding. Please refer to the Corrective Action Plan.

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Noncompliance and Significant Deficiency in Internal Control over Compliance

2019-002 HOME Investment Partnerships Program, CFDA No. 14.239

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

Compliance Requirement: Allowable Costs/Cost Principles

Criteria or Specific Requirement: The Code of Federal Regulations (CFR) Title 2 Part 200.430 indicates charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Such records should support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on a federal award and a non-federal award.

Condition and Context: Two (2) of seven (7) payroll transactions in our statistically valid sample were charged to the grant in excess of the charges supported by the time and effort documentation.

Questioned Costs: None in excess of the reportable threshold of the Uniform Grant Guidance.

Cause: The City's internal controls surrounding the allocation of charges to the grant were not implemented to ensure the documentation supporting the charges tested was consistent with charges made to the grant.

Effect: Noncompliance with the federal grant program occurred.

Repeat Finding: No.

Recommendation: We recommend procedures be strengthened to ensure that records supporting the distribution of employee time and effort accurately reflect the charges to the grant program.

Views of Responsible Officials: Management agrees with the finding. Please refer to the Corrective Action Plan.

