

CITY OF NEWTON, MASSACHUSETTS
GAO AND OMB REPORTS
FOR THE YEAR ENDED JUNE 30, 2020

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GAO AND OMB REPORTS

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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, 2020 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the year ended December 31, 2019), 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 28, 2021. 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, 2019), 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) as a basis for designing 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.

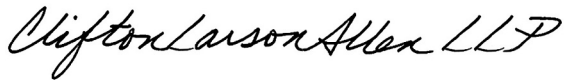
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 28, 2021



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, 2020. 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, 2019) and the Newton Community Development Authority (as of and for the year ended June 30, 2020). 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 opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the City of Newton, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2020.

Other Matters

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 in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

The City of Newton, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Newton, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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. 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 identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.


City of Newton, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The City of Newton, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2020 (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, 2019), 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 28, 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 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, 2019) and the Newton Community Development Authority (as of and for the year ended June 30, 2020). 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 28, 2021

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program - Cash Assistance	10.553	09-207	\$ -	\$ 38,567
National School Lunch Program - Cash Assistance	10.555	09-207	-	404,970
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-207	-	158,976
Subtotal CFDA 10.555			-	563,946
Subtotal Child Nutrition Cluster			-	602,513
Total U.S. Department of Agriculture			-	602,513
U.S. Department of Housing and Urban Development				
<u>Direct Programs:</u>				
Community Development Block Grant	14.218	Not Applicable	194,088	1,912,575
Emergency Solutions Grants Program	14.231	Not Applicable	171,002	171,002
HOME Investment Partnerships Program	14.239	Not Applicable	286,195	2,916,148
Continuum of Care Program	14.267	Not Applicable	-	21,170
Total U.S. Department of Housing and Urban Development			651,285	5,020,895
U.S. Department of Justice				
<u>Direct Programs:</u>				
DEA Asset Forfeitures	16.UNK	Not Applicable	-	20,318
<u>Passed through the State Executive Office of Public Safety:</u>				
Bulletproof Vest Partnership Grant	16.607	Not Available	-	9,502
Total U.S. Department of Justice			-	29,820
U.S. Department of the Treasury				
<u>Passed through Massachusetts Office of Administration and Finance:</u>				
COVID-19 - Coronavirus Aid, Relief, and Economic Security Act (CARES)	21.029	Not Available	-	219,866
U.S. Department of Education				
<u>Direct Programs:</u>				
Climate Transformation Grant	84.184G	Not Applicable	-	230,212
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<u>Title I, Part A</u>				
Title I Distribution (fiscal year 2020)	84.010	305-306152-2020-0207	-	421,529
Title I Distribution (fiscal year 2019)	84.010	305-069243-2019-0207	-	153,960
Subtotal CFDA 84.010			-	575,489
<u>Special Education Cluster</u>				
SPEID 94-142 Allocation (fiscal year 2020)	84.027	240-306150-2020-0207	-	3,339,054
SPEID 94-142 Allocation (fiscal year 2019)	84.027	240-095248-2019-0207	-	86,830
Subtotal CFDA 84.027			-	3,425,884
<u>Passed through the State Department of Early Education and Care:</u>				
<u>Special Education Cluster (continued)</u>				
SPEID Early Childhood Allocation (fiscal year 2020)	84.173	26220NEWTONPUBLICSCH	-	72,754
SPEID Early Childhood Allocation (fiscal year 2019)	84.173	26219NEWTONPUBLICSCH	-	6,854
Subtotal CFDA 84.173			-	79,608
Subtotal Special Education Cluster			-	3,505,492

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Passed through the State Department of Elementary & Secondary Education:

Carl Perkins Occupational Education (fiscal year 2020)	84.048	2020	-	85,395
Carl Perkins Occupational Education (fiscal year 2019)	84.048	2019	-	7,118
Subtotal CFDA 84.048			-	92,513
Title III - English Language Acquisition (fiscal year 2020)	84.365	2020	-	43,915
Title III - English Language Acquisition (fiscal year 2019)	84.365	2019	-	59,228
Subtotal CFDA 84.365			-	103,143
Title IIA - Improving Teacher Quality (fiscal year 2020)	84.367	140-306147-2020-0207	-	70,887
Title IIA - Improving Teacher Quality (fiscal year 2019)	84.367	140-215754-2019-0207	-	134,403
Subtotal CFDA 84.367			-	205,290
Title IVA (fiscal year 2020)	84.424	Not Available	-	2,628
Title IVA (fiscal year 2019)	84.424	Not Available	-	9,624
Subtotal CFDA 84.424			-	12,252
Total U.S. Department of Education			-	4,724,391

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	-	230,296
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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	-	1,015
Total Centers for Disease Control and Prevention			-	2,030

U.S. Food & Drug Administration

Direct Programs:

Food Safety Inspection Grant	93.103	Not Applicable	-	5,340
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U.S. Department of Homeland Security

Direct Program:

Assistance to Firefighters Grant	97.044	Not Applicable	-	12,717
U.S Customs and Border Protection Asset Forfeitures	97.UKN	Not Applicable	-	7,167

Passed through the State Emergency Management Agency:

Public Assistance Grants	97.036	CITFEMA4214NEWTO00781	-	883,401
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Total U.S. Department of Homeland Security			-	903,285
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Total			\$ 651,285	\$ 11,738,436
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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, 2020**

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.

Note 5 – U.S. Department of Homeland Security

The amount reported for the Public Assistance Program represents federal reimbursements of expenses incurred.

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, 2020**

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 X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ no
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Subpart F, Section 516(a) of the Uniform Guidance? X yes _____ no

Identification of Major Federal Programs

14.239 84.027 & 84.173 97.036	HOME Investment Partnerships Special Education Cluster Public Assistance Programs
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance? _____ yes X no

**CITY OF NEWTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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 HOMELAND SECURITY

Noncompliance and Significant Deficiency in Internal Control over Compliance

2020-001 Public Assistance Program, CFDA No. 97.036

Award Period: July 1, 2019 – June 30, 2020

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: Fifteen (15) of forty (40) payroll transactions in our statistically valid sample were not accurately supported by 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 charges for salaries and wages was deficient in accurately supporting the charges with time and effort documentation.

Effect: Noncompliance with the federal grant program occurred.

Repeat Finding: No.

Recommendation: We recommend procedures be strengthened to accurately support all charges for salaries and wages with time and effort documentation.

Views of Responsible Officials: Management agrees with the finding.