
CITY OF NEWTON, MASSACHUSETTS

**REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF NEWTON, MASSACHUSETTS
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FEDERAL AWARD PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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 Board of Aldermen 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 fiscal year ended June 30, 2013 (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, 2012), 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 November 25, 2013.

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.

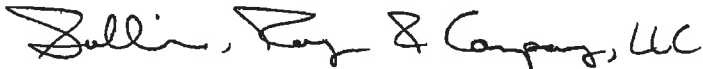
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 black ink that reads "Sullivan, Ray & Company, LLC". The signature is written in a cursive, flowing style.

November 25, 2013



Certified Public Accountants

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**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

To the Honorable Board of Aldermen 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Newton, Massachusetts' major federal programs for the fiscal year ended June 30, 2013. 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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newton, Massachusetts' 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 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 fiscal year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City of Newton, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Newton, Massachusetts' 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 OMB Circular A-133, 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, Massachusetts' internal control over compliance.

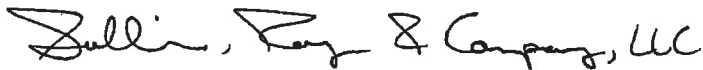
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013 (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, 2012), 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 November 25, 2013, 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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.



November 25, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</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	10.553	09-207	\$ 30,255
National School Lunch Program	10.555	09-207	441,764
Commodity Supplemental Food Program	10.565	09-207	139,853
Total U.S. Department of Agriculture			611,872
U.S. Department of Housing and Urban Development			
<u>Direct Programs:</u>			
<i>CDBG - Entitlement Grants Cluster</i>			
Community Development Block Grant	14.218	Not Applicable	1,815,892
Community Development Block Grant Recovery (CDBG-R)	14.253	Not Applicable	1,878
Emergency Shelter Grants Program	14.231	Not Applicable	141,083
HOME Investment Partnerships Program	14.239	Not Applicable	696,808
Continuum of Care Program	14.267	Not Applicable	30,463
Total U.S. Department of Housing and Urban Development			2,686,124
U.S. Department of Justice			
<u>Direct Programs:</u>			
DEA Support Overtime Reimbursements	16.000	Not Applicable	58,117
Juvenile Mentoring Program	16.726	Not Applicable	100,025
DEA Asset Forfeitures	16.922	Not Applicable	19,341
<u>Passed through the State Executive Office of Public Safety:</u>			
Enforcing Underage Drinking Laws Program	16.727	Not Available	971
Total U.S. Department of Justice			178,454
U.S. Department of Transportation			
<u>Direct Programs:</u>			
Highway Planning and Construction	20.205	Not Applicable	1,043
ARRA - Highway Planning and Construction	20.205	Not Applicable	35,200
Total U.S. Department of Transportation			36,243
Institute of Museum and Library Services			
<u>Direct Program:</u>			
Museum for America Grant	45.301	Not Applicable	1,306

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
<u>Direct Programs:</u>			
Safe Schools/Healthy Students Grant	84.184L	Not Applicable	647,423
<i>Fund for Improvement of Education</i>			
Physical Education Grant	84.215F	Not Applicable	459,733
Teaching American History Grant	84.215X	Not Applicable	329,901
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2012)	84.010	305-124-0207-M	109,067
Title I Distribution (fiscal year 2013)	84.010	0305-000537-2013-0207	259,019
Title I Carryover Grant (fiscal year 2012)	84.010	305-458-2-0207-M	17,068
Title I Carryover Grant (fiscal year 2013)	84.010	305-121-3-0207-N	3,888
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2012)	84.027	240-162-2-0207-M	289,785
SPED 94-142 Allocation (fiscal year 2013)	84.027	240-178-3-0207-N	2,689,640
SPED Tiered Instruction (fiscal year 2012)	84.027	257-026-2-0207-M	12,898
SPED Program Improvement (fiscal year 2012)	84.027	274-132-2-0207-M	18,347
SPED Program Improvement (fiscal year 2013)	84.027	274-108-3-0207-N	77,611
SPED Early Childhood Program Improvement (fiscal year 2013)	84.173	298-062-3-0207-N	4,507
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2012)	84.173	26212 NEWTONPUBLICSCH	4,234
SPED Early Childhood Allocation (fiscal year 2013)	84.173	26213 NEWTONPUBLICSCH	66,596
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Carl Perkins Occupational Education (fiscal year 2012)	84.048	400-031-2-0207-M	9,249
Carl Perkins Occupational Education (fiscal year 2013)	84.048	400-031-2-0207-M	72,497
Safe and Drug-Free Schools (fiscal year 2012)	84.186	331-002-2-0207-M	12,982
Title III - English Language Acquisition (fiscal year 2012)	84.365	180-012-2-0207-M	68,779
Title III - English Language Acquisition (fiscal year 2013)	84.365	180-027-3-0207-N	65,775
Title IIA - Improving Teacher Quality (fiscal year 2012)	84.367	140-154-2-0207-M	40,842
Title IIA - Improving Teacher Quality (fiscal year 2013)	84.367	140-006478-2013-0207	191,307
ARRA - Race to the Top Grant	84.395	201-350-3-0207-N	74,368
<u>Passed through the State Department of Early Education and Care:</u>			
ARRA - Race to the Top Evidence Based Literacy Grant	84.395	RTTT13011642NEWTON	7,500
Total U.S. Department of Education			5,533,016

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
<u>Direct Programs:</u>			
Food and Drug Administration Research Grant	93.103	Not Applicable	51,917
<u>Passed through the State Executive Office of Health and Human Services:</u>			
Medical Reserve Corps Grant Program	93.008	Not Available	3,000
School-Based Medicaid Reimbursement Program	93.778	1951726	261,306
<u>Passed through the State Department of Fire Services:</u>			
DFS Bioterrorism First Responder Liason Grants	93.283	DFS 2008BHAZMATRESPGRANT	16,748
Total U.S. Department of Health and Human Services			332,971
U.S. Department of Homeland Security			
<u>Direct Program:</u>			
Assistance to Firefighters Grant	97.044	Not Applicable	845
<u>Passed through the City of Beverly, Massachusetts:</u>			
State Homeland Security Training Grant	97.073	Not available	5,386
<u>Passed through the State Emergency Management Agency:</u>			
Public Assistance Grants	97.036	CDA CTFEMA4051NEWTON00465	128,577
Public Assistance Grants	97.036	CDA CTFEMA3330NEWTON00177	125,808
<u>Passed through the State Executive Office of Public Safety:</u>			
Buffer Zone Protection Grant	97.078	Not Available	19,279
Total U.S. Department of Homeland Security			279,895
Total			\$ 9,659,881
			(concluded)

See notes to schedule of expenditures of federal awards.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – U.S. Department of Agriculture

The amount reported for the Food Distribution Program represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program and National School Lunch Program represent cash receipts from federal reimbursements.

Note 3 – U.S. Department of Health and Human Services

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

Note 4 – U.S. Department of Homeland Security

The amounts reported for the Public Assistance Grants represent federal reimbursements.

Note 5 – Sub-recipients

The City of Newton, Massachusetts provided the following awards to sub-recipients for the fiscal year ended June 30, 2013:

<u>Program Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 286,730
Emergency Shelter Grants Program	14.231	141,083
Safe Schools/Healthy Students Grant	84.184L	<u>67,732</u>
Total		<u>\$ 495,545</u>

A. Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:

Unqualified

Internal Control over Financial Reporting:

• Material weakness(es) identified? Yes X No

• Significant deficiency(ies) identified? Yes X No

Noncompliance material to the financial statements noted?

 Yes X No**Federal Awards**

Internal control over major programs:

• Material weakness(es) identified? Yes X No

• Significant deficiency(ies) identified that are not
considered to be material weaknesses? Yes X No

Type of auditors' report on compliance for major programs:

Unqualified

Were any findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133?

 Yes X No**Identification of Major Programs:**

Name of federal program or cluster	CFDA Number
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
<i>CDBG - Entitlement Grants Cluster</i>	
Community Development Block Grant	14.218
Community Development Block Grant Recovery (CDBG-R)	14.253
HOME Investment Partnerships Program	14.239
Safe Schools/Healthy Students Grant	84.184L
<i>Fund for Improvement of Education</i>	
Physical Education Grant	84.215F
Teaching American History Grant	84.215X
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Tiered Instruction	84.027
SPED Program Improvement	84.027
SPED Early Childhood Program Improvement	84.173
SPED Early Childhood Allocation	84.173
Title IIA - Improving Teacher Quality	84.367

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 Yes X No

B. Findings – Financial Statement Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

D. Summary of Prior Audit Findings**MAJOR FEDERAL AWARD PROGRAMS AUDIT****Department of Agriculture*****Material Weakness in the Internal Control over Major Programs*****12-1 Child Nutrition Cluster – CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2012**

Condition: The City did not comply with the eligibility and special tests and provisions compliance requirements.

Current Status: This finding has been resolved.

Noncompliance Related to Major Programs**12-2 Child Nutrition Cluster – CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2012**

Condition: One of the claims for reimbursement forms submitted to the DESE included inaccurate information. For the month of October 2011, the number of meals served, as reported to the DESE, did not agree to the detailed breakdown of school nutrition activity.

Current Status: This finding has been resolved.

12-3 Child Nutrition Cluster – CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2012

Condition: Four of the 60 student files tested were either missing the original applications filed or did not contain sufficient income documentation to support the eligibility statuses determined through the eligibility and verification summary processes.

Current Status: This finding has been resolved.

Department of Housing and Urban Development***Noncompliance Related to Major Programs*****12-4 HOME Investment Partnerships Program – CFDA No. 14.239; Fiscal year ended June 30, 2012**

Condition: Program management did not enter the program income into the U.S. Department of Housing and Urban Development's Integrated Disbursement and Information System (IDIS) timely. As a result, there were instances where the program income was not applied against the grant expenses prior to drawing down additional Federal funds.

Current Status: This finding has been resolved.

Department of Justice***Material Weakness in the Internal Control over Major Programs*****12-5 Public Safety Partnership and Community Policing Grants – CFDA No. 16.710;
Fiscal year ended June 30, 2012**

Condition: The City did not have internal controls in place to comply with the procurement, suspension and debarment compliance requirements related to the program.

Current Status: The City did not procure any goods or services related to the grant program in fiscal year 2013, as the program ended in fiscal year 2012.

Noncompliance Related to Major Programs**12-6 Public Safety Partnership and Community Policing Grants – CFDA No. 16.710;
Fiscal year ended June 30, 2012**

Condition: Salaries charged to the grant for several employees working on grant related projects were not supported by timesheets.

Current Status: The City did not charge any salaries to the grant during fiscal year 2013, as the grant program ended in fiscal year 2012.

Department of Homeland Security***Material Weakness in the Internal Control over Major Programs*****12-7 Public Assistance Grants – CFDA No. 97.036; Fiscal year ended June 30, 2012**

Condition: The City did not have internal controls in place to comply with the procurement, suspension and debarment compliance requirements related to the program.

Current Status: This finding has been resolved.

Department of Energy***Material Weaknesses in the Internal Control over Major Programs***

- 12-8 ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The City did not maintain copies of the payment requests submitted to the Department of Energy (DOE) or documentation supporting them.

Current Status: The City did not submit any payment requests to the DOE during fiscal year 2013, as the grant program ended in fiscal year 2012.

- 12-9 ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The City did not comply with the reporting compliance requirements related to the program.

Current Status: The City was not required to prepare or submit any reports to the DOE during fiscal year 2013, as the grant program ended in fiscal year 2012.

- 12-10 ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The City did not comply with the equipment and real property management compliance requirements related to the program.

Current Status: The City did not purchase any equipment or real property during fiscal year 2013, as the grant program ended in fiscal year 2012.

- 12-11 ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The City did not have internal controls in place to comply with the procurement, suspension and debarment compliance requirements related to the program.

Current Status: The City did not procure any goods or services related to the grant program in fiscal year 2013, as the program ended in fiscal year 2012.

Noncompliance Related to Major Programs

- 12-12 ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: Program management did not maintain copies of the payment requests submitted to the DOE or documentation supporting them.

Current Status: The City did not submit any payment requests to the DOE during fiscal year 2013, as the grant program ended in fiscal year 2012.

- 12-13 ARRA - Energy Efficiency and Conservation Block Grant Program - CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The financial reports submitted to the DOE were not completed based upon expenditures processed and recorded in the City's general ledger and, therefore, did not represent an accurate, current and complete disclosure of financial results.

Current Status: The City was not required to prepare or submit any reports to the DOE during fiscal year 2013, as the grant program ended in fiscal year 2012.

- 12-14 ARRA - Energy Efficiency and Conservation Block Grant Program - CFDA No. 81.128;
Fiscal year ended June 30, 2012

Condition: The equipment purchased with the federal grant funds was not labeled as federally funded equipment. Additionally, the City did not perform a physical inventory during the year.

Current Status: The City did not purchase any equipment or real property during fiscal year 2013, as the grant program ended in fiscal year 2012.