

**CITY OF NEWTON, MASSACHUSETTS**  
**GAO AND OMB A-133 REPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**CITY OF NEWTON, MASSACHUSETTS**  
**GAO AND OMB A-133 REPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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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 year ended June 30, 2015 (except for the Newton Contributory Retirement System and the Newton Commonwealth Foundation, Inc., which are as of and for the year ended December 31, 2014), 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 December 1, 2015. The City of Newton, Massachusetts' financial statements include the operations of the Newton Commonwealth Foundation, Inc. (as of and for the year ended December 31, 2014). Our audit described below, did not include operations of this entity because this entity engaged for its own separate audit.

**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.

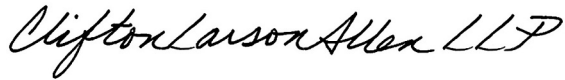
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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  
December 1, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH 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 year ended June 30, 2015. 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, 2014) and the Newton Community Development Authority (as of and for the year ended June 30, 2015), component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit described below did not include the operations of these entities.

**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.

### **Basis for Modified Opinion on Emergency Solutions Grants Program**

As described in the accompanying schedule of findings and questioned costs the City of Newton, Massachusetts did not comply with requirements regarding CFDA 14.231, Emergency Solutions Grants Program, as described in finding number 2015-003 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City of Newton, Massachusetts to comply with the requirements applicable to the program.

### **Modified Opinion on Emergency Solutions Grants Program**

In our opinion, except for the noncompliance described in the Basis for Modified 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 the Emergency Solutions Grants Program for the year ended June 30, 2015.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-004, 2015-005, 2015-006 and 2015-007. Our opinion on the major federal programs are not modified with respect to these matters.

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, 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.

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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 2015-003 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-004, 2015-005, 2015-006 and 2015-007 to be significant deficiencies.

The City of Newton, Massachusetts' response 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 result 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, 2015 (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, 2014), 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 December 1, 2015, 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, 2014) and the Newton Community Development Authority (as of and for the year ended June 30, 2015). 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 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 1, 2015



CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	09-207	\$ 48,724
National School Lunch Program - Cash Assistance	10.555	09-207	570,118
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-207	183,182
Subtotal Child Nutrition Cluster			<u>802,024</u>
Total U.S. Department of Agriculture			<u>802,024</u>
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct Programs:</u>			
Community Development Block Grant	14.218	Not Applicable	1,400,001
Emergency Solutions Grants Program	14.231	Not Applicable	155,318
HOME Investment Partnerships Program	14.239	Not Applicable	2,230,539
Continuum of Care Program	14.267	Not Applicable	<u>13,230</u>
Total U.S. Department of Housing and Urban Development			<u>3,799,088</u>
<b>U.S. Department of Justice</b>			
<u>Direct Programs:</u>			
Bulletproof Vest Partnership Grant	16.607	Not Applicable	2,385
Juvenile Mentoring Program	16.726	Not Applicable	17,131
DEA Asset Forfeitures	16.UNK	Not Applicable	32,287
DEA Support Overtime Reimbursements	16.UNK	Not Applicable	22,615
<u>Passed through the State Executive Office of Public Safety:</u>			
Enforcing Underage Drinking Laws Program	16.727	2013NEWTONENFUD	<u>4,664</u>
Total U.S. Department of Justice			<u>79,082</u>
<b>U.S. Department of Education</b>			
<u>Direct Programs:</u>			
Climate Transformation Grant	84.184G	Not Applicable	185,711
<i>Fund for Improvement of Education</i>			
Physical Education Grant	84.215F	Not Applicable	373,251
Teaching American History Grant	84.215X	Not Applicable	29
Subtotal Fund for Improvement of Education			<u>373,280</u>

**CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<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>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2015)	84.010	305-066162-2015-0207	405,653
Title I Distribution (fiscal year 2014)	84.010	305-025688-2014-0207	340,976
Subtotal Title I, Part A Cluster			746,629
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2015)	84.027	240-014-5-0207-P	2,986,429
SPED 94-142 Allocation (fiscal year 2014)	84.027	240-012-4-0207-O	14,639
SPED 94-142 Transition (fiscal year 2014)	84.027	243-051-4-0207-O	175
SPED Program Improvement (fiscal year 2015)	84.027	274-014-5-0207-P	87,517
SPED Early Childhood Program Improvement (fiscal year 2015)	84.027	298-431-5-0207-P	8,550
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued)</i>			
SPED Early Childhood Allocation (fiscal year 2015)	84.173	26215NEWTONPUBLICSCH	65,768
SPED Early Childhood Allocation (fiscal year 2014)	84.173	26214NEWTONPUBLICSCH	20,056
Subtotal Special Education Cluster			3,183,134
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Carl Perkins Occupational Education (fiscal year 2015)	84.048	400-009-5-0207-P	66,191
Carl Perkins Occupational Education (fiscal year 2014)	84.048	400-005-4-0207-O	7,452
Title III - English Language Acquisition (fiscal year 2015)	84.365	180-017-5-0207-P	108,882
Title III - English Language Acquisition (fiscal year 2014)	84.365	180-005-4-0207-O	68,110
Title IIA - Improving Teacher Quality (fiscal year 2015)	84.367	140-045613-2015-0207	201,556
Title IIA - Improving Teacher Quality (fiscal year 2014)	84.367	140-032750-2014-0207	15,248
<u>Passed through the State Department of Early Education and Care:</u>			
ARRA - Race to the Top Grant (fiscal year 2015)	84.395	RTTT15011342NEWTON	14,889
ARRA - Race to the Top Grant (fiscal year 2014)	84.395	RTTT13011642NEWTON	19,962
Total U.S. Department of Education			4,991,044
<b>U.S. Department of Health and Human Services</b>			
<u>Direct Program:</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Not Applicable	21,565
<u>Passed through the State Executive Office of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951726	305,386
Total U.S. Department of Health and Human Services			326,951

CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Centers for Disease Control and Prevention</b>			
<u>Passed through the State Department of Fire Services:</u>			
DFS Bioterrorism First Responder Liaison Grant	93.283	Not Available	16,579
<u>Passed through the State Executive Office of Health and Human Services:</u>			
Medical Reserve Corps Grant	93.069	Not Available	3,000
Community Transformation Grant	93.737	Not Available	4,800
Total Centers for Disease Control and Prevention			<u>24,379</u>
<b>U.S. Food &amp; Drug Administration</b>			
<u>Direct Programs:</u>			
Food Safety Inspection Grant	93.103	354-023-0-0207-K	<u>77,575</u>
<b>U.S. Department of Homeland Security</b>			
<u>Direct Program:</u>			
Assistance to Firefighters Grant	97.044	Not Applicable	8,516
<u>Passed through the State Emergency Management Agency:</u>			
Public Assistance Grants	97.036	CT FEMA4110NEWTON	724,325
Emergency Management Performance Grant	97.042	FY14EMPG120000NEWTO	19,260
Total U.S. Department of Homeland Security			<u>752,101</u>
Total			<u>\$ 10,852,244</u>

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, 2015**

**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. 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 - 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 3 - 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 4 - U.S. Department of Homeland Security**

The amounts reported for the Emergency Management Performance Grant and Public Assistance Grants programs represent federal reimbursements.

**Note 5 - Subrecipients**

The City of Newton, Massachusetts provided the following awards to subrecipients for the year ended June 30, 2015:

<u>Program Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 338,503
Emergency Solutions Grants Program	14.231	<u>152,153</u>
Total		<u>\$ 490,656</u>

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, 2015**

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*Section I - Summary of Auditors' Results*

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**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?   X   yes      \_\_\_\_\_ 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: Modified for Emergency Solutions Grants Program;  
Unmodified for all other major federal programs
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   X   yes      \_\_\_\_\_ no

**Identification of Major Federal Programs**

14.218 14.231 14.239 84.010 84.027 & 84.173 97.036	Community Development Block Grant Emergency Solutions Grants Program HOME Investment Partnerships Program Title I, Part A Cluster Special Education Cluster Public Assistance Grants
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Dollar threshold used to distinguish between Type A and Type B programs: \$   325,567  

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?   X   yes      \_\_\_\_\_ no

CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015

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*Section II - Financial Statement Findings*

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

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*Section III - Findings and Questioned Costs - Major Federal Programs*

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

*Noncompliance*

2015-001          Community Development Block Grant; CFDA No. 14.218

Compliance Requirement: Allowable Costs/Cost Principles

*Criteria:* As stated in OMB Cost Circular A-87, the City is required to maintain documentation supporting the salaries and wages charged to the grant program. For employees that work on both CDBG program and other grant or non-grant related activities, personnel activity reports must be maintained that (1) reflect an after-the-fact distribution of the actual activity of the employee, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly and coincide with one or more pay periods, and (4) must be signed by the employee.

*Condition:* The salaries and wages charged to the grant program for one of the employees were not supported by the required time and effort reports (i.e., periodic certifications, personnel activity reports or time sheets), as prescribed in OMB Cost Circular A-87.

*Context:* One of the eleven employees tested was missing a timesheet for one of the pay periods tested.

*Effect:* The salaries charged to the grant for the employee with the missing timesheet are subject to disallowance.

*Cause:* Policies and procedures were not in place to obtain all required time and effort reports for all employees for all pay periods.

*Questioned Costs:* \$1,040

*Auditors' Recommendation:* Procedures must be implemented to ensure that all salaries charged to the grant are appropriate and are supported by the required time and effort reports, as prescribed in Cost Circular A-87.

*Views of Responsible Officials and Corrective Action:* The timesheet in question is attributed to a staff person who is no longer employed by the City. Based on an extensive electronic and paper search, the timesheet for the week in question cannot be located. The employee did work a full week that week according to payroll backup. All other timesheets have been obtained and filed.

Staff will be more vigilant with the future timesheet collections but the process in place is generally reliable.

**CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

***Noncompliance and Significant Deficiency in Internal Control over Compliance***

2015-002          Emergency Solutions Grant; CFDA No. 14.231

Compliance Requirement: Reporting

*Criteria:* As stated in the compliance supplement, the City is required to file its SF-425 Federal Financial Reports no later than 30 days after the end of a quarterly period.

*Condition:* The City did not file the required SF-425 Reports during fiscal year 2015.

*Context:* None of the four required quarterly reports were filed.

*Effect:* The City is not in compliance with the Federal grant reporting requirements.

*Cause:* Policies and procedures were not in place to file the required SF-425 Reports.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to prepare the required quarterly SF-425 Reports for all applicable grants based on the City's general ledger and to submit them to HUD timely.

*Views of Responsible Officials and Corrective Action:* Beginning in FY16, staff will include the ESG program on the SF-425. The City of Newton's SF-425 report will now include data on expenditures for the CDBG, HOME and ESG programs. Staff was unaware of this requirement, and compliance will be put into effect immediately.

***Material Noncompliance and Material Weakness in Internal Control over Compliance***

2015-003          Emergency Solutions Grant; CFDA No. 14.231

Compliance Requirement: Subrecipient Monitoring

*Criteria:* Federal guidelines require that pass-through entities, during the award period, conduct monitoring of sub-recipients and ensure that the sub-recipients expending more than \$500,000 of federal awards in the fiscal year have met the OMB Circular A-133 audit requirements.

*Condition:* The City did not conduct sufficient monitoring procedures of its sub-recipients during fiscal year 2015.

*Context:* The files for both of the subrecipients tested did not contain monitoring documentation.

*Effect:* Noncompliance by the sub-recipient could occur and not be detected and corrected timely.

*Cause:* Policies and procedures were not in place to conduct sufficient sub-recipient monitoring. This was partially caused by a high degree of turnover in the City's Planning Department.

*Questioned Costs:* \$38,645

*Auditors' Recommendation:* Procedures must be implemented to conduct monitoring of the sub-recipients to ensure they are complying with grant requirements, and to maintain documentation supporting the results of the monitoring procedures.

**CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

*Views of Responsible Officials and Corrective Action:* In April 2015, staff requested technical assistance (TA) from HUD regarding the Continuum of Care (CoC) and Emergency Solutions Grant (ESG) programs. HUD approved 16 hours of remote TA with The Cloudburst Group on May 7, 2015. Staff began working with Cloudburst in May and developed a work plan to submit to HUD for approval. HUD approved the long-term work plan to have Cloudburst provide TA for both CoC and ESG programs. Cloudburst provided a two-day ESG orientation held in October as one of the first steps in the work plan. As a result of the TA, staff learned that the performance and compliance monitoring required a more formalized process and a program-wide reassessment was necessary. It was determined that the reassessment should take place prior to monitoring. We are working with Cloudburst to develop a monitoring plan including guidelines and a schedule.

In the interim, we have conducted site visits with two providers and have included Cloudburst in these meetings to assist staff and agencies in understanding the compliance and regulatory requirements. The work plan also includes a monitoring orientation which will be led by Cloudburst and will include both staff and ESG service providers. We will develop the monitoring plan and schedule by the end of the calendar year. We anticipate the monitoring will begin in January 2016 and will be completed by March 2016.

***Noncompliance and Significant Deficiencies in Internal Control over Compliance***

2015-004 HOME Investment Partnerships Program; CFDA No. 14.239

Compliance Requirement: Eligibility

*Criteria:* As stated in 24 CFR 92.252, the income of each tenant must be determined initially in accordance with §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 in §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 §92.203(a)(1)(ii), must examine the income of each tenant, in accordance with §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 §92.203(a)(1)(ii) is not required to examine the income of tenants in multifamily 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.

*Condition:* The City and other Consortium members did not conduct tenant income re-certifications for projects with affordable housing restrictions to verify that the tenants were still income eligible to live in the HOME-assisted units.

*Context:* Annual re-certifications of tenants' income were not performed for any of the Consortium's projects.

*Effect:* The projects with affordable housing restrictions may have tenants living in HOME-assisted units that do not meet the income guidelines.

*Cause:* Policies and procedures were not in place to ensure that the required re-certifications were performed.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to track the Consortium's projects with affordable housing restrictions and to ensure that the continuous compliance requirements are met for those projects by verifying that the tenants living in the HOME-assisted units still qualify to live there. Documentation supporting the tenant re-certifications should be kept in the project files.



**CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

*Views of Responsible Officials and Corrective Action:* The WestMetro HOME Consortium has a written monitoring plan in place designed to ensure accountability, respond to community needs, and use HOME resources efficiently and effectively. The WestMetro HOME Consortium is committed to following this comprehensive monitoring plan. Historically the Consortium's consultant, Fine Point Associates, has performed this monitoring and is available to provide this service under their current contract. The Consortium Administrator will perform a risk assessment of all projects within the Consortium and work with Fine Point to develop the monitoring list and schedule by the end of the calendar year. It is anticipated that the monitoring will begin in January 2016 and be completed by February 2016.

As a result of the departure of two staff members with all HOME institutional knowledge, new and existing staff were unclear of Newton's responsibilities in the monitoring process and the timeframe in which to enable the consultant to proceed with the monitoring. Staff will collect all of the existing policies and regulations and prepare a policies and procedures binder to aid in staff transitions in the future.

2015-005           HOME Investment Partnerships Program; CFDA No. 14.239

Compliance Requirement: Special Tests and Provisions

*Criteria:* During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every 3 years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (HQS) (24 CFR sections 92.209(i), 92.251(f), and 92.504(d)).

*Condition and Context:* The City did not perform any of the required HQS inspections during fiscal year 2015.

*Effect:* The City is not in compliance with the HQS requirements applicable to the program.

*Cause:* Policies and procedures were not in place to perform HQS inspections. This was partially caused by a high degree of turnover in the City's Planning Department.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to ensure required HQS inspections are performed timely and documented.

*Views of Responsible Officials and Corrective Action:* The WestMetro HOME Consortium has written policies and procedures in place for HQS inspections. On review of this documentation from the FY14 monitoring plan, and in accordance with Section 92.504(a), three projects were identified as requiring inspection in FY2015. Notifications will be sent to each property owner to schedule the site HQS inspections. It is anticipated that these inspections will take place by the end of 2015. There were no other projects in the Consortium requiring HQS inspection in FY2015.

CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015

DEPARTMENT OF EDUCATION

*Noncompliance and Significant Deficiency in Internal Control over Compliance*

2015-006            Special Education Cluster; CFDA No.'s 84.027 and 84.173

Compliance Requirement: Reporting

*Criteria:* Each State Educational Agency (SEA) is required to report to the U.S Department of Education an unduplicated count of children with disabilities receiving special education and related services. Each SEA must (1) establish procedures to be used by Local Educational Agencies (LEAs) and other educational institutions in counting the number of children with disabilities receiving special education and related services; (2) obtain certification from each agency and institution that an unduplicated and accurate count has been made; and (3) ensure that documentation is maintained that enables the State and the U.S Department of Education to audit the accuracy of the count. LEAs must report to the SEA in accordance with the SEA-established procedure. The procedure in Massachusetts includes having a complete, updated IEP on file for each student that receives services and is reported by the LEA as part of the SIMS report.

*Condition:* The IEPs maintained for some of the students did not contain authorizing signatures from responsible City officials as evidence that they were reviewed and approved for the services provided.

*Context:* Three of the forty student IEPs tested did not contain authorizing signatures.

*Effect:* Special education services were provided that did not contain documentation supporting the review and approval of such services by a responsible City official.

*Cause:* Policies and procedures were not in place to ensure all IEPs were reviewed and approved by a responsible City official.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to make sure all IEPs are properly authorized by a responsible City official.

*Views of Responsible Officials and Corrective Action:* Newton Public Schools' (NPS) administrators for special education will review current policies and procedures related to authorized signatures on IEPs. Procedures will be clarified as needed. At an upcoming meeting of the administrators for special education, these procedures will be reviewed and training conducted regarding who is responsible for assuring provision of goals/objectives and services as written in a student's IEP. The Assistant Superintendent for Student Services will communicate the procedures for signing IEPs to all NPS administrators. After training is completed, the district will periodically review IEPs across all three levels to ensure compliance.

CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015

DEPARTMENT OF HOMELAND SECURITY

*Noncompliance and Significant Deficiency in Internal Control over Compliance*

2015-007            Public Assistance Grants; CFDA No. 97.036

Compliance Requirement: Allowable Costs/Cost Principles

*Criteria:* As stated in the grant contract, the City can only charge employee hours that occurred during the specified emergency storm period.

*Condition:* The City submitted two reports for payroll charges; one for employees' overtime hours and one for employees' equipment hours. One employee's equipment hours charged did not agree with the employee's timecard, as it included hours incurred outside of the specified emergency storm period.

*Context:* One of the forty employees tested had hours included in the project worksheet submitted for reimbursement which were incurred outside of the emergency storm period.

*Effect:* The payroll charges outside the emergency storm period are subject to disallowance.

*Cause:* Payroll hours outside of the allowable emergency storm period were inadvertently entered into the project worksheet for reimbursement.

*Questioned Costs:* \$175

*Auditors' Recommendation:* Procedures must be implemented to ensure that all expenditures included for reimbursement are for allowable costs incurred within the allowable period.

*Views of Responsible Officials and Corrective Action:* The hours charged were inadvertently listed beyond the 48 hour allowable period as designated by the FEMA. Those hours were charged against the CFDA# 97.036 in error. With many time cards being separately submitted for regular time and for overtime, the error was missed. Future review of overtime hours utilized with equipment assignments for declared events will be prepared with greater accuracy.

CITY OF NEWTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015

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*Section IV - Prior Year Major Federal Program Findings*

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**Department of Education**

*Noncompliance and Significant Deficiency in Internal Control over Compliance*

2014-001            Special Education Cluster; CFDA No.'s 84.027 and 84.173

Compliance Requirement: Special Tests and Provisions

*Condition:* In some instances, the City did not originally include education documentation in the personnel files of paraprofessionals whose salaries were charged to the grant program. In one instance, the education documentation in the personnel file of a paraprofessional whose salary was charged to the grant program did not provide evidence of completion of at least 2 years of study at an institution of higher education.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2015, this finding has been resolved.