

CITY OF SOMERVILLE, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2010

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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 Mayor and Board of Aldermen
City of Somerville, Massachusetts

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Compliance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the year ended June 30, 2010, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2009) which collectively comprise the City's financial statements, and have issued our report thereon dated April 26, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Somerville's internal control over financial reporting as a basis for designing our auditing procedures 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 Somerville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

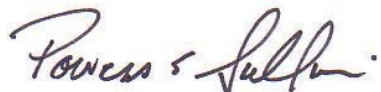
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Somerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance 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*.

We noted certain other matters that we reported to management of the City of Somerville in a separate letter dated April 26, 2011.

This report is intended solely for the information and use of management of the City of Somerville, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Powers & Sullivan". The signature is written in a cursive, flowing style.

April 26, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Honorable Mayor and Board of Aldermen
City of Somerville, Massachusetts

Compliance

We have audited the compliance of the City of Somerville, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Somerville's major federal programs for the fiscal year ended June 30, 2010. The City of Somerville's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Somerville's management. Our responsibility is to express an opinion on the City of Somerville's compliance based on our audit.

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'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Somerville, Massachusetts complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

Management of the City of Somerville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Somerville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated April 26, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Somerville, Massachusetts', 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management of the City of Somerville and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 26, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	126,543
Cash Assistance:		
School Breakfast Program	10.553	303,937
National School Lunch Program	10.555	1,334,659
Summer Food Service Program for Children	10.559	220,634
Child Nutrition Discretionary Grants Limited Availability	10.579	51,342
Fresh Fruit and Vegetable Program	10.582	70,905
		<hr/>
TOTAL DEPARTMENT OF AGRICULTURE		2,108,020
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	3,405,487
Urban Development Action Grants	14.221	44,966
Emergency Shelter Grants Program	14.231	123,648
HOME Investment Partnerships Program	14.239	749,921
ARRA - Community Development Block Grant Entitlement Grants	14.253	263,420
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	390,142
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	249,432
Lead Hazard Reduction Demonstration Grant Program	14.905	553,438
		<hr/>
TOTAL HOUSING AND URBAN DEVELOPMENT		5,780,454
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Programs</u>		
Edward Byrne Memorial Formula Grant Program	16.579	7,658
ARRA - Public Safety Partnership and Community Policing Grants	16.710	23,910
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,830
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	51,303
		<hr/>
TOTAL JUSTICE		87,701
U.S. DEPARTMENT OF LABOR:		
<u>Passed through State Division of Career Services:</u>		
ARRA - WIA Youth Activities	17.259	22,878
		<hr/>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through the Office of the Secretary of Public Safety:</u>		
Safety Incentive Grants for Use of Seatbelts	20.604	12,878
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	2,108
		<hr/>
TOTAL TRANSPORTATION		14,986
NATIONAL ENDOWMENT FOR THE ARTS		
<u>Direct Program:</u>		
Promotion of the Arts-Grants to Organizations and Individuals	45.024	25,000
		<hr/>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
<u>Passed through State Department of Library Commissioners:</u>		
Grants to States	45.310	6,171
		<hr/>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
<u>Direct Program:</u>		
Environmental Protection Agency Water Quality	66.818	290
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	488,870
		<hr/>
TOTAL ENVIRONMENTAL PROTECTION		489,160

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF ENERGY:		
<u>Direct Program:</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>9,999</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Direct Program:</u>		
Carol White Physical Education Program	84.215F	23,763
<u>Passed through Massachusetts Department Elementary and Secondary Education:</u>		
Adult Education - Basic Grants to States	84.002	237,629
Title I Grants to Local Educational Agencies	84.010	1,331,304
Special Education-Grants to States	84.027	1,761,063
Career and Technical Education-Basic Grants to States	84.048	94,380
Emergency Response and Crisis Management Program	84.184E	41,200
Safe and Drug-Free Schools and Communities-State Grants	84.186	22,075
Charter Schools	84.282	1,970
Twenty-First Century Community Learning Centers	84.287	257,336
Education Technology State Grants	84.318	19,718
Reading First State Grants	84.357	2,163
English Language Acquisition Grants	84.365	152,071
Improving Teacher Quality State Grants	84.367	571,883
ARRA - Education Technology State Grants	84.386	45,908
ARRA - Title I Grants to Local Educational Agencies	84.389	264,315
ARRA - Special Education-Grants to States	84.391	497,310
<u>Passed through Massachusetts Rehabilitation Commission</u>		
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	10,800
<u>Passed through State Department of Early Education and Care</u>		
Special Education-Preschool Grants	84.173	97,380
ARRA - Special Education-Preschool Grants	84.392	<u>30,865</u>
TOTAL EDUCATION		<u>5,463,133</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct Program:</u>		
Drug-Free Communities Support Program Grants	93.276	99,245
<u>Passed through Massachusetts Executive Office of Health and Human Services:</u>		
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	14,430
Public Health Emergency Preparedness	93.069	60,508
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	18,349
National Bioterrorism Hospital Preparedness Program	93.889	4,584
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>180,980</u>
TOTAL HEALTH AND HUMAN SERVICES		<u>378,096</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Learn and Serve America-School and Community Based Programs	94.004	<u>5,191</u>
SOCIAL SECURITY ADMINISTRATION:		
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	<u>165</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
<u>Passed through Massachusetts Emergency Management Agency:</u>		
Emergency Management Performance Grants	97.042	2,500
Assistance to Firefighters Grant	97.044	297,432
Homeland Security Grant Program	97.067	<u>3,994</u>
TOTAL HOMELAND SECURITY		<u>303,926</u>
TOTAL		\$ <u>14,694,880</u>
See notes to Schedule of Expenditures of Federal Awards		(Concluded)

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Somerville, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 - Significant Accounting Policies

The accounting and reporting policies of the City of Somerville, Massachusetts, are set forth below:

(a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.

(b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

(c) Non-Cash Assistance (Commodities) - School Breakfast and Lunch Program - Program expenditures represent the value of donated foods received during the fiscal year..

Note 3 - Program Clusters

In accordance with Subpart A §.105 of OMB Circular No. A-133, Audits of States, Local Governments and Non Profit Organizations, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I, Part A Cluster	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States	84.391
ARRA - Special Education Preschool Grants	84.392

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Somerville, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Somerville, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Somerville, Massachusetts, expresses an unqualified opinion.
6. The audit finding relative to the major federal award programs for the City of Somerville, Massachusetts is reported in Part C. of this Schedule.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218
ARRA - Community Development Block Grant Entitlement Grant	14.253
ARRA – Homelessness Prevention and Rapid Re-Housing Program	14.257
Lead Hazard Reduction Demonstration Grant Program	14.905
Brownfields Assessment and Cleanup Cooperative Agreements	66.818
Title I Grants to Local Educational Agencies	84.010
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
Improving Teacher Quality State Grants	84.367
ARRA - Title I Grants to Local Educational Agencies	84.389
ARRA - Special Education - Grants to States	84.391
ARRA - Special Education - Preschool Grants	84.392

8. The threshold for distinguishing Types A and B programs was \$440,846.
9. The City of Somerville, Massachusetts, was determined to be a high-risk auditee.

B. Findings-Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Program Audit

**UNITED STATES DEPARTMENT OF EDUCATION
 MASSACHUSETTS DEPARTMENT OF EDUCATION**

**Questioned
Costs**

Title I Grants to Local Educational Agencies	84.010	None
Special Education – Grants to States	84.027	None
Special Education – Preschool Grants	84.173	None
Improving Teacher Quality State Grants	84.367	None
ARRA -Title I Grants to Local Educational Agencies	84.389	None
ARRA - Special Education – Grants to States	84.391	None
ARRA - Special Education – Preschool Grants	84.392	None

2010-1: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time.

Cause: The District did not maintain semi-annual certifications or personnel activity reports for employee salaries charged to the federal awards programs.

Effect: The District is not in compliance with the grant requirements.

Questioned Costs: Not Applicable.

Auditors’ Recommendations: We recommend that the District implement procedures to comply with OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

D. Prior Summary Schedule of Audit Findings

None