

CITY OF SOMERVILLE, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2018

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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

Independent Auditor's Report

To the Honorable Mayor and Board of Aldermen
City of Somerville, 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, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the year ended June 30, 2018, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the City of Somerville, Massachusetts' basic financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Somerville, 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 Somerville, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 Somerville, Massachusetts' financial statements are free of 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.

Powers + Sullivan, LLC

January 25, 2019



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Somerville, Massachusetts' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Somerville's major federal programs for the year ended June 30, 2018. The City of Somerville, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Somerville, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Somerville, 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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Somerville, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City of Somerville, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and

performing our audit of compliance, we considered the City of Somerville, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Somerville's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Somerville, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Somerville, Massachusetts' basic financial statements. We issued our report thereon dated January 25, 2019, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Powers + Sullivan, LLC

January 25, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
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	09-274	\$ -	\$ 242,797
Cash Assistance:				
National School Lunch Program.....	10.555	09-274	-	1,330,448
Total National School Lunch Program.....			-	1,573,245
Cash Assistance:				
School Breakfast Program.....	10.553	09-274	-	397,340
After School Snack Program.....	10.555	09-274	-	153,691
Summer Food Service Program for Children.....	10.559	09-274	-	118,819
TOTAL CHILD NUTRITION CLUSTER.....			-	2,243,095
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	240-150207-2018-0274	-	1,218,516
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	240-101202-2017-0274	-	467,114
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	274-134-7-0274	-	28,613
Total Special Education Grants to States (IDEA, Part B).....			-	1,714,243
<u>Passed through State Department of Early Education and Care</u>				
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2018).....	84.173	26218SOMERVILLE	-	58,532
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,772,775
OTHER PROGRAMS:				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	Not applicable	322,907	2,220,928
Emergency Shelter Grants Program.....	14.231	Not applicable	60,013	77,180
HOME Investment Partnerships Program.....	14.239	Not applicable	68,649	919,210
Lead Hazard Reduction Demonstration Grant Program.....	14.905	Not applicable	-	252,737
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.....			451,569	3,470,055
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Programs:</u>				
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	Not applicable	-	3,048
U.S. DEPARTMENT OF THE NATIONAL ENDOWMENT FOR THE ARTS				
<u>Direct Program:</u>				
Promotion of the Arts-Partnership Agreements.....	45.024	Not applicable	-	7,904
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Program:</u>				
Environmental Protection Agency Water Quality.....	66.818	Not applicable	-	160,991
U.S. DEPARTMENT OF EDUCATION:				
<u>Direct Program:</u>				
Fund for the Improvement of Education.....	84.215	Not applicable	-	69,314
PASS-THROUGH PROGRAMS:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Farm to School Grant Program.....	10.575	09-274	-	46,098
Fresh Fruit and Vegetable Program (Fiscal Year 2018).....	10.582	DOENUT2018	-	87,243
TOTAL DEPARTMENT OF AGRICULTURE.....			-	133,341
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Office of the Secretary of Public Safety:</u>				
State and Community Highway Safety (Fiscal Year 2017).....	20.600	18X9204020MA17	-	15,390
State and Community Highway Safety (Fiscal Year 2016).....	20.600	18X9204020MA16	-	6,011
Total State and Community Highway Safety.....			-	21,401

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department Elementary and Secondary Education:</u>				
Adult Education - Basic Grants to States (Fiscal Year 2018).....	84.002	340-137717-2018-0274	-	229,349
Adult Education - Basic Grants to States (Fiscal Year 2017).....	84.002	340-011-7-0274	-	33,907
Total Adult Education - Basic Grants to States.....			-	<u>263,256</u>
Title I Grants to Local Educational Agencies (Fiscal Year 2018).....	84.010	305-146541-2018-0274	-	985,724
Title I Grants to Local Educational Agencies (Fiscal Year 2017).....	84.010	305-101236-2017-0274	-	303,002
Title I Grants to Local Educational Agencies (Fiscal Year 2016).....	84.010	305-073260-2016-0274	-	4,449
Title I Grants to Local Educational Agencies (Fiscal Year 2018).....	84.010	320-199877-2018-0274	-	24,870
Title I Grants to Local Educational Agencies (Fiscal Year 2017).....	84.010	320-182-7-0274	-	31,500
Total Title I Grants to Local Educational Agencies.....			-	<u>1,349,545</u>
Career and Technical Education-Basic Grants to States (Fiscal Year 2018).....	84.048	400-140420-2018-0274	-	51,667
Career and Technical Education-Basic Grants to States (Fiscal Year 2017).....	84.048	400-021-7-0274	-	28,629
Total Career and Technical Education-Basic Grants to States.....			-	<u>80,296</u>
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	180-150213-2018-0274	-	38,112
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-130188-2017-0274	-	95,796
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	184-138254-2018-0274	-	3,340
Total English Language Acquisition Grants.....			-	<u>137,248</u>
Improving Teacher Quality State Grants (Fiscal Year 2018).....	84.367	140-146542-2018-0274	-	184,314
Improving Teacher Quality State Grants (Fiscal Year 2017).....	84.367	140-101237-2017-0274	-	64,032
Improving Teacher Quality State Grants (Fiscal Year 2016).....	84.367	140-080761-2016-0274	-	6,449
Total Improving Teacher Quality State Grants.....			-	<u>254,795</u>
Student Support and Academic Enrichment.....	84.424	309-152733-2018-0274	-	38,180
Emergency Impact Aid for Displaced Students.....	84.938	Not Applicable	-	12,748
TOTAL DEPARTMENT OF EDUCATION.....			-	<u>2,136,066</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<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 (Fiscal Year 2018).....	93.044	TITLE3FEDYR18SOMCAMB	-	8,305
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers (Fiscal Year 2017).....	93.044	TITLE3FEDYR17SOMCAMB	-	3,591
Total Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers.....			-	<u>11,896</u>
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance (Fiscal Year 2017).....	93.079	649-013-7-0274	-	1,950
Community Transformation Grants and National Dissemination and Support for National Bioterrorism Hospital Preparedness Program (Fiscal Year 2017).....	93.889	INTF6207P01W17013785	-	46
Block Grants for Prevention and Treatment of Substance Abuse (Fiscal Year 2018).....	93.959	INTF2354186022000000	-	200,276
Block Grants for Prevention and Treatment of Substance Abuse (Fiscal Year 2017).....	93.959	INTF23541760220000	-	6,115
Total Block Grants for Prevention and Treatment of Substance Abuse.....			-	<u>206,391</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES.....			-	<u>220,283</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<u>Passed through Massachusetts Emergency Management Agency:</u>				
Emergency Management Performance Grants.....	97.042	FFY16 EMPG GRANT	-	26,527
Assistance to Firefighters Grant (Fiscal Year 2017).....	97.044	EMW-2016-FO-04293	-	100,618
Homeland Security Grant Program.....	97.067	EMW-2014-SS-00024-S01	-	35,575
<u>Passed through the City of Boston, Massachusetts:</u>				
Homeland Security Grant Program.....	97.067	BOSTONUASIFFY15	-	230,946
Homeland Security Grant Program.....	97.067	BOSTONUASIFFY16	-	57,370
			-	<u>288,316</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY.....			-	<u>451,036</u>
TOTAL.....			\$ 451,569	\$ <u>10,689,309</u>

See notes to schedule of expenditures of federal awards.

(Concluded)

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Somerville, Massachusetts under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Somerville, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Somerville, Massachusetts.

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 modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(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 year.

(d) Disaster Grants have been recorded the year the grant was approved.

(e) The City of Somerville, Massachusetts has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City of Somerville, Massachusetts.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
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 for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the City of Somerville, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Somerville, Massachusetts.
7. The programs tested as a major grants are the Special Education Cluster and the Child Nutrition Cluster Grants.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Somerville, Massachusetts, was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None

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

None

D. Summary Schedule of Prior Audit Findings

None