



CITY OF CAMBRIDGE, MASSACHUSETTS

Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2012

CITY OF CAMBRIDGE, MASSACHUSETTS

Auditors' Reports as Required by Office of
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Year ended June 30, 2012

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit I

Independent Auditors' 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

The Honorable Mayor and City Council
City of Cambridge, Massachusetts:

Compliance

We have audited the compliance of the City of Cambridge, Massachusetts (the City), 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's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Exhibit IV). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Cambridge Health Alliance (CHA), a discretely presented component unit, which received federal awards during the year ended June 30, 2012. Our audit described below did not include the activities of the CHA because it engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. 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 2012-1.



Internal Control over Compliance

Management of the City 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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'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 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.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon, based upon our audit and the report of other auditors, dated December 14, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 14, 2012. 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 basic 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 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.



Exhibit I

This report is intended solely for the information of the City Council, management, 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.

KPMG LLP

March 25, 2013
(except for schedule of expenditures of federal
awards, which is as of December 14, 2012)

CITY OF CAMBRIDGE, MASSACHUSETTS

Exhibit II

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal grantor/pass-through grantor/ program title/pass-through grantor's number	CFDA number	2012 expenditures
U.S. Department of Agriculture:		
Passed through the Commonwealth of Massachusetts Department of Education:		
Food Distribution	10.550	\$ 106,428
Child Nutrition Cluster:		
School Breakfast Program (SBP)	10.553	200,792
National School Lunch Program (NSLP)	10.555	972,043
Summer Food Service Program for Children (SFSPC)	10.559	113,413
Total Child Nutrition Cluster		<u>1,286,248</u>
Child and Adult Care Food Program	10.558	9,420
Fresh Fruit and Vegetable Program	10.582	87,508
Total		<u>1,489,604</u>
U.S. Department of Commerce:		
Passed through the Cambridge Housing Authority:		
ARRA-Broadband Technology Opportunities Program	11.557	93,188
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Community Development Block Grants	14.218	10,629,759
Emergency Shelter Grants Program	14.231	119,176
Supportive Housing Program	14.235	2,944,985
Shelter Plus Care	14.238	203,338
HOME Investment Partnerships Program	14.239	11,862,471
ARRA-Homeless Prevention and Rapid Re-Housing Program	14.257	345,722
Fair Housing Assistance Program State and Local	14.401	43,422
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	154,499
Passed through the Cambridge Housing Authority:		
Resident Opportunity and Supportive Services – Service Coordinators	14.870	79,122
Moving to Work Demonstration Program	14.881	17,038
Total		<u>26,399,532</u>
U.S. Department of Justice:		
Direct Programs:		
Office of Violence Against Women Grant	16.590	101,752
Public Safety Partnership and Community Policing Grants	16.710	186
Justice Assistance Grant Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	80,760
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.804	85,262
Total Justice Assistance Grant Program Cluster		<u>166,022</u>
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
ARRA-Violence Against Women Formula Grant	16.588	6,399
Total		<u>274,359</u>
U.S. Department of Labor:		
Passed through the Commonwealth Corporation:		
Workforce Investment Act Cluster:		
WIA Adult Program	17.258	1,065
WIA Youth Activities	17.259	2,628
WIA Dislocated Workers	17.260	1,964
ARRA-WIA Adult Program	17.258	12,124
ARRA-WIA Youth Activities	17.259	29,909
ARRA-WIA Dislocated Workers	17.260	22,356
Total Workforce Investment Act Cluster		<u>70,046</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal grantor/pass-through grantor/ program title/pass-through grantor's number	CFDA number	2012 expenditures
U.S. Department of Transportation:		
Passed through the Commonwealth of Massachusetts Executive Office of Transportation:		
Highway Planning and Construction Program	20.205	\$ 156,293
Passed through the Commonwealth of Massachusetts Executive Office of Transportation, Boston Regional Metropolitan Planning Organization and Metropolitan Area Planning Council:		
Highway Planning and Construction Program	20.205	109,757
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
State and Community Highway Safety	20.600	2,816
Interagency Hazardous Materials Public Sector Training and Planning	20.703	3,588
Total		<u>272,454</u>
National Endowment for the Arts:		
Direct Programs:		
Promotion of the Arts Grants to Organizations and Individuals	45.024	<u>4,362</u>
National Science Foundation:		
Passed through Massachusetts Institute of Technology:		
Education and Human Services	47.076	47,410
Passed through Boston University:		
ARRA-Trans-NSF Recovery Act Research Support	47.082	4,320
Total		<u>51,730</u>
U.S. Environmental Protection Agency:		
Passed through the Commonwealth of Massachusetts Executive Office of Environmental Protection:		
ARRA-Water Quality Management Planning	66.454	48,510
Passed through the Massachusetts Water Pollution Abatement Trust:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>5,083,333</u>
Total		<u>5,131,843</u>
U.S. Department of Energy:		
Direct Programs:		
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128	212,237
U.S. Department of Education:		
Direct Programs:		
Safe and Drug-Free Schools and Communities – National Programs	84.184	111,646
Foreign Language Assistance	84.293	188,642
Passed through the Commonwealth of Massachusetts Department of Education:		
Adult Education Basic Grants to States	84.002	212,525
Title I – Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,288,405
ARRA-Title I-Grants to Local Educational Agencies	84.389	171,445
Total Title I – Part A Cluster		<u>1,459,850</u>
Special Education Cluster (IDEA):		
Special Education-Grants to States (IDEA, Part B)	84.027	3,087,710
Special Education-Preschool Grants (IDEA Preschool)	84.173	56,628
ARRA-Special Education-Grants to States (IDEA, Part B)	84.391	228,096
ARRA-Special Education-Preschool Grants (IDEA Preschool)	84.392	14,605
Total Special Education Cluster (IDEA)		<u>3,387,039</u>
Career and Technical Education Basic Grants to States	84.048	100,543
Safe and Drug-Free Schools and Communities State Grants (School)	84.186	2,444
Education for Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	21,939
ARRA – Education for Homeless Children and Youth	84.387	2,900
Total Education for Homeless Children and Youth Cluster		<u>24,839</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal grantor/pass-through grantor/ program title/pass-through grantor's number	CFDA number	2012 expenditures
Twenty-First Century Community Learning Centers	84.287	\$ 222,176
Educational Technology State Grants Cluster:		
Education Technology State Grants	84.318	23,189
ARRA – Education Technology State Grants	84.386	44,865
Total Educational Technology State Grants Cluster		<u>68,054</u>
English Language Acquisition Grants	84.365	79,139
Improving Teacher Quality State Grants	84.367	424,073
ARRA-State Fiscal Stabilization Fund (SFSF)-Race to the Top Incentive Grants	84.395	198,258
Passed through the Town of Arlington, Massachusetts Public Schools:		
Fund for the Improvement of Education – Teaching American History Grant	84.215	2,932
Passed through City of Newton, Massachusetts Public Schools:		
Fund for the Improvement of Education – Teaching American History Grant	84.215	4,500
Total		<u>6,486,660</u>
U.S. Department of Health and Human Services:		
Direct Programs:		
Substance Abuse and Mental Health Services (STOP ACT)	93.243	60,158
Passed through the Commonwealth of Massachusetts Executive Office of Health and Human Services:		
Public Health and Social Services Emergency Fund	93.003	400
Substance Abuse and Mental Health Services (BSAS OPIOIO)	93.243	138,596
National Bioterrorism Hospital Preparedness Program	93.889	788
Block Grants for Prevention and Treatment of Substance Abuse	93.959	76,877
Passed through the Commonwealth of Massachusetts Executive Office of Health and Human Services and the Cambridge Hospital:		
Community Transformation Grants and National Dissemination and Support	93.531	1,835
Passed through the Commonwealth of Massachusetts Executive Office of Community Development:		
Low-Income Home Energy Assistance Programs (LIHEAP)	93.568	1,572,325
Passed through the Commonwealth of Massachusetts Department of Education:		
Community Based Child Abuse Prevention Grant	93.590	68,563
Passed through the Institute for Community Health:		
Maternal and Child Health Federal Consolidated Programs	93.110	294
Total		<u>1,919,836</u>
U.S. Corporation for National and Community Service:		
Passed through the Commonwealth of Massachusetts Department of Education:		
Green in the Middle/Community Service Grant	94.004	16,348
U.S. Department of Homeland Security:		
Passed through Action for Boston Community Development, Inc.:		
Emergency Food and Shelter National Board Program	97.024	6,000
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
Emergency Management Performance Grants	97.042	18,034
Port Security Grant Program	97.056	437,157
Buffer Zone Protection Program	97.078	43,703
Passed through City of Boston, Massachusetts		
Homeland Security Grant Program	97.067	19,861
Total		<u>524,755</u>
Total federal expenditures		<u>\$ 42,946,954</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) Definition of Reporting Entity

The schedule of expenditures of federal awards presents the activity of all federal awards of the City of Cambridge, Massachusetts (the City). All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The schedule of federal awards is presented using the modified accrual basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the schedule of expenditures of federal awards represent total federal reimbursements for meals provided during 2012.

(c) Food Distribution Program

Noncash contributions of commodities under the Food Distribution Program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of this schedule. Such commodities are not recorded in the financial records although memorandum records are maintained.

(d) Other

Certain federal programs stipulate that a portion of the grant award be paid directly to the Massachusetts Teachers Retirement System (MTRS). The City does not report the amount paid directly to the MTRS as an expenditure in the accompanying schedule. The program and corresponding amounts paid directly to the MTRS are as follows:

Program title	CFDA number	Amount paid to MTRS
Improving Teacher Quality State Grants	84.367	\$ 24,749
Title I Grants to Local Educational Agencies	84.010	60,832
Total		<u>\$ 85,581</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(3) Subrecipient Expenditures

The schedule of expenditures of federal awards includes funds paid by the City to its subrecipients. Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Amount provided to subrecipients</u>
Community Development Block Grants	14.218	\$ 1,570,306
HOME Investment Partnerships Program	14.239	2,368,003
HUD Supportive Housing Program	14.235	2,830,418
HUD Shelter Plus Care Program	14.238	203,338

(4) Loans or Loan Guarantees

The schedule of expenditures of federal awards includes funds loaned by the City to its subrecipients. Of the federal expenditures presented in the schedule, the outstanding loan balances at the end of the previous year to subrecipients are as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Outstanding loan balance</u>
Community Development Block Grants	14.218	\$ 7,561,865
HOME Investment Partnerships Program	14.239	9,375,669
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	152,924



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Exhibit III

**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***

The Honorable Mayor and City Council
City of Cambridge, Massachusetts:

We have audited the financial statements of the governmental activities, business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of Cambridge Health Alliance, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 over financial reporting 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 over financial reporting, 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 was not designed to identify all deficiencies in the internal control over financial reporting 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.



Exhibit III

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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*.

This report is intended solely for the information of the City Council, management, 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.

KPMG LLP

December 14, 2012

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u> x </u> none reported
Noncompliance material to the financial statements noted?	_____	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u> x </u> none reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u> x </u>	yes	_____ no

Identification of Major Programs

<u>Name of federal program or cluster</u>	<u>CFDA #</u>
Child Nutrition Cluster:	
School Breakfast Program (SBP)	10.553
National School Lunch Program (NSLP)	10.555
Summer Food Service Program for Children (SFSPC)	10.559
Community Development Block Grants (CDBG)	14.218
HOME Investment Partnerships Program (HOME)	14.239
ARRA-Homeless Prevention and Rapid Re-Housing	14.257
Capitalization Grants for Clean Water State Revolving Funds	66.458
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128

Dollar threshold used to distinguish between type A and type B programs:	\$1,288,409		
Auditee qualified as low-risk auditee?	<u> x </u>	yes	_____ no

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(2) Relating to Financial Statements Findings Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: 2012-1

Federal Agency: U.S. Department of Housing and Urban Development

Pass-Through Agency: None

Program: HOME Investment Partnerships (HOME), and Community Development Block Grant (CDBG)

CFDA Number: 14.239, 14.218

Award Number: M-11-MC-25-0202, B-11-MC-25-0005

Award Year: 2012

Finding: Allowable Costs

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at-least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling see (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.

Condition

The OMB requires that for employees working solely on one cost objective, the employee/position was certified at least semi-annually; for employees working on more than one cost objective, a personnel activity report was prepared.

In 7 of the 25 payroll selections, the personnel activity report was not prepared. Therefore, we could not ensure that HOME/CDBG was in compliance with requirements set forth by the OMB for payroll expenses.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Cause

Ensure that all employees complete the semi-annual certification (employees working on one cost objective) or a personnel activity report (employees working on more than one cost objective).

Effect

Unsure if the time submitted was properly allocated.

Questioned Costs

None

Recommendation

The City should ensure that all employees are completing either a semi-annual certification or a weekly personnel activity report.

Auditee Corrective Action Plan

The effected staff will be trained as soon as possible on how to complete personnel activity reports to be submitted with their weekly timesheets.

Contact Person: Betty Lyons, Federal Grants Manager

Anticipated Completion Date: March 29, 2013