



**CITY OF CAMBRIDGE, MASSACHUSETTS**

Independent Auditors' Reports as Required by Title 2 U.S. Code of  
Federal Regulations Part 200, *Uniform Administrative Requirements,  
Cost Principles, and Audit Requirements for Federal Awards and Government  
Auditing Standards* and Related Information

Year Ended June 30, 2019

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

**Exhibit I**

**Independent Auditors' 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**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Cambridge, Massachusetts' (the City's) 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's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs.

The City's basic financial statements include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority that received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority because they engaged other auditors to perform an audit in accordance with the Uniform Guidance.

*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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's 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'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 unmodified and modified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of the City's compliance.



## Exhibit I

### *Basis for Qualified Opinion on Continuum of Care Program*

As described in the accompanying schedule of current year findings and questioned costs, the City did not comply with requirements regarding Continuum of Care Program (CFDA 14.267) as described in finding number 2019-003 for Reasonable Rental Rates Special Test and Provision. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### *Qualified Opinion on the Continuum of Care Program*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Continuum of Care program for the year ended June 30, 2019.

### *Unmodified Opinion on the HOME Investment Partnerships Program*

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs for the year ended June 30, 2019.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying schedule of current year findings and questioned costs as items 2019-002, 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

### **Report on Internal Control over Compliance**

Management of the City 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's 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



## Exhibit I

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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of current year findings and questioned costs as items 2019-003 and 2019-005 to be material weaknesses.

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 current year findings and questioned costs as items 2019-001, 2019-002 and 2019-004 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 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 (the Schedule) 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 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

Boston, Massachusetts  
March 27, 2020

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program title	CFDA number	Passed through to subrecipients	Federal expenditures
U.S. Department of Agriculture:			
Passed through the Commonwealth of Massachusetts Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program (SBP)	10.553	—	330,986
National School Lunch Program (NSLP)	10.555	—	1,147,592
Summer Food Service Program for Children (SFSPC)	10.559	86,936	92,069
Total Child Nutrition Cluster		86,936	1,570,647
Child and Adult Care Food Program	10.558	—	7,922
Total U.S. Department of Agriculture		86,936	1,578,569
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants	14.218	2,065,727	2,713,407
Total CDBG - Entitlement Grants Cluster		2,065,727	2,713,407
HOME Investment Partnerships Program	14.239	600,000	12,276,142
Continuum of Care Program	14.267	3,607,961	3,788,508
Fair Housing Assistance Program State and Local	14.401	—	35,616
Emergency Solutions Grant Program			
Direct Program	14.231	184,687	242,134
Passed through the Commonwealth of Massachusetts Department of Housing and Community Development	14.231	72,326	119,078
Total Emergency Solutions Grants Program		257,013	361,212
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	73,963
Total U.S. Department of Housing and Urban Development		6,530,701	19,248,848
U.S. Department of Justice:			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	16,138
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	74,229	74,229
Equitable Sharing Program	16.922	—	3,700
Passed through the Commonwealth of Massachusetts Office of Victim Assistance			
Crime Victim Assistance Discretionary Grants	16.582	—	41
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety			
Violence Against Women Formula Grants	16.588	8,906	44,377
Total U.S. Department of Justice		83,135	138,485
U.S. Department of Transportation:			
Passed through the Commonwealth of Massachusetts Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction Program	20.205	—	8,167
Total Highway Planning and Construction Cluster		—	8,167
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	41,828
National Priority Safety Programs	20.616	—	8,228
Total Highway Safety Cluster		—	50,056
Passed through the Massachusetts Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	—	1,750
Total U.S. Department of Transportation		—	59,973
National Endowment for the Arts:			
Direct Programs:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	730	1,027
Total National Endowment for the Arts		730	1,027
Institute of Museum and Library Services:			
Passed through the Commonwealth of Massachusetts Board of Library Commissioners			
IMLS Grants to States	45.310	5,000	15,000
Total Institute of Museum and Library Services		5,000	15,000
U.S. Environmental Protection Agency:			
Passed through the Commonwealth of Massachusetts Department of Environmental Protection:			
Water Quality Management Planning	66.454	—	814
Total U.S. Environmental Protection Agency		—	814

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program title	CFDA number	Passed through to subrecipients	Federal expenditures
U.S. Department of Education:			
Passed through the Commonwealth of Massachusetts Department of Education:			
Adult Education Basic Grants to States	84.002	60,657	394,465
Title I Grants to Local Educational Agencies	84.010	—	953,780
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	—	2,514,687
Special Education-Preschool Grants (IDEA Preschool)	84.173	—	59,823
Total Special Education Cluster (IDEA)		—	2,574,510
Career and Technical Education Basic Grants to States	84.048	—	53,598
Education for Homeless Children and Youth	84.196	—	18,766
English Language Acquisition State Grants	84.365	—	78,964
Supporting Effective Instruction State Grants	84.367	—	219,265
Student Support and Academic Enrichment Program	84.424	—	2,463
Total U.S. Department of Education		60,657	4,295,811
U.S. Department of Health and Human Services:			
Passed through the Cambridge Health Alliance:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	—	3,630
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:			
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	912,170
Passed through the Commonwealth of Massachusetts Department of Education:			
Child Care and Development Fund Cluster (CCDF):			
Child Care and Development Block Grant	93.575	23,712	35,843
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,624	35,843
Total Child Care and Development Fund Cluster (CCDF)		51,336	71,686
Community Based Child Abuse Prevention Grant	93.590	—	62,200
Total U.S. Department of Health and Human Services		51,336	1,049,686
U.S. Department of Homeland Security:			
Passed through the Middlesex County Local Emergency Food and Shelter Board:			
Emergency Food and Shelter National Board Program	97.024	—	14,551
Passed through the Massachusetts Emergency Management Agency:			
Emergency Management Performance Grants	97.042	—	30,943
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	419,968
Total U.S. Department of Homeland Security		—	465,462
Total federal expenditures		\$ 6,813,495	26,853,675

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, 2019

**(1) Definition of Reporting Entity**

The schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards of the City of Cambridge, Massachusetts (the City) exclusive of the City’s component units, Cambridge Health Alliance and Cambridge Redevelopment Authority. 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 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 represent total federal reimbursements for meals provided during fiscal 2019.

**(c) National School Lunch Program**

Noncash contributions of commodities under the National School Lunch Program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of the Schedule. Contributions of commodities received by the City are included in the Schedule as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Noncash awards</u>
National School Lunch Program (NSLP)	10.555	\$ 86,156

**(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.

**(3) HOME Investment Partnerships Program Loans (CFDA # 14.239)**

Total expenditures in the Schedule for the HOME Investment Partnerships (HOME) program include the total amount of new loans made during fiscal year 2019, as well as the unpaid principal balance from loans originated in previous years that are subject to continuing compliance requirements, as defined by the Uniform Guidance. As of June 30, 2019, the HOME program had loan balances subject to federal continuing compliance requirements of \$12,245,027.



**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2019

**(4) Indirect Cost Rate**

The City has elected to not use the 10% de minimus cost rate as discussed in Section 200.514 of the Uniform Guidance.



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

**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***

The Honorable Mayor and City Council  
City of Cambridge, 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 activity, the aggregate discretely presented component units, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2019. Our report includes a reference to other auditors who audited the financial statements of the Cambridge Health Alliance and Cambridge Redevelopment Authority, the aggregate discretely presented component units 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**

In planning and performing our audit of the financial statements, we considered the City's 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's 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 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's 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts  
December 23, 2019

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Schedule of Current Year Findings and Questioned Costs  
 Year ended June 30, 2019

**(1) Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified for all opinion units

Internal control deficiencies over financial reporting:

- Material weakness(es) identified? \_\_\_ yes    x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes    x none reported

Noncompliance material to the financial statements noted?

\_\_\_ yes    x no

*Federal Awards*

Internal control deficiencies over major programs:

- Material weakness(es) identified? x yes    \_\_\_ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes    \_\_\_ none reported

Type of auditors' report issued on compliance for major programs:

Qualified for CFDA # 14.267 Continuum of Care Program

Unmodified for CFDA # 14.239 HOME Investment Partnerships Program

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

x yes    \_\_\_ no

*Identification of Major Programs*

Name of federal program or cluster	CFDA number
HOME Investment Partnerships Program	14.239
Continuum of Care Program	14.267

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

Dollar threshold used to distinguish  
between type A and type B programs: \$805,610

Auditee qualified as low-risk auditee?              yes        x      no

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

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding Number:** 2019-001

**Program:** Continuum of Care Program **CFDA #:** 14.267

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Number:** MA0636L1T091800      **Award Year:** Various

**Procurement**

**Type of finding:** Significant Deficiency

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria:**

According to 2 CFR 200.318:

- (a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.

According to 2 CFR 200.303:

The non-Federal entity must:

- (c) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

Comptroller General of the United States of the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

**Condition:**

The Federal Government requires non-Federal entities to establish procurement policies and procedures that conforms to Federal standards and have controls in place to ensure compliance with these procedures. The City has documented policies and procedures for selecting subrecipients. During our testwork over procurement, we noted a lack of formal documented controls ensuring compliance with certain policies and procedures. Subrecipient proposals are scored based on past performance. There is no formal documented review or approval of these scores. Additionally, subrecipients are reviewed and ranked by the Evaluation Panel. There is no formal documentation of the ranking being approved by the Evaluation Panel. During our testing of the procurement of five subrecipients, one had a scorecard that was incorrectly calculated. The incorrect scorecard did not have any effect on the project receiving funding or the amount of funding.

**Cause:**

The City did not have formal documented controls in place to ensure that certain procurement policies and procedures were followed when selecting subrecipients.

**Effect:**

Lack of formal undocumented controls could result in federal noncompliance.

**Questioned Costs:**

None

**Recommendation:**

We recommend the City review their policies and procedures for procurement and add formal documented controls as needed. We recommend these controls include a review control over the subrecipient scorecards to ensure they are properly calculated and an authorization control to document the Continuum of Care Evaluation Panel’s approval of the rankings and tiers of subrecipient projects.

**Views of Responsible Officials and Corrective Actions:**

The City shall update the Continuum of Care Governance Charter to adopt and/or clarify formal roles, responsibilities, and voting processes for the Cambridge Continuum of Care Board of which the Continuum of Care Evaluation Panel is a subsection to approve the ranking and tiering of Continuum of Care subrecipients applying for new and renewal funding. The City shall also update the Continuum of Care Governance Charter and the Continuum of Care Program Competition Local Competition Information document to strengthen control of the subrecipient scoring process including the establishment of the Continuum of Care Planner as the party primarily responsible for scoring with the Planning and Development Manager providing review and approval of subrecipient scorecards.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

**Implementation Date:**

April 30, 2020, however the Continuum of Care Program Competition Local Competition Information is updated and published annually after HUD's publication of the Continuum of Care Notice of Funding Availability to reflect annual changes detailed in the competition documents. HUD's NOFA publication schedule is unpredictable, but generally occurs in early- to mid-summer.

**Responsible Officials:**

Liz Mengers, Planning and Development Manager; Michelle McCarthy, Planner and Contract Manager

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

**Finding Number:** 2019-002

**Program:** Continuum of Care Program **CFDA #:** 14.267

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Number:** MA0636L1T091800      **Award Year:** Various

**Matching**

**Type of finding:** Significant Deficiency and Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria:**

According to 24 CFR 578.73(b):

Cash Sources. A recipient or subrecipient may use funds from any source, including any other federal sources (excluding Continuum of Care program funds), as well as State, local, and private sources, provided that funds from the source are not statutorily prohibited to be used as a match. The recipient must ensure that any funds used to satisfy the matching requirements of this section are eligible under the laws governing the funds in order to be used as matching funds for a grant awarded under this program.

**Condition:**

The Federal Government requires that expenditures used for matching purposes be incurred and paid with non-Continuum of Care funds. To track subrecipient matching, the City requires that all subrecipients submit documentation of their match expenditures as well as evidence of payment. During our testing of twenty-five subrecipient reimbursement requests, seventeen claimed matching funds for the period selected. Of these seventeen, two did not provide documentation that the match expenditures were paid.

**Cause:**

During the review of subrecipient reimbursement requests, the City did not always ensure claimed matching expenditures included documentation of payment.

**Effect:**

Without documentation of payment, the City is unable to determine if the claimed match was actually paid by the subrecipient.

**Questioned Costs:**

Undeterminable



**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

**Recommendation:**

We recommend the City strengthen their controls over subrecipient matching to ensure that all subrecipients are informed of the documentation required when claiming matching expenditures. We also recommend the City update the Fiscal Administration Desk Guide to include acceptable forms of documentation subrecipients can provide for proof of payment.

**Views of Responsible Officials and Corrective Actions:**

- (1) Updates to the Fiscal Administration Desk Guide: The City shall update the Fiscal Administration Desk Guide to include a detailed schedule of documents that are acceptable to substantiate match expenses.
- (2) Change to subrecipient invoice templates: The City shall update its subrecipient invoice template to require the subrecipient to provide more details about the kinds of match expenses it contributes each month in order to assist contract managers with identifying whether the proper documentation has been received.

**Implementation Date:**

- (1) Updates to the Fiscal Administration Desk Guide will take place by April 30, 2020.
- (2) Changes to subrecipient invoice templates shall take place by March 15, 2020 for use with invoices due from subrecipient April 15, 2020.

**Responsible Official:**

Michelle McCarthy, Planner and Contract Manager

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Current Year Findings and Questioned Costs  
Year ended June 30, 2019

**Finding Number:** 2019-003

**Program:** Continuum of Care Program **CFDA #:** 14.267

**Federal Agency:** Department of Housing and Urban Development

**Federal Award Number:** MA0636L1T091800      **Award Year:** Various

**Special Test – Reasonable Rental Rates**

**Type of finding:** Material Weakness and Material Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria:**

According to 24 CFR 578.51(g):

Rental Reasonableness. HUD will only provide rental assistance for a unit if the rent is reasonable. The recipient or subrecipient must determine whether the rent charged for the unit receiving rental assistance is reasonable in relation to rents being charged for comparable unassisted units, taking into account the location, size type, quality, amenities, facilities, and management and maintenance of each unit. Reasonable rent must not exceed rents currently being charged by the same owner for comparable unassisted units.

According to 24 CFR 578.49(B)(2):

Leasing individual units. When grants are used to pay rent for individual housing units, the rent paid must be reasonable in relation to rents being charged for comparable units, taking into account the location, size, type, quality, amenities, facilities, and management services. In addition, the rents may not exceed rents currently being charged for comparable units, and the rent paid may not exceed HUD-determined fair market rents.

**Condition:**

The Federal Government requires that recipients or subrecipients assess the reasonableness or rents being charged and ensure that rents charged to the grant are the same as those charged for comparable unassisted units. In leasing programs the Federal Government prohibits rents charged to the grant to exceed the Department of Housing and Urban Development's ("HUD") fair market rents, while Rental Assistance programs are permitted to exceed Fair Market Rent provided the rent is reasonable. During our testing of twenty-five subrecipient reimbursement requests, twenty-four had leasing or rental expenditures for the period selected. Of these twenty-four, fourteen did not provide detailed rent-rolls to support the rent charged to the grant. Additionally, during our testing of five subrecipient projects, four had not completed site-visits to ensure subrecipients establishment of rent reasonableness. For the remaining one, a site-visit was performed but included a finding regarding rent reasonableness. A follow up plan was documented in the

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site-visit report; however, no formal documentation of the follow-up occurring or the issue being formally resolved with the subrecipient was noted.

**Cause:**

During the review of subrecipient reimbursement requests, the City did not ensure that rent and leasing expenditures included rent-roll documentation that included the size of the unit, making it difficult to determine Fair Market Rent for the unit. The City also didn't have procedures in place to ensure site-visits were completed on an annual basis.

**Effect:**

Without unit-size documentation, leasing and rental assistance charged to the grant could not be reviewed to confirm compliance with HUD's fair market rent requirement. Site-visits were not completed annually to ensure subrecipients had established rent reasonableness and that rents being charged were comparable to unassisted units.

**Questioned Costs:**

Undeterminable

**Recommendation:**

We recommend the City strengthen their controls over subrecipient reimbursement requests to ensure that all subrecipients are informed of the documentation required when requesting reimbursement for leasing and rent expenditures. We also recommend the City update its Continuum of Care Program Standards to include the procedure subrecipients must use to document rent reasonableness and the documentation of this determination that must be retained in the client file. We further recommend the City obtain lease agreements from subrecipients for new units and maintain the monthly rent information in an excel spreadsheet for the project. This would allow Grant-Contract Managers to spot-check monthly rent rolls to the agreed-upon rates in the lease agreements. We also recommend the City create a schedule at the beginning of the award year to ensure that subrecipient site-visits occur on an annual basis.

**Views of Responsible Officials and Corrective Actions:**

- (1) Rent Roll updates: Rent roll forms were updated in October 2019 to include more information about unit size, contract rent, and reimbursement rate but have not been implemented with each subrecipient. Contract Managers shall be instructed to fully implement the use of this updated rental roll form with subrecipients immediately rather than waiting until the start of a new contract year as was planned.
- (2) Tracking rental amount: Contract Managers will begin tracking contract rent amounts and reimbursement amounts in a spreadsheet for each project.
- (3) Subrecipient monitoring: The City has implemented a monitoring schedule calling for each subrecipient administering a permanent supportive housing program to be monitored during the first quarter (January – March) of the calendar year. As of this date three of seven subrecipients have had on-site monitoring

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with monitoring reports pending. The remaining monitoring visits are scheduled to take place within the next 90 days. Contract Managers shall continue the practice of sampling rent reasonableness documentation at these on-site visits.

- (4) Policy updates: The City shall update the Continuum of Care Program Standards and the Fiscal Administration Desk Guide to require a standard process by which subrecipients must document rent reasonableness including standard documentation that must be kept in each client file.

**Implementation Date:**

- (1) Rent Roll updates and rental amount tracking shall be fully implemented by March 15, 2020 for use with invoices due from subrecipients on April 15, 2020.
- (2) Subrecipient monitoring is on-going and shall be complete by May 30, 2020.
- (3) Policies shall be updated and adopted by April 30, 2020.

**Responsible Officials:**

Michelle McCarthy, Planner and Contract Manager; Liz Mengers, Planning and Development Manager

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**Finding Number:** 2019-004

**Program:** HOME Investment Partnerships Program **CFDA #:** 14.239

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Number:** M18-MC250202 **Award Year:** 7/1/18-6/30/19

**Reporting**

**Type of finding:** Significant Deficiency and Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria:**

According to 2 CFR 200.508:

- (b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs: (1) Value of new loans made or received during the audit period; plus (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus (3) Any interest subsidy, cash or administrative cost allowance received.

**Condition:**

The Federal Government requires non-Federal entities to maintain their loan portfolio and ensure the correct amount of loans is reported on the Schedule of Expenditures of Federal Awards (“SEFA”). The amount of loans reported on the SEFA must include the value of new loans made during the year plus the beginning balance of loans from the previous year and any administrative cost allowance of interest subsidy. Loans must stay on the SEFA until the end of the Federal period of affordability. When we were provided the outstanding loan portfolio, we noted several loans included on the schedule which had periods of affordability that had expired.

**Cause:**

The City did not have formal documented controls in place to ensure that the HOME loan portfolio was properly updated and maintained.

**Effect:**

Lack of formal controls could result in federal noncompliance.

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**Questioned Costs:**

None

**Recommendation:**

We recommend the City review their policies and procedures for the HOME loans and add formal documented controls for updating and maintaining the loan portfolio. We recommend that these controls include a review control over the loan portfolio to ensure they are properly included or removed depending on their Federal period of affordability.

**Views of Responsible Officials and Corrective Actions:**

Columns were added to the HOME Loan Report to reference the HUD IDIS number, the HUD affordability start date, and the HUD affordability end date. The HOME Loan Report will be migrated to a Smart Sheet to enable automatic reminders when a loan is coming to the end of its affordability period. This will ensure the correct amount of active loans will be reflected in the SEFA.

**Implementation Date:**

The HOME Loan Report has been updated as of October 2019. Migration to a Smart Sheet will be completed by June 30, 2020.

**Responsible Officials:**

Kevin Gookin, Chief Fiscal Officer, Chris Cotter, Director of Housing

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**Finding Number:** 2019-005

**Program:** HOME Investment Partnerships Program **CFDA #:** 14.239

**Federal Agency:** Department of Housing and Urban Development (HUD)

**Federal Award Number:** M18-MC250202 **Award Year:** 7/1/18-6/30/19

**Eligibility**

**Type of finding:** Material Weakness and Noncompliance

**Prior year finding:** No

**Statistically valid sample:** No

**Criteria:**

According to 24 CFR 92.203(b):

The HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income.

- (1) For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (a)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any of the following methods in accordance with 92.252(h):
  - (i) Examine the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the family.
  - (ii) Obtain from the family a written statement of the amount of the family's annual income and family size, along with a certification that the information is complete and accurate. The certification must state that the family will provide source documents upon request.
  - (iii) Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income; or alternatively, the statement must indicate the current dollar limit for very low or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.

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- (2) For all other families, the participating jurisdiction must determine annual income by examining the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment, compensation statement) for the family.

According to 92.252(h):

The income of each tenant must be determined initially in accordance with 24 CFR 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 at 24 CFR 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 24 CFR 92.203(a)(1)(ii), must examine the income of each tenant, in accordance with 24 CFR 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 24 CFR 92.203(a)(1)(ii) is not required to examine income of tenants in multi-family 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.

According to 24 CFR 92.508:

- (a) Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed:

(3)(v) Records demonstrating that each family is income eligible in accordance with 24 CFR 92.203.

(3)(vii) Records demonstrating that each rental housing project meets the affordability and income targeting requirements of 24 CFR 92.252 for the required period. Records must be kept for each family assisted.

**Condition:**

The Federal Government requires that participating jurisdictions must establish and maintain effective internal controls over the HOME program that provide reasonable assurance that only eligible participants are included in the program. During testwork, there was a lack of formal controls over eligibility. More specifically, the forms used to complete eligibility monitoring were not certified by the City and did not include formal evidence that validated eligibility. During testwork, we noted the City is not obtaining annual income certifications, but relies on the subrecipient to do so. The City is instead performing on-site monitoring over income eligibility; however, based on the time table required for the housing quality standards, instead of annually. As such, in certain cases, income eligibility has not been verified for 2-3 years. Further, the monitoring documents maintained by the City do not provide evidence as to what documents were reviewed and used as verification for the tenant's eligibility. When completing the on-site monitoring, the City is reviewing income eligibility documentation; however, the City is not retaining the documentation evidencing eligibility in participant files. Instead, all supporting eligibility documents are maintained on-site



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by the property managers. Lastly, the City is not tracking when the required 6-year income reviews are completed by the property manager.

**Cause:**

The City did not have formal documented controls in place to ensure compliance with eligibility requirements for the HOME program.

**Effect:**

Lack of formal controls could result in federal noncompliance.

**Questioned Costs:**

Undeterminable

**Recommendation:**

We recommend the City review their policies and procedures for HOME eligibility and add formal documented controls. We recommend the City create a formal checklist that includes all eligibility requirements to ensure they are in compliance with Federal requirements for the HOME program. This checklist should include detailed descriptions of the supporting documentation used to verify eligibility. The checklist should also include the date of the last 6-year review and whether the 6-year review was required and completed during the current year. The checklist should be signed and dated by the City employee who completed the checklist and certified the participant's eligibility.

Additionally, we recommend the City communicate directly with HUD to determine whether completing eligibility determinations on the same timetable as housing quality standards is sufficient or whether eligibility monitoring must be completed annually. Further, we recommend the City, as the participating jurisdiction, determine with HUD if they must maintain source documentation relating to eligibility in files for each tenant or whether it is adequate for property managers to maintain eligibility records and have the City perform monitoring procedures and maintain a checklist as documentation of eligibility.

**Views of Responsible Officials and Corrective Actions:**

HOME Compliance Monitoring Policies and Procedures have been updated. The formal checklist is being generated.

**Implementation Date:**

Home Compliance Monitoring Policies and Procedures were updated March 2020. The checklist will be completed by May 2020.

**Responsible Officials:**

Betty Lyons, Federal Grants Manager; Chris Cotter, Director of Housing