



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, 2022

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 Federal 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

Qualified and Unmodified Opinions

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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority that expended federal awards that are not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2022. Our compliance audit, described in the Qualified and Unmodified Opinions section of our report does not include the operations of the Cambridge Health Alliance and Cambridge Redevelopment Authority because they engaged other auditors to perform an audit of compliance.

Qualified Opinion on Emergency Solutions Grant Program; ALN 14.231

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Emergency Solutions Grant Program for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Emergency Solutions Grant Program; ALN 14.231

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the special test requirement for payments to subrecipients relating to the Emergency Grant Solutions Program; ALN 14.231 as described in finding number 2022-002. Compliance with the requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of 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 plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of 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 plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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 aggregate 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, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 3, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 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 GAAS. 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.

KPMG LLP

Boston, Massachusetts
March 30, 2023

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Exhibit II

Federal grantor/pass-through grantor/program title	Assistance Listing 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	\$ —	782,939
COVID-19 National School Lunch Program	10.555	—	233,285
National School Lunch Program (NSLP)	10.555	—	3,042,822
Summer Food Service Program for Children (SFSPC)	10.559	—	252,567
Total Child Nutrition Cluster		—	4,311,613
COVID-19 Pandemic EBT Administrative Costs	10.649	—	10,438
Total U.S. Department of Agriculture		—	4,322,051
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG – Entitlement Grants Cluster:			
COVID-19 Community Development Block Grants	14.218	—	248,019
Community Development Block Grants	14.218	2,272,612	3,021,166
Total CDBG – Entitlement Grants Cluster		2,272,612	3,269,185
HOME Investment Partnerships Program	14.239	—	12,651,953
Housing Opportunities for Persons with Aids (HOPWA)	14.241	1,490,035	1,490,035
Continuum of Care Program	14.267	5,153,584	5,495,567
Fair Housing Assistance Program State and Local	14.401	—	39,953
Emergency Solutions Grant Program:			
Direct:			
Emergency Solutions Grant Program	14.231	146,012	168,695
COVID-19 Emergency Solutions Grant Program	14.231	2,117,873	2,202,490
Passed through the Commonwealth of Massachusetts Department of Housing and Community Development:			
Emergency Solutions Grant Program	14.231	84,144	91,847
Total Emergency Solutions Grant Program		2,348,029	2,463,032
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	91,504
Total U.S. Department of Housing and Urban Development		11,264,260	25,501,229
U.S. Department of Justice:			
Direct Programs:			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	—	9,765
Equitable Sharing Program	16.922	—	7,530
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Violence Against Women Formula Grants	16.588	—	35,996
Total U.S. Department of Justice		—	53,291
U.S. Department of the Treasury:			
Direct Programs:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	2,155,707	10,273,032
Passed through the Commonwealth of Massachusetts Office for Administration and Finance:			
COVID-19 Coronavirus Relief Fund (CARES)	21.019	—	122,324
Total U.S. Department of the Treasury		2,155,707	10,395,356
Federal Communications Commission:			
Direct Programs:			
Universal Service Fund Schools and Libraries (E-RATE)	32.004	—	173,887
Total Federal Communications Commission		—	173,887

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal grantor/pass-through grantor/program title	Assistance Listing 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	\$ 49,362	333,339
Title I Grants to Local Educational Agencies	84.010	—	1,080,243
Special Education Cluster (IDEA):			
Special Education Grants to States (IDEA, Part B)	84.027	—	2,163,708
COVID-19 Special Education Grants to States (IDEA, Part B)	84.027	—	12,151
Special Education Preschool Grants (IDEA Preschool)	84.173	—	26,422
Total Special Education Cluster (IDEA)		—	2,202,281
Career and Technical Education Basic Grants to States	84.048	—	26,639
Education for Homeless Children and Youth	84.196	—	10,961
English Language Acquisition State Grants	84.365	—	102,500
Supporting Effective Instruction State Grants	84.367	—	198,485
Comprehensive Literacy Development	84.371	—	2,110
Student Support and Academic Enrichment Program	84.424	—	76,040
Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425	—	124,113
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425 D	—	2,822,004
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	—	405,554
Total Education Stabilization Fund		—	3,351,671
Total U.S. Department of Education		49,362	7,384,269
U.S. Department of Health and Human Services:			
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:			
COVID-19 Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	1,433,840
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	606,534
Total Low Income Home Energy Assistance Program		—	2,040,374
COVID-19 Low Income Household Water Assistance Program (LIHWAP)	93.499	—	4,541
Passed through the Commonwealth of Massachusetts Department of Education:			
Community Based Child Abuse Prevention Grant	93.590	—	126,947
Total U.S. Department of Health and Human Services		—	2,171,862
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	—	19,892
Passed through the Massachusetts Emergency Management Agency:			
COVID-19 Disaster Grants Public Assistance	97.036	—	222,120
COVID-19 Emergency Management Performance Grants	97.042	—	31,470
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	400,827
Total U.S. Department of Homeland Security		—	674,309
Total federal expenditures		\$ 13,469,329	50,676,254

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, 2022

(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 cash 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 2022.

(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:

Program title	Assistance Listing Number (ALN)	Noncash awards
National School Lunch Program (NSLP)	10.555	\$ 127,183

(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 (ALN # 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 2022, 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, 2022, the HOME program had loan balances subject to federal continuing compliance requirements of \$12,626,780.

CITY OF CAMBRIDGE, MASSACHUSETTS
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

(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 activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 3, 2023. Our report includes an emphasis of matter paragraph regarding the City adopting the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our report also 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.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.



Report on 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 financial statements. 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
February 3, 2023

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

(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 no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted?

yes no

Federal Awards

Internal control deficiencies over major programs:

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

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

Emergency Solutions Grant Program (ALN 14.231) – **Qualified**

All Other Major Programs – **Unmodified**

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

yes no

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Identification of Major Programs

Name of federal program or cluster	Assistance Listing Number
Emergency Solutions Grant Program	14.231
Coronavirus State and Local Fiscal Recovery Funds	21.027
Education Stabilization Fund	84.425
Low-Income Home Energy Assistance Program	93.568

Dollar threshold used to distinguish between type A and type B programs: \$1,520,288

Auditee qualified as low-risk auditee? x yes no

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

None.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: 2022-001

Program: Emergency Solutions Grant Program (ESG) **ALN #:** 14.231

Federal Agency: Housing and Urban Development

Federal Award Number: E-20-MC-25-005; E-20-MW-25-0005 **Award Year:** 7/1/2021 – 6/30/2022

E-21-MC-25-0005

Suspension and Debarment

Type of finding: Material Weakness

Prior year finding: No

Statistically valid sample: No

Criteria

The 2 CFR sections 180.215 and 180.220 provide the principles to be applied to ensure non-federal entities are not contracting with or making subawards under covered transactions to parties that are suspended or debarred.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Also, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

According to 2 CFR 200.303, the non-Federal entity must 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 Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

When establishing contracts for subrecipients under the Emergency Solutions Grant Program (ESG), the City required that standard contract language be included to address the applicable suspension and debarment requirements. During fiscal year 2022, the required contract language was not included within the subrecipient contracts executed for the ESG program. Additionally, the City did not verify that its subrecipients were not suspended or debarred through the System for Award Management (SAM).

During our audit, we noted 5 of 5 subrecipients selected for testing were not checked for suspension and debarment as evidenced via review of the subrecipient contracts. During compliance testing for the subrecipients it was confirmed they were not suspended or debarred.

Cause

The City requires that standards contract language be included in all of their subrecipient contracts that addresses suspension and debarment requirements. The City was unaware that the required language was excluded from subrecipient contracts entered into for the ESG program as there was insufficient review of the contracts prior to execution to ensure all required elements were present.

Effect

Lack of formal review of subrecipient contracts and review of entities on SAM could result in the City entering into contracts with prohibited entities.

Questioned Costs

None

Recommendation

We recommend the City ensure that required language is included within all subrecipient contracts prior to execution. We also recommend that the City review that subrecipients are not included on the SAM website and retain documentation of that check and review prior to entering into contracts with subrecipients.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Views of Responsible Officials and Corrective Actions

The City will update the subrecipient contract template to ensure the required language is included in all newly executed contracts certifying that the agency, its officers, and employees are not suspended or debarred from doing business with the federal government. Prior to entering into contracts with subrecipients, the City will check that each subrecipient is not included on the SAM.gov Exclusion List, and will include a dated screenshot from the SAM.gov website documenting the review in each project file.

Implementation Date

Updates to the Emergency Solutions Grant subrecipient contracts will be implemented for all newly executed contracts for use in the FY24 ESG program year. All ESG subrecipients will be checked against the Sam.gov Exclusion List and determined to be in good standing prior to the contract being executed and this process will be documented.

Responsible Officials

Anthony Woods, Planner and Contract Manager; Liz Mengers Magargee, Planning and Development Manager

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Finding Number: 2022-002

Program: Emergency Solutions Grant Program (ESG) **ALN #:** 14.231

Federal Agency: Housing and Urban Development

Federal Award Number: E-20-MC-25-005; E-20-MW-25-0005 **Award Year:** 7/1/2021 – 6/30/2022

E-21-MC-25-0005

Special Tests; Payments to Subrecipients

Type of finding: Material Weakness and Material noncompliance

Prior year finding: No

Statistically valid sample: No

Criteria

According to 24 CFR section 576.203, a recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient's complete payment request.

According to 2 CFR 200.303, the non-Federal entity must 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 Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The City's ESG Program has a control in place to ensure that invoice cover sheets (i.e. reimbursement requests) are reviewed in a timely manner so that the City can subsequently reimburse subrecipients within 30-days and remain in compliance with the requirement; however, the control to ensure timely payments to subrecipients was not operating effectively as there was a 8 to 110 day lag between the date the reimbursement request was received and the payment date.

During our audit, we noted 14 of 21 subrecipient reimbursements selected for testing were not completed within 30 days of receiving the completed request for payment.

Cause

The City did not have effective controls in place to ensure subrecipients were paid for allowable costs within 30 days after receiving the subrecipient's complete payment request.

Effect

Lack of effective controls resulted in the City not complying with 24 CFR section 576.203.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Questioned Costs

None

Recommendation

We recommend the City establish effective controls to ensure payment requests received from subrecipients are paid within 30 days of receipt.

Views of Responsible Officials and Corrective Actions

The City will establish the following procedures to ensure payment requests received from subrecipients are paid within 30 days of receipt of a complete request for reimbursement:

1. Department of Human Service Programs (DHSP) Contract Manager reviews invoices within 5 business days of receipt of request for reimbursement from subrecipient.
 - a. If invoice is complete, original date of receipt is recorded.
 - b. If invoice is incomplete, subrecipient is notified of items or documentation that is missing and receipt date is updated to reflect date of receipt of complete invoice.
2. Contract Manager approves payment request and submits to DHSP Fiscal staff for processing.
3. Fiscal staff processes and submits to Auditing Department as Priority payment.

Implementation Date

Implementation will begin April 15, 2023, when the FY23 3rd Quarter invoices are anticipated to be received by ESG subrecipients.

Responsible Officials

Anthony Woods, Planner and Contract Manager; Liz Mengers Magargee, DHSP Planning and Development Manager; Giovanna Alvarez, DHSP Fiscal Administrator; Janice Alger, Assistant Director of Administration, Human Services

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Finding Number: 2022-003

Program: Emergency Solutions Grant Program (ESG) **ALN #:** 14.231

Federal Agency: Housing and Urban Development

Federal Award Number: E-20-MC-25-005; E-20-MW-25-0005 **Award Year:** 7/1/2021 – 6/30/2022

E-21-MC-25-0005

Subrecipient Monitoring

Type of finding: Material Weakness

Prior year finding: No

Statistically valid sample: No

Criteria

The 2 CFR sections 200.332(d) through (f) provide the principles to be applied to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

According to 2 CFR 200.303, the non-Federal entity must 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 Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The City does not have properly designed controls and documented procedures in place to ensure compliance with the following requirements:

- Each subrecipients risk of noncompliance is appropriately evaluated
- Monitoring activities over subrecipients are performed on a timely basis
- Verification that subrecipients are audited as required when they are expected to exceed the threshold for having a single audit.

During our audit, we noted that audited financial statements were obtained for 5 of the 5 subrecipients selected for testing, but there was no documentation to evidence consideration of the compliance requirements indicated above.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Cause

The City requires that audited financial statements are obtained for subrecipients, but there is no checklist or formal documentation required to indicate what should be reviewed when reviewing the audit reports to ensure compliance with subrecipient monitoring requirements.

Effect

Lack of effective controls could result in the City's noncompliance with program requirements.

Questioned Costs

None

Recommendation

We recommend the City establish a checklist or formal documentation requirements that employees can complete when obtaining subrecipient audit reports to ensure required monitoring procedures are performed and well documented.

Views of Responsible Officials and Corrective Actions

The City has established an Audit Review Certification form that will be completed by employees to formally document review of subrecipient agencies' audit reports.

Implementation Date

The City will implement use of the Audit Review Certification form as part of the ESG subrecipient application process for the FY24 program year beginning July 1, 2023.

Responsible Officials

Anthony Woods, Planner and Contract Manager; Liz Mengers Magargee, Planning and Development Manager

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Finding Number: 2022-004

Program: Coronavirus State and Local Fiscal Recovery Funds **ALN #:** 21.027

Federal Agency: U.S. Department of Treasury

Federal Award Number: SLFRP1982 **Award Year:** 7/1/2021 – 6/30/2022

Subrecipient Monitoring

Type of finding: Material Weakness and Noncompliance

Prior year finding: No

Statistically valid sample: No

Criteria

The 2 CFR sections 200.332(d) through (f) provide the principles to be applied to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

According to 2 CFR 200.303, the non-Federal entity must 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 Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The City does not have properly designed controls and documented procedures in place to ensure compliance with the following requirements:

- Each subrecipients risk of noncompliance is appropriately evaluated
- Monitoring activities over subrecipients are performed on a timely basis
- Verification that subrecipients are audited as required when they are expected to exceed the threshold for having a single audit.

During our audit, we noted the City does not have formally documented policies and procedures related to subrecipient monitoring and risk assessment prior to entering into contracts with subrecipients. For 1 of our 2 subrecipients selected for testing, there was no evidence of risk assessment prior to entering into contract. We noted that audited financial statements were obtained for 2 of the 2 subrecipients selected for testing, but there was no documentation to evidence monitoring procedures performed over the reports obtained.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Cause

The City requires that audited financial statements are obtained for subrecipients, but there is no checklist or formally documented policies and procedures for subrecipient monitoring and risk assessment to ensure compliance with subrecipient monitoring requirements.

Effect

Lack of effective controls resulted in the City not complying with 2 CFR 200.303.

Questioned Costs

None

Recommendation

We recommend the City establish well documented policies and procedures over subrecipient monitoring including a checklist or formal documentation requirements that employees can complete when obtaining subrecipient audit reports and making determinations on subrecipients contracts to ensure required monitoring procedures are performed and well documented.

Views of Responsible Officials and Corrective Actions

The City has established an Audit Review Certification form that will be completed by employees to formally document the review of subrecipient agencies' audit reports.

Implementation Date

The checklist is completed, and the City will start using the form immediately as new subrecipients are awarded ARPA funds.

Responsible Officials

Betty Lyons, Federal Grants Manager