



## **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, 2023

# 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) 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, 2023. 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, 2023. 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, 2023.

*Qualified Opinion on Housing Opportunities for Persons with AIDS; ALN 14.241*

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 Housing Opportunities for Persons with AIDS program for the year ended June 30, 2023.

*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, 2023.



*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 Solutions Grant Program; ALN 14.231, as described in finding No. 2023-002. Compliance with the requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

*Matters Giving Rise to Qualified Opinion on Housing Opportunities for Persons with AIDS; ALN 14.241*

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the reporting of the CAPER within the required timeframe relating to the Housing Opportunities for Persons with AIDS program; ALN 14.241, as described in finding No. 2023-007. 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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003, 2023-004, 2023-005, 2023-006, 2023-008, 2023-009, 2023-010, and 2023-011. Our opinion on each major federal program is not modified with respect to these matters.

*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 and significant deficiencies.

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 findings and questioned costs as items 2023-002, 2023-003 and 2023-005 through 2023-011 to be material weaknesses.



## Exhibit I

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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 activities, 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, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2024, 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  
June 24, 2024

## CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passed through to subrecipients	Federal expenditures
<b>U.S. Department of Agriculture:</b>			
Passed through the Commonwealth of Massachusetts Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program (SBP)	10.553	\$ —	350,371
National School Lunch Program	10.555	—	1,782,730
Summer Food Service Program for Children (SFSPC)	10.559	—	235,325
Total Child Nutrition Cluster		—	2,368,426
Total U.S. Department of Agriculture		—	2,368,426
<b>U.S. Department of Housing and Urban Development:</b>			
Direct Programs:			
CDBG – Entitlement Grants Cluster:			
COVID-19 Community Development Block Grants	14.218	—	156,986
Community Development Block Grants	14.218	1,535,216	2,255,932
Total CDBG – Entitlement Grants Cluster		1,535,216	2,412,918
HOME Investment Partnerships Program	14.239	—	11,362,231
Housing Opportunities for Persons with Aids (HOPWA):			
Direct Program			
COVID-19 HOPWA (Direct)	14.241	2,136,747	2,136,747
	14.241	45,047	45,047
Continuum of Care Program	14.267	4,505,664	4,821,193
Fair Housing Assistance Program	14.401	—	12,746
Emergency Solutions Grant Program:			
Direct:			
Emergency Solutions Grant Program	14.231	224,755	242,812
COVID-19 Emergency Solutions Grant Program	14.231	359,599	447,934
Total Emergency Solutions Grant Program		584,354	690,746
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	84,885
Total U.S. Department of Housing and Urban Development		8,807,028	21,566,513
<b>U.S. Department of Justice:</b>			
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	10,008
Total U.S. Department of Justice		—	10,008
<b>U.S. Department of Transportation:</b>			
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	11,337
National Priority Safety Programs	20.616	—	12,189
Total Highway Safety Cluster		—	23,526
Total U.S. Department of Transportation		—	23,526
<b>U.S. Department of the Treasury:</b>			
Direct Programs:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	3,604,373	13,467,805
Passed through the Commonwealth of Massachusetts Office for Administration and Finance:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	156,496	631,858
Total U.S. Department of the Treasury		3,760,869	14,099,663
<b>Federal Communications Commission:</b>			
Direct Programs:			
Universal Service Fund Schools and Libraries (E-RATE)	32.004	—	238,716
COVID-19 Emergency Connectivity Fund Program (ECF)	32.009	—	158,827
Total Federal Communications Commission		—	397,543

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal grantor/pass-through grantor/program title	Assistance Listing Number	Passed through to subrecipients	Federal expenditures
<b>U.S. Department of Education:</b>			
Passed through the Commonwealth of Massachusetts Department of Education:			
Adult Education Basic Grants to States	84.002	\$ —	165,716
Title I Grants to Local Educational Agencies	84.010	—	1,328,965
Special Education Cluster (IDEA):			
Special Education Grants to States (IDEA, Part B)	84.027	—	2,911,405
COVID-19 Special Education Grants to States (IDEA, Part B)	84.027	—	342,165
Special Education Preschool Grants (IDEA Preschool)	84.173	—	96,764
COVID-19 Special Education Preschool Grants (IDEA Preschool)	84.173	—	45,562
Total Special Education Cluster (IDEA)		—	3,395,896
Career and Technical Education Basic Grants to States	84.048	—	99,323
Education for Homeless Children and Youth	84.196	—	15,549
English Language Acquisition State Grants	84.365	—	85,904
Supporting Effective Instruction State Grants	84.367	—	178,360
Student Support and Academic Enrichment Program	84.424	—	82,790
Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425	—	30,287
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425 D	—	1,832,339
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	—	2,878,854
Total Education Stabilization Fund		—	4,741,480
Passed through the Cambridge Housing Authority:			
Twenty-First Century Community Learning Centers	84.287	—	363
Total U.S. Department of Education		—	10,094,346
<b>U.S. Department of Health and Human Services:</b>			
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Community Development:			
COVID-19 Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	85,801
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	1,363,188
Total Low Income Home Energy Assistance Program		—	1,448,989
COVID-19 Low Income Household Water Assistance Program (LIHWAP)	93.499	—	9,554
Passed through the Commonwealth of Massachusetts Department of Education:			
Community Based Child Abuse Prevention Grant	93.590	—	150,159
Passed through the Fenway Community Health Center			
Opioid STR	93.788	—	5,889
Total U.S. Department of Health and Human Services		—	1,614,591
<b>U.S. Department of Homeland Security:</b>			
Passed through the Middlesex County Local Emergency Food and Shelter Board:			
Emergency Food and Shelter National Board Program	97.024	—	10,000
COVID-19 Emergency Food and Shelter National Board Program	97.024	—	11,885
Passed through the Massachusetts Emergency Management Agency:			
COVID-19 Disaster Grants Public Assistance	97.036	—	2,590,440
COVID-19 Emergency Management Performance Grants	97.042	—	39,600
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	395,216
Total U.S. Department of Homeland Security		—	3,047,141
<b>Total federal expenditures</b>		\$ 12,567,897	53,221,757

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, 2023

**(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 year 2023.

**(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>Assistance Listing Number (ALN)</u>	<u>Noncash awards</u>
National School Lunch Program (NSLP)	10.555	\$ 88,281

**(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 2023, 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, 2023, the HOME program had loan balances subject to federal continuing compliance requirements of \$11,312,645.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2023

**(4) Indirect Cost Rate**

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



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60 South Street  
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**Exhibit III**

**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2024. 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.

**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



## Exhibit III

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  
January 29, 2024

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**(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

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  No

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

Emergency Solutions Grant Program (ALN 14.231) – **Qualified**  
 Housing Opportunities for Persons with AIDS (ALN 14.241) – **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, 2023

*Identification of Major Programs*

<b>Name of federal program or cluster</b>	<b>Assistance listing number</b>
Emergency Solutions Grant Program	14.231
Home Investment Partnerships Program	14.239
Housing Opportunities for Persons with Aids (HOPWA)	14.241
Continuum of Care Program	14.267
Coronavirus State and Local Fiscal Recovery Funds	21.027
Special Education Cluster	84.027
Education Stabilization Fund	84.425
COVID-19 Disaster Grants Public Assistance	97.036

Dollar threshold used to distinguish  
between type A and type B programs: \$ 1,596,653

Auditee qualified as low-risk auditee?  Yes  No

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

None.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**(3) Findings and Questioned Costs Relating to Federal Awards****Finding Number:** 2023-001**Program:** Emergency Solutions Grant Program (ESG)      **ALN #:** 14.231**Federal Agency:** Housing and Urban Development**Federal Award Numbers:** E-20-MC-25-005, E-21-MC-25-0005, E-22-MC-25-0005, E-20-MW-25-005, and E-20-MW-35-005**Award Year:** July 1, 2022–June 30, 2023**Suspension and Debarment****Type of finding:** Significant deficiency**Prior-year finding:** Yes**Statistically valid sample:** No**Criteria**

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

Also, when a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal 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 nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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 requires that standard contract language be included to address the applicable suspension and debarment requirements. During fiscal year 2023, the required contract language was not included within the subrecipient contracts executed for the ESG program. Additionally, the City’s policy is to check the System of Award Management (SAM) to verify that its subrecipients were not suspended or debarred.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

**Cause**

The City requires that standard contract language be included in all of its subrecipient contracts and that the City reviews SAM to address 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. Additionally, the City requires that program personnel review SAM.gov to ensure the subrecipient is not suspended or debarred. There was no documentation that this review had occurred prior to entering into a contract with the subrecipient.

**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 exclusion list and retain documentation of that check and review prior to entering into contracts with subrecipients.

**Views of Responsible Officials and Corrective Actions**

Based on the finding in the prior year audit, the City updated the subrecipient contract template in spring 2023 prior to execution of contracts for the FY24 ESG program year and will continue to utilize the updated template to ensure required language certifying that the agency, its officers, and employees are not suspended or debarred from doing business with the federal government. Staff will continue to verify that subrecipients are not suspended or debarred by checking against the Sam.gov Exclusion List and registration pages prior to executing contracts, and will document those checks through grant management meeting minutes and Smartsheet tracking.

**Implementation Date**

Updates to the contract template were completed in spring 2023 and updated contract template was utilized for FY24 program year beginning July 1, 2023 and will be utilized for FY25 ESG program year beginning July 1, 2024. Documentation from the Sam.gov website showing that all ESG subrecipients are in good standing will be included in each subrecipient file for the FY25 program year, with anticipated completion of June 30, 2024.



**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Responsible Officials**

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

**Finding Number:** 2023-002

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

**Federal Agency:** Housing and Urban Development

**Federal Award Numbers:** E-20-MC-25-005, E-21-MC-25-0005, E-22-MC-25-0005, E-20-MW-25-005, and E-20-MW-35-005

**Award Year:** July 1, 2022–June 30, 2023

**Special Tests; Payments to Subrecipients**

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

**Prior-year finding:** Yes

**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 nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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 payments to 8 of 19 subrecipients tested had payment dates that ranged from 15 and 255, subsequent to the subrecipient's 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 completed payment request.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Effect**

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

**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**

Based on prior year (FY22) findings, the City established 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.

Four of the 19 sampled payment requests were received or processed after receipt of the FY22 audit findings, and all of those requests for reimbursement were paid within 30 days of receipt.

**Implementation Date**

Implementation of the above process began with the FY23 3rd quarter invoices in April 2023.

**Responsible Officials**

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-003**Program:** Emergency Solutions Grant Program (ESG)      **ALN #:** 14.231**Federal Agency:** Housing and Urban Development**Federal Award Numbers:** E-20-MC-25-005, E-21-MC-25-0005, E-22-MC-25-0005, E-20-MW-25-005, and E-20-MW-35-005**Award Year:** July 1, 2022–June 30, 2023**Subrecipient Monitoring****Type of finding:** Material weakness and noncompliance**Prior-year finding:** Yes**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 nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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.
- 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 the four subrecipients selected for testing, but there was no documentation to evidence the nature and extent of the City’s review of the audit reports obtained. Additionally, a documented risk assessment was not performed by the City over the four subrecipients selected for testing prior to entering into a contract.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**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. Additionally, the City requires a risk assessment be completed over each subrecipient. However, due to time constraints, a risk assessment was not completed.

**Effect**

Lack of effective controls and written policies and procedures over subrecipient monitoring 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 for both risk assessments and review of single audit report procedures. Employees can complete these checklists 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 is completed by employees to formally document review of subrecipient agencies' audit reports.

**Implementation Date**

The City implemented use of the Audit Review Certification form starting in Spring 2023 as part of the ESG subrecipient application process for the FY24 program year beginning July 1, 2023, and will continue use of the form for the FY25 program year beginning on July 1, 2024.

**Responsible Officials**

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-004

**Program:** HOME Investment Partnerships Program (HOME) **ALN #:** 14.239

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

**Federal Award Number:** M22-MC250202

**Award Year:** July 1, 2022–June 30, 2023

**Eligibility/Subrecipient Monitoring**

**Type of finding:** Noncompliance

**Prior-year finding:** No

**Statistically valid sample:** No

**Criteria**

24 CFR 92.252, Qualification as affordable housing: Rental housing

(e) Periods of affordability. The HOME-assisted units must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion.

(1) The affordability requirements:

(i) Apply without regard to the term of any loan or mortgage, repayment of the HOME investment, or the transfer of ownership

(ii) Must be imposed by a deed restriction, a covenant running with the land, an agreement restricting the use of the property, or other mechanisms approved by HUD and must give the participating jurisdiction the right to require specific performance (except that the participating jurisdiction may provide that the affordability restrictions may terminate upon foreclosure or transfer in lieu of foreclosure)

(iii) Must be recorded in accordance with State recordation laws.

(2) The participating jurisdiction may use purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure in order to preserve affordability.

(3) The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties obtains an ownership interest in the project or property.

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Year ended June 30, 2023

4) The termination of the restrictions on the project does not terminate the participating jurisdiction's repayment obligation under § 92.503(b).

(h) Tenant income. The income of each tenant must be determined initially in accordance with § 92.203(a)(1)(i). In addition, each year during the period of affordability the project owner must reexamine each tenant's annual income in accordance with one of the options in § 92.203 selected by the participating jurisdiction.

24 CFR 92.203 Income determinations

(a) The HOME program has income-targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine 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 one of the following methods in accordance with § 92.252(h):

(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.

Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Additionally, 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.

**Condition**

During our testwork, we noted there were two individuals residing in a facility financed with a City HOME loan who did not meet the low-income requirements and were therefore determined not to be eligible.

**Cause**

The City's property manager failed to ensure that another unit, or the next available unit, within the building would be designated as a HOME-floating unit as required in its loan agreement with the City.

**Effect**

Ineligible recipients could potentially cause the City to not be in compliance with HUD requirements.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Questioned Costs**

Not determinable

**Recommendation**

We recommend the City work collaboratively with its property managers to ensure that the correct number of units are being designated as HOME-assisted units.

**Views of Responsible Officials and Corrective Actions**

The two individuals determined to have incomes in excess of HOME Program limits were noted in our FY23 monitoring of properties assisted with HOME funds. The HOME Program allows for a unit to be occupied by a household who was initially eligible and whose income later increases, but requires that a comparable unit be designated as a HOME unit and leased to an eligible household when one is available. Owners of each property were made aware of the circumstance when City monitoring was completed. Each will designate comparable units to be HOME units when available and lease them to eligible households.

**Implementation Date**

Dependent on when residents move and/or appropriate units are available.

**Responsible Officials**

Chris Cotter, Housing Director & Judith Tumusiime, Federal Grants Manager, Cambridge Community Development Department

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-005

**Program:** Housing Opportunities for Persons with AIDS (HOPWA) **ALN #:** 14.241

**Federal Agency:** Housing and Urban Development

**Federal Award Numbers:** MAH22-F005, MAH20-F005, and MAH21-F005

**Award Year:** July 1, 2022–June 30, 2023

**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 nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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.
- 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 the four subrecipients selected for testing, but there was no documentation to evidence the nature and extent of the City’s review of the reports obtained. Additionally, a documented risk assessment was not performed by the City over the four subrecipients selected for testing prior to entering into a contract.



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Year ended June 30, 2023

**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. Additionally, the City requires a risk assessment be completed over each subrecipient. However, due to time constraints, a risk assessment was not completed.

**Effect**

Lack of effective controls and written policies and procedures over subrecipient monitoring 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 for both risk assessments and review of single audit report procedures. Employees can complete these checklists when obtaining subrecipient audit reports to ensure required monitoring procedures are performed and well documented.

**Views of Responsible Officials and Corrective Actions**

The City will incorporate a more formal review of financial audits of subrecipients in conjunction with new contracts moving forward. These audits, and City staff's verification of assessment will be included in each subrecipient file.

**Implementation Date**

FY2025 Contracts

**Responsible Officials**

Robert Keller, Project Planner, Cambridge Community Development Department, and Judith Tumusiime, Federal Grants Manager, Cambridge Community Development Department

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Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-006**Program:** Housing Opportunities for Persons with AIDS (HOPWA) **ALN #:** 14.241**Federal Agency:** Housing and Urban Development**Federal Award Numbers:** MAH22-F005, MAH20-F005, and MAH21-F005**Award Year:** July 1, 2022–June 30, 2023**Reporting****Type of finding:** Material weakness and noncompliance**Prior-year finding:** No**Statistically valid sample:** No**Criteria**

Special Reporting for Federal Funding Accountability and Transparency Act

Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, herein referred to as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Aspects of the Transparency Act that relate to subaward reporting (1) under grants and cooperative agreements were implemented in OMB in 2 CFR Part 170 and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR at 5 FR 39414 et seq., July 8, 2010). The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts.

Title 2 US Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 200.1 defines subaward as an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Further, 2 CFR 200.1 defines subrecipient as a nonfederal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

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Year ended June 30, 2023

Lastly, 2 CFR 200.303(a) states, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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 Community Development Department did not report awards granted to subrecipients for the HOPWA program by the end of the month following the month in which the City awarded the subrecipient award that is greater than or equal to \$30,000 as required by FFATA.

FFATA requires the City to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information to be reported, the following key data elements are required to be audited:

1. Subawardee name
2. Subawardee DUNS/UEI number
3. Amount of subaward
4. Subaward obligation/action date
5. Date of report submission
6. Subaward number
7. Subaward project description
8. Subawardee names and compensation of highly compensated officers

During our testing, we noted that the City did not establish control procedures to submit FFATA reports for all subawards as required by federal regulations. During our testwork of four subawards, we also noted reporting exceptions as subawards were not reported in the required time.

**Cause**

The condition found was due to the City not reporting any amounts passed through to subrecipients for the period from July 2022 to June 2023, as the responsible officials were not aware of the reporting timeline requirements. As a result, all subawards were reported on a one-year lag.

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**Effect**

Failure to submit all subaward amounts passed through to subrecipients and subcontractors under subawards as defined by 2 CFR 200.1 in the City's FFATA reporting could result in the City reporting inaccurate and incomplete amounts to the federal government

**Questioned Costs**

None

**Recommendation**

We recommend that the City review and enhance its policies, procedures, and internal controls to ensure that all amounts passed through to subrecipients under subawards as defined in 2 CFR 200.1 are reported in accordance with the FFATA federal regulations. In addition, we recommend that the City use obligation date for FFATA reporting.

**Views of Responsible Officials and Corrective Actions**

HOPWA contracts have typically been obligated over the course of several or more months, as some subrecipients operate in different ways. Going forward, the City will use the contract start date (7/1) as the Obligation date, and will submit the FFATA report accordingly.

**Implementation Date**

8/31/2024 (representing the end of the month following the obligation of funds).

**Responsible Officials**

Robert Keller, Project Planner, Cambridge Community Development Department, and Judith Tumusiime, Federal Grants Manager, Cambridge Community Development Department

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-007**Program:** Housing Opportunities for Persons with AIDS (HOPWA) **ALN #:** 14.241**Federal Agency:** Housing and Urban Development**Federal Award Numbers:** MAH22-F005, MAH20-F005, and MAH21-F005**Award Year:** July 1, 2022–June 30, 2023**Performance Reporting****Type of finding:** Material weakness and material noncompliance**Prior-year finding:** No**Statistically valid sample:** No**Criteria**

Performance Reporting for the HOPWA Consolidated Annual Performance and Evaluation Report

Per HUD, the Consolidated Annual Performance and Evaluation Report (CAPER) provides annual performance reporting on client outputs and outcomes that enables an assessment of grantee performance in achieving the housing stability outcome measure. The CAPER fulfills statutory and regulatory program reporting requirements and provides the grantee and HUD with the necessary information to assess the overall program performance and accomplishments against planned goals and objectives.

HOPWA formula grantees are required to submit a CAPER demonstrating coordination with other Consolidated Plan resources. HUD uses the CAPER data to obtain essential information on grant activities, project sponsors, housing sites, units and households, and beneficiaries (which includes racial and ethnic data on program participants). The Consolidated Plan Management Process (CPMP) tool provides an optional tool to integrate the reporting of HOPWA-specific activities with other planning and reporting on Consolidated Plan activities. In accordance with 25 CFR 574.520(a), the City must submit a CAPER to HUD within 90 days of the end of each 12-month program year until all Grant Funds are expended.

Key line items of the CAPER include amount of HOPWA funds expended with HOPWA in the program year for each HOPWA-eligible activity. Auditor should review Part 3 Accomplishment Data Planned Goal and Actual Outputs, Table 1 HOPWA Performance Planned Goal and Actual Outputs, Column f HOPWA Actual funds in the CAPER, and Part 3C Summary Overview of Grant Activities Performance and Expenditure Information, Table 1 Performance and Expenditure Information by Activity Type, Column 2 Outputs: Amount of HOPWA Funds Expended.

Lastly, 2 CFR 200.303(a) states, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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

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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:

- CAPER report is submitted to HUD within 90 days of the end of the 12-month program year.
- Review of subrecipient’s CAPER to ensure complete and accurate reporting over key line items.

The City failed to submit the CAPER that covers the period from July 1, 2021 to June 30, 2022 to HUD. The report is due to HUD by September 30, 2022. Additionally, the City has been unable to provide documentation that the subrecipient’s CAPER has been reconciled to the Integrated Disbursement and Information System (IDIS).

**Cause**

Subrecipients are required to submit their individual CAPER reports to the City prior to the City submitting its report to HUD. The City has had difficulty in getting the subrecipients to comply with the CAPER reporting, which is primarily due to staffing issues at the subrecipients. As a result, the City did not submit its CAPER to HUD within the required time-frame.

**Effect**

Incomplete information from its subrecipients has resulted in the City’s inability to properly comply with HUD’s CAPER reporting requirements.

**Questioned Costs**

Not determinable

**Recommendation**

We recommend that the City review and enhance its policies, procedures, and internal controls to ensure that all subrecipient CAPER reports are reconciled to the IDIS system and submitted to HUD within 90 days of year-end.

**Views of Responsible Officials and Corrective Actions**

The FY22 CAPER was submitted to HUD on June 11, 2024. City will continue to work with all HOPWA subrecipients to ensure that a complete and accurate CAPER is completed in the appropriate format as required by HUD. This will include a focus on inputting the correct (eg, actual expended vs. award amount) funding amount.

**Implementation Date**

Beginning with CAPERs submitted for the FY ending 6/30/2024 (City 2024, Federal 2023).

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**Responsible Officials**

Robert Keller, Project Planner, Cambridge Community Development Department, and Judith Tumusiime, Federal Grants Manager, Cambridge Community Development Department

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Year ended June 30, 2023

**Finding Number:** 2023-008

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

**Federal Agency:** U.S. Department of Treasury

**Federal Award Number:** NA

**Award Year:** July 1, 2022–June 30, 2023

**Suspension and Debarment**

**Type of finding:** Material weakness and noncompliance

**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 nonfederal entities are not contracting with or making subawards under covered transactions to parties that are suspended or debarred.

Also, when a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal 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 nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), the City requires that standard contract language be included to address the applicable suspension and debarment requirements. During fiscal year 2023, the required contract language was not included within the subrecipient contracts executed for the CSLFRF program. Additionally, the City did not verify that its subrecipients were not suspended or debarred through the System for Award Management (SAM) or include self-certifications from the vendor/subrecipient during the contracting process.

During our audit, we noted five of seven vendors and four of four subrecipients selected for testing were not checked for suspension and debarment as evidenced via review of the subrecipient contracts. During compliance testing, it was confirmed for all vendors and subrecipients, except for one, that they were not



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suspended or debarred. The engagement team was unable to determine if Neville Communities, Inc. is suspended or debarred as it is not registered with SAM.gov.

**Cause**

The City requires that standard contract language be included in all its 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 CSLFRF program as there was insufficient review of the contracts prior to execution to ensure all required elements were present. Additionally, the City requires that program personnel review SAM.gov to ensure the subrecipient is not suspended or debarred. There was no documentation that this review had occurred prior to entering into a contract with the subrecipient.

**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 the City review that subrecipients are not suspended or debarred on the SAM website and retain documentation of this check prior to entering into contracts with subrecipients.

**Views of Responsible Officials and Corrective Actions**

The City will ensure that subrecipient contracts will include language about suspension and debarment. The City will also download a PDF copy of the subrecipients registration on SAM.GOV showing the subrecipient's Exclusion Summary Status.

**Implementation Date**

FY25 Contracts (7/1/2024)

**Responsible Officials**

Michele Kincaid, Assistant Finance Director, and Sharon Pu, Grants Management

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Year ended June 30, 2023

**Finding Number:** 2023-009

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

**Federal Agency:** U.S. Department of Treasury

**Federal Award Number:** NA

**Award Year:** July 1, 2022–June 30, 2023

**Subrecipient Monitoring**

**Type of finding:** Material weakness and noncompliance

**Prior-year finding:** Yes

**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 nonfederal 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.
- 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 the four subrecipients selected for testing, but there was no documentation to evidence the nature and extent of the City’s review of the audit reports obtained. Additionally, a documented risk assessment was not performed by the City over the four subrecipients selected for testing prior to entering into a contract.

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Year ended June 30, 2023

**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. Additionally, the City requires a risk assessment be completed over each subrecipient. However, due to time constraints, a risk assessment was not completed or documented.

**Effect**

Lack of effective controls and written policies and procedures over subrecipient monitoring 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 for both risk assessments and review of single audit report procedures. Employees can complete these checklists when obtaining subrecipient audit reports to ensure required monitoring procedures are performed and well documented.

**Views of Responsible Officials and Corrective Actions**

The City will use a subrecipient audit certification form and a subrecipient risk assessment questionnaire to evaluate a subrecipient's risk/experience with federal funds as well as assess their federal funding threshold for having a single audit.

**Implementation Date**

FY25 Contracts (7/1/2024)

**Responsible Officials**

Michele Kincaid, Assistant Finance Director, and Sharon Pu, Grants Management

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-010

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

**Federal Agency:** U.S. Department of Treasury

**Federal Award Number:** SLFRP1982

**Award Year:** July 1, 2022–June 30, 2023

**Reporting**

**Type of finding:** Material weakness and noncompliance

**Prior-year finding:** No

**Statistically valid sample:** No

**Criteria**

The 2 CFR 200.328 and 31 CFR section 35.4 require quarterly and annual reporting of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant. The report focuses on the following key line items: current-period obligation, cumulative obligation, current-period expenditure, and cumulative expenditures.

According to 2 CFR 200.303, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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**

During our audit, we selected the December 31, 2022 and June 30, 2023 report for testing. We noted that the current-period obligations, cumulative obligations, current-period expenditures, and cumulative expenditures contained on these reports could not be reconciled to the City’s books and records. As such, the engagement team was unable to determine if the amounts included in these key line items were complete and accurate.

**Cause**

PeopleSoft reports that were used to prepare the CSLFRF reports were not retained by the City. As PeopleSoft continuously updates, the detail used to prepare these reports could not be reproduced by the City.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Effect**

Lack of document retention and reconciliation from the general ledger system to the CSLFRF could result in inaccurate reporting to the US Department of Treasury.

**Questioned Costs**

None

**Recommendation**

We recommend the City ensures proper document retention and complete reconciliations for how quarterly and annual reports are compiled.

**Views of Responsible Officials and Corrective Actions**

The Finance department will document the reconciliation of the City's GL ARPA expenditures and obligations to the Department of Treasury ARPA reporting portal report both quarterly and annually. All reconciling adjustments and GL report documentation will be properly retained.

**Implementation Date**

7/1/2023

**Responsible Officials**

Michele Kincaid, Assistant Finance Director, and Sharon Pu, Grants Management

**CITY OF CAMBRIDGE, MASSACHUSETTS**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Finding Number:** 2023-011**Program:** Special Education Cluster (IDEA)**ALN #:** 84.027**Federal Agency:** Department of Education**Federal Award Number:** NA**Award Year:** July 1, 2022–June 30, 2023**Period of Performance****Type of finding:** Material weakness and noncompliance**Prior-year finding:** No**Statistically valid sample:** No**Criteria**

Per Part 4 of the Compliance Supplement, LEAs and SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 2019 appropriation initially became available on July 1, 2019 and may be obligated by the grantee and subgrantee through September 30, 2021 (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.703 through 76.710).

According to 2 CFR 200.303, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal 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**

During testing over period of performance for the IDEA program, 14 samples were selected for testwork. For four selections (all related to the same vendor), we noted that expenditures were charged to the SC23605 grant 52 days prior to the grant’s start date. The expenditures were invoiced on August 1, 2022, and the grant’s period of performance began on September 22, 2022 (the date the Massachusetts Department of Education notified the City of this grant’s effective date).

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Cause**

The cause of the noncompliance relates to an error assigning POs for a certain vendor. POs created for this vendor for July 2022 tuition were mistakenly charged to the incorrect grant. A lack of review over charges to individual grants and programs has caused the City to charge expenses to the IDEA grant outside of its period of performance.

**Questioned Costs**

Not determinable

**Recommendation**

We recommend the City establish more precise controls over the review and approval of invoices, specifically relating to the review and approval over the direct grant that the expense will be charged to.

**Views of Responsible Officials and Corrective Actions**

Cambridge Public Schools' CFO or Grants Coordinator will review and sign-off on all tuition requisitions that will be charged to grants to confirm the grant approval date and compliance with the period of performance.

**Implementation Date**

The new approval process will be in place by July 1, 2024.

**Responsible Officials**

Dr. Karyn Grace, Assistant Superintendent of Student Services, Cambridge Public Schools, Ivy Washington, Chief Financial Officer, Cambridge School Department, and Lindsay Smythe, Grant Coordinator, Cambridge School Department