



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, 2024

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:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited City of Cambridge, Massachusetts' (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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, 2024. 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 Housing Opportunities for Persons with AIDS

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, 2024.

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

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 Coronavirus State and Local Fiscal Recovery Funds for the year ended June 30, 2024.

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, 2024.

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.



Exhibit I

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 Housing Opportunities for Persons with AIDS

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the subrecipient monitoring and reporting compliance requirements for the Housing Opportunities for Persons with AIDS program as described in finding 2024-003 and 2024-005. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the subrecipient monitoring compliance requirements for the Coronavirus State and Local Fiscal Recovery Funds as described in finding 2024-009. Compliance with such requirements 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,



Exhibit I

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 items 2024-002, 2024-004, 2024-006, 2024-007, and 2024-008. 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.

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 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, and 2024-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.



Exhibit I

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 Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2024, and have issued our report thereon dated December 20, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

KPMG LLP

Boston, Massachusetts
July 21, 2025

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

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 Elementary and Secondary Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program (SBP) | 10.553 | \$ — | 488,257 |
| National School Lunch Program | 10.555 | — | 1,917,743 |
| Fresh Fruit and Vegetable Program (FFVP) | 10.582 | — | 7,155 |
| Summer Food Service Program for Children (SFSPC) | 10.559 | — | 191,874 |
| Total Child Nutrition Cluster | | — | 2,605,029 |
| Total U.S. Department of Agriculture | | — | 2,605,029 |
| U.S. Department of Housing and Urban Development: | | | |
| Direct Programs: | | | |
| CDBG – Entitlement Grants Cluster: | | | |
| COVID-19 Community Development Block Grants | 14.218 | — | 199,817 |
| Community Development Block Grants | 14.218 | 1,386,925 | 2,007,111 |
| Total CDBG – Entitlement Grants Cluster | | 1,386,925 | 2,206,928 |
| HOME Investment Partnerships Program | 14.239 | — | 12,805,865 |
| Housing Opportunities for Persons with Aids (HOPWA) | 14.241 | 2,095,833 | 2,135,113 |
| Continuum of Care Program | 14.267 | 5,004,451 | 5,358,476 |
| Fair Housing Assistance Program | 14.401 | — | 20,394 |
| Emergency Solutions Grant Program: | | | |
| Direct Programs: | | | |
| Emergency Solutions Grant Program | 14.231 | 196,722 | 235,180 |
| COVID-19 Emergency Solutions Grant Program | 14.231 | — | 8,074 |
| Total Emergency Solutions Grant Program | | 196,722 | 243,254 |
| Passed through the Cambridge Housing Authority: | | | |
| Moving to Work Demonstration Program | 14.881 | — | 89,757 |
| Total U.S. Department of Housing and Urban Development | | 8,683,931 | 22,859,787 |
| U.S. Department of Justice: | | | |
| Direct Programs | | | |
| Equitable Sharing Program | 16.922 | — | 4,920 |
| Total U.S. Department of Justice | | — | 4,920 |
| U.S. Department of Transportation: | | | |
| Passed through the Metropolitan Area Planning Council: | | | |
| Highway Planning and Construction | 20.205 | — | 197,052 |
| Passed through the Commonwealth of Massachusetts Executive Office of Public Safety: | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | — | 45,646 |
| National Priority Safety Programs | 20.616 | — | 28,969 |
| Total Highway Safety Cluster | | — | 74,615 |
| Total U.S. Department of Transportation | | — | 271,667 |
| U.S. Department of the Treasury: | | | |
| Direct Programs: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA) | 21.027 | 6,588,597 | 17,489,545 |
| Passed through the Commonwealth of Massachusetts Office for Administration and Finance: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA) | 21.027 | 233,469 | 12,005,055 |
| Total U.S. Department of the Treasury | | 6,822,066 | 29,494,600 |
| Federal Communications Commission: | | | |
| Direct Programs: | | | |
| Universal Service Fund Schools and Libraries (E-RATE) | 32.004 | — | 161,051 |
| COVID-19 Emergency Connectivity Fund Program (ECF) | 32.009 | — | 321,885 |
| Total Federal Communications Commission | | — | 482,936 |

CITY OF CAMBRIDGE, MASSACHUSETTS

Exhibit II

Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

| 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 | \$ — | 535,942 |
| Title I Grants to Local Educational Agencies | 84.010 | — | 1,410,064 |
| Special Education Cluster (IDEA): | | | |
| Special Education Grants to States (IDEA, Part B) | 84.027 | — | 2,917,667 |
| COVID-19 Special Education Grants to States (IDEA, Part B) | 84.027 | — | 188,661 |
| Special Education Preschool Grants (IDEA Preschool) | 84.173 | — | 43,686 |
| COVID-19 Special Education Preschool Grants (IDEA Preschool) | 84.173 | — | 2,214 |
| Total Special Education Cluster (IDEA) | | — | 3,152,228 |
| Career and Technical Education Basic Grants to States | 84.048 | — | 137,884 |
| Education for Homeless Children and Youth | 84.196 | — | 14,399 |
| English Language Acquisition State Grants | 84.365 | — | 79,903 |
| Supporting Effective Instruction State Grants | 84.367 | — | 179,868 |
| Student Support and Academic Enrichment Program | 84.424 | — | 52,395 |
| Education Stabilization Fund: | | | |
| COVID-19 Education Stabilization Fund | 84.425 | — | 40,640 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) | 84.425 D | — | 56,862 |
| COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425 U | — | 3,265,462 |
| Total Education Stabilization Fund | | — | 3,362,964 |
| Total U.S. Department of Education | | — | 8,925,647 |
| U.S. Department of Health and Human Services: | | | |
| Passed through the Cambridge Health Alliance: | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | — | 750 |
| Passed through the Commonwealth of Massachusetts Executive Office of Housing and Livable Communities: | | | |
| COVID-19 Low Income Household Water Assistance Program (LIHWAP) | 93.499 | — | 94,620 |
| Low Income Home Energy Assistance Programs (LIHEAP) | 93.568 | — | 1,095,326 |
| Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education: | | | |
| Refugee and Entrant Assistance State | 93.566 | — | 216 |
| Community Based Child Abuse Prevention Grant | 93.590 | — | 203,354 |
| Passed through the Fenway Community Health Center: | | | |
| Opioid STR | 93.788 | — | 10,884 |
| Total U.S. Department of Health and Human Services | | — | 1,405,150 |
| 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 | — | 4,446 |
| COVID-19 Emergency Food and Shelter National Board Program | 97.024 | — | 116 |
| Passed through the Massachusetts Emergency Management Agency: | | | |
| COVID-19 Disaster Grants Public Assistance | 97.036 | — | 5,813,823 |
| COVID-19 Emergency Management Performance Grants | 97.042 | — | 39,600 |
| Passed through the City of Boston, Massachusetts: | | | |
| Homeland Security Grant Program | 97.067 | — | 534,027 |
| Total U.S. Department of Homeland Security | | — | 6,392,012 |
| Total federal expenditures | | \$ 15,505,997 | 72,441,748 |

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, 2024

(1) Definition of Reporting Entity

The schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards of the City of Cambridge, Massachusetts (the City) exclusive of the City's component units, Cambridge Health Alliance, and Cambridge Redevelopment Authority. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The Schedule is presented using the modified accrual basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the Schedule represent total federal reimbursements for meals provided during fiscal year 2024.

(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 | \$ 184,649 |

(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 2024, 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, 2024, the HOME program had loan balances subject to federal continuing compliance requirements of \$12,749,074.

CITY OF CAMBRIDGE, MASSACHUSETTS
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2024

(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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Boston, MA 02111

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, 2024, and the related notes to the financial statements, and have issued our report thereon dated December 20, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
December 20, 2024

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of report issued on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinions on the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **Yes**
- (c) Noncompliance material to the basic financial statements: **No**

Federal Awards

- (d) Internal control deficiencies over major program disclosed by the audit:
- Material weaknesses: **Yes**
 - Significant deficiencies: **No**
- (e) Type of report issued on compliance for major programs:
- Housing Opportunities for Persons with AIDS; ALN 14.241 – **Qualified**
 - Coronavirus State and Local Fiscal Recovery Funds; ALN 21.027 – **Qualified**
 - All other major programs – **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

(g) Major programs:

| Name of federal program or cluster | Assistance listing number |
|--|---------------------------------|
| Child Nutrition Cluster: | |
| School Breakfast Program (SBP) | 10.553 |
| National School Lunch Program (NSLP) | 10.555 |
| Fresh Fruit and Vegetable Program (FFVP) | 10.582 |
| Summer Food Service Program for Children (SFSPC) | 10.559 |
| Community Development Block Grant (CDBG): | |
| COVID-19 Community Development Block Grants | 14.218 |
| Community Development Development Block Grants | 14.218 |
| Emergency Solutions Grant Program | 14.231 |
| Home Investment Partnerships Program | 14.239 |
| Housing Opportunities for Persons with Aids (HOPWA) | 14.241 |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Special Education Cluster: | |
| Special Education Grants to States (IDEA, Part B) | 84.027 |
| COVID-19 Special Education Grants to States (IDEA, Part B) | 84.027 |
| Special Education Preschool Grants (IDEA Preschool) | 84.173 |
| COVID-19 Special Education Preschool Grants (IDEA Preschool) | 84.173 |

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,173,252**(i) Auditee qualified as a low-risk auditee: **No****(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards****Finding 2024-001- Financial Reporting of Capital Fund Accrued Expenses****Condition and Context**

During the audit of the City's financial statements for the fiscal year ending June 30, 2024, it was concluded that an expense within the Capital Fund, which amounted to \$8,132,750, was inappropriately accrued for at fiscal year-end. This expense pertained to services received from July 1, 2024 to July 31, 2024, which is subsequent to the City's fiscal year end. Therefore, this is considered an FY25 expense and should not have been accrued. This misstatement was identified while performing testing procedures over year-end accruals and adjustments. The accrual of this expense in the incorrect period resulted from an insufficient review process within the accounting department. The absence of robust internal controls to ensure the accurate recording of accrued expenses contributed to this significant control deficiency. Had the City not corrected the misstatement, the financial statements for the fiscal year 2024 would have been misstated,

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

reflecting higher liabilities, higher capital outlay expenditures, and higher construction in progress of capital asset additions than appropriate.

Recommendations

We recommend that the City implement a more rigorous review and approval process for end-of-period adjustments, involving multiple levels of review, to ensure that all accrued expenses are recorded in the appropriate period and that the City adheres to generally accepted accounting principles (GAAP).

Management Response

The City has implemented a secondary review of all end-of-period adjustments prior to final approval by the City Auditor.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: 2024-002

Program: Community Development Block Grant (CDBG)

ALN #: 14.218

Pass-through Entity: N/A- Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Performance Reporting

Type of finding: Material weakness and noncompliance

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

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 passthrough 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.

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 (CDBG) did not report awards granted to subrecipients for the CDBG program by the end of the month following the month in which the City awarded the subrecipient award. 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.

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Cause

The condition found was due to the City not reporting amounts passed through to subrecipients for the period from July 2023 to June 2024, as the City typically reports these on a one-year lag due to the timing of when the contract starts and its final execution.

Proper perspective

During our testing of the three selected subawards, we noted reporting exceptions as subawards were not reported within the one month following the month that the City awarded the subrecipient contract. Additionally, there was a control exception to ensure that the data submitted is complete and accurate.

Possible asserted effect

Failure to submit 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 noted

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

A similar finding was not reported in the prior year.

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

The City has taken several steps to strengthen its FFATA compliance. Historically, FFATA reporting posed challenges for many recipients, including the City, due to legacy reporting systems that did not fully align with the requirements of SAM.gov. As part of its compliance improvement efforts, the City has transitioned to directly reporting subaward data in SAM.gov. This shift necessitated a thorough review of internal processes, particularly because many of the City's subrecipient contracts are designed to begin on July 1 of each fiscal year but are not fully executed until months later, after the HUD-signed grant agreement is received, which generally occurs between late September and November. These timing discrepancies previously made it difficult to consistently identify and use the correct obligation date for FFATA reporting.

The Federal Grants team initially used a manual Excel-based system to compile FFATA data from fully executed contracts. Each contract contains the essential elements required for FFATA reporting, including

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the Assistance Listing (CFDA) number, the City's and subrecipient's UEI numbers, agency name and address, award amount, and a brief program description. This spreadsheet served as the foundation for reporting subawards in SAM.gov. To address these issues, the City has established an updated standardized data collection and tracking mechanism.

In response to this audit finding, the City has implemented the following corrective actions:

1. Standardized Data Collection:

An updated subrecipient data collection form has been developed to ensure consistent and complete capture of all required FFATA elements prior to contract execution.

2. Formal Tracking System:

The City created a FFATA Tracking Spreadsheet to systematically document and monitor all required reporting elements, including the correct obligation date, which is now tied to the legal execution date of the subaward.

3. Policy and Procedure Development:

FFATA reporting policy and procedures have been developed to codify roles, timelines, and compliance responsibilities. This includes guidance on identifying the proper obligation date, data verification steps, and the timeline for submission to SAM.gov (within 30 days of obligation).

4. Staff Training and Oversight:

Relevant staff will be trained on FFATA compliance requirements, and the Grants Management Division will conduct quarterly spot checks to ensure accuracy and timeliness of reporting.

These corrective actions reflect the City's commitment to strengthening its federal grant oversight and ensuring full compliance with FFATA regulations.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Finding Number: 2024-003

Program: Housing Opportunities for Persons with AIDS (HOPWA)

ALN #: 14.241

Pass-through Entity: N/A- Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Subrecipient Monitoring

Type of finding: Material weakness and material noncompliance

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.
- Appropriate monitoring of the subrecipient based on their risk of noncompliance.
- Verification that subrecipients are audited as required when they are expected to exceed the threshold for having a single audit.

Cause

The City does not have formal written policies, procedures, and internal controls in place to ensure that all required subrecipient monitoring procedures are performed.

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Proper perspective

During our audit, we noted that four of the four subrecipients selected for testing did not have a completed risk assessment to determine their risk of noncompliance. As such, we were unable to determine that the proper level of monitoring was completed throughout the fiscal year over the contracted subrecipient. Additionally, we noted that the 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.

Possible asserted 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

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

Yes, 2023-005

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 and reviewing the documentation. The City should then conclude on and document the subrecipient's risk of noncompliance based on the checklist to ensure the proper level of monitoring occurs throughout the year.

Views of responsible officials and corrective actions

The City has addressed this recommendation. The City has updated policies and procedures in place. A standardized Subrecipient Audit Risk Assessment Checklist is in place and a Monitoring Risk Assessment Checklist has also been developed and implemented to guide and document the evaluation of subrecipient risk, review of single audit reports, monitoring. Federal Grants Division staff will complete this checklist during the initial subrecipient review and update it annually. This will ensure consistent documentation of each subrecipient's risk level and corresponding compliance requirements. The process will enable the City to make informed decisions regarding the appropriate level of monitoring for each subrecipient, based on the risk assessment outcomes. This systematic approach enhances accountability, supports audit readiness, and aligns with federal guidance under 2 CFR Part 200. All the agencies/subrecipients have been informed of the upcoming monitoring.

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Year ended June 30, 2024

Finding Number: 2024-004

Program: Housing Opportunities for Persons with AIDS (HOPWA)

ALN #: 14.241

Pass-through Entity: N/A- Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Reporting

Type of finding: Material weakness and noncompliance

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 passthrough 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.

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

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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. 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.

Cause

The condition found was due to the City not reporting amounts passed through to subrecipients for the period from July 2023 to June 2024, as the City typically reports these on a one-year lag due to the timing of when the contract starts and its final execution.

Proper perspective

During our testing of four selected subawards, we noted reporting exceptions as subawards were not reported within the one month following the month that the City awarded the subrecipient contract. Additionally, there was a control exception to ensure that the data submitted is complete and accurate.

Possible asserted effect

Failure to submit 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.

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Questioned costs

None

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

Yes, 2023-006

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

The City has taken several steps to strengthen its FFATA compliance. Historically, FFATA reporting posed challenges for many recipients, including the City, due to legacy reporting systems that did not fully align with the requirements of SAM.gov. As part of its compliance improvement efforts, the City has transitioned to directly reporting subaward data in SAM.gov. This shift necessitated a thorough review of internal processes, particularly because many of the City's subrecipient contracts are designed to begin on July 1 of each fiscal year but are not fully executed until months later, after the HUD-signed grant agreement is received, which generally occurs between late September and November. These timing discrepancies previously made it difficult to consistently identify and use the correct obligation date for FFATA reporting. The Federal Grants team initially used a manual Excel-based system to compile FFATA data from fully executed contracts. Each contract contains the essential elements required for FFATA reporting, including the Assistance Listing (CFDA) number, the City's and subrecipient's UEI numbers, agency name and address, award amount, and a brief program description. This spreadsheet served as the foundation for reporting subawards in SAM.gov.

In response to this audit finding, the City has implemented the following corrective actions:

1. Standardized Data Collection:

A subrecipient data collection form has been developed to ensure consistent and complete capture of all required FFATA elements prior to contract execution.

2. Formal Tracking System:

The City created a FFATA Tracking Spreadsheet to systematically document and monitor all required reporting elements, including the correct obligation date, which is now tied to the legal execution date of the subaward.

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3. Policy and Procedure Development:

A draft FFATA reporting policy and procedure document has been developed to codify roles, timelines, and compliance responsibilities. This includes guidance on identifying the proper obligation date, data verification steps, and the timeline for submission to SAM.gov (within 30 days of obligation).

4. Staff Training and Oversight:

Relevant staff will be trained on FFATA compliance requirements, and the Grants Management Division will conduct quarterly spot checks to ensure accuracy and timeliness of reporting.

These corrective actions reflect the City's commitment to strengthening its federal grant oversight and ensuring full compliance with FFATA regulations.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Finding Number: 2024-005

Program: Housing Opportunities for Persons with AIDS (HOPWA)

ALN #: 14.241

Pass-through Entity: N/A- Direct Award

Federal Agency: Department of Housing and Urban Development

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Performance Reporting

Type of finding: Material weakness and material noncompliance

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.

Both HOPWA formula and competitive grantees submitting reports after January 1, 2023, must complete and submit the HUD-4155 “Consolidated APR/CAPER” (OMB number 2506-0133). HOPWA Formula Grantees that accept the supplemental funding authorized under the CARES Act should report on the use of supplemental grant funds in the same performance report as their use of entitlement funds. Both formula and competitive grantees are required to submit their completed HUD-4155 no later than 90 days after the close of their program or operating year. Competitive grantees have 120 days after the end of their grant’s last period of performance to submit the final HUD-4155.

Grantees should be able to demonstrate that funds disbursed through federal financial systems are traceable in local accounts and accurately reported in Key Line Items in the HUD-4155.

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).

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Year ended June 30, 2024

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.

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.

Proper perspective

The City failed to submit the CAPER that covers the period from July 1, 2022 to June 30, 2023 to HUD by the September 30, 2023 deadline. The City ultimately submitted the CAPER on May 3, 2024.

Additionally, the City has been unable to provide documentation that the subrecipients' CAPER has been reconciled to the Integrated Disbursement and Information System (IDIS).

Possible asserted effect

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

Questioned costs

Not determinable

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

Yes, 2023-007

Recommendation

We recommend that the City establish 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 City will continue to work with all agencies receiving HOPWA to complete their annual CAPER correctly and in a timely manner. This emphasis will be reiterated throughout the awarding process and will be subject to regular status updates to ensure compliance and accuracy.

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Further, the City will work with HUD to establish a correct methodology in reporting consistency with IDIS, as the annual CAPER and HOPWA contracts do not operate open uniform timelines, nor do they involve consistent financial reporting structures. The City does not believe the simple and direct correlation to IDIS is a reasonable or useful metric for the CAPER, but acknowledges that there should be a consistent standard that can be reconciled to financial activity during the year covered by each CAPER.

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Year ended June 30, 2024

Finding Number: 2024-006

Program: Coronavirus State and Local Fiscal Recovery Funds

ALN #: 21.027

Pass-through Entity: N/A- Direct Award

Federal Agency: U.S. Department of Treasury

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Allowability

Type of finding: Material weakness and noncompliance

Criteria

Per the activities allowed or unallowed requirement within Part 4 of the Compliance Supplement, recipients may use payments from CSLFRF to:

1. Respond to the public health and negative economic impacts of the pandemic, by supporting the health of communities, and helping households, small businesses, impacted industries, and the public sector recover from economic impacts of the pandemic.
2. Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
3. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
4. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support, vital wastewater and storm water infrastructure, and to expand access to broadband internet.

For beneficiary payments (expenditures), evaluate whether the entity's records identify the individual or group as eligible to receive beneficiary payments for the applicable period.

Additionally, 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).

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Year ended June 30, 2024

Condition

The City set specific requirements for small businesses to be eligible to receive beneficiary payments under the CSLFRF program. Businesses were required to submit an application to the City with supporting documentation to confirm they were eligible for the payment. One of the requirements to be eligible is that the business must show a loss between the years of 2019 and 2021. We noted during our testing that the City awarded beneficiary payments to businesses that did not meet this requirements set by the City. We noted 3 exceptions from a sample selection of 40.

Cause

Due to improper review and approval, the City approved three business applications to receive a beneficiary payment that were ineligible.

Proper perspective

During our testing, we noted that 3 of 40 selections did not meet the eligibility criteria to be awarded a beneficiary payment. One exception showed a business loss in 2022, which is outside the period of the program requirements to submit loss documentation (2019-2021). One additional exception relates to a businesses showing an increase in sales/revenue for the 2021-2022 years. The City was unable to provide documentation that this business had a loss in either 2019 or 2020. The last exception relates to an individual that was awarded a small business grant where the business nor the individual is domiciled in Cambridge. As such, the City should not have approved these businesses for payment when reviewing their applications.

Possible asserted effect

Approving businesses that are not eligible to receive a beneficiary payment could cause the City to be charging the grant unallowable costs.

Questioned costs

\$13,500

Statistical sampling

That same was not intended to be, and was not, a statistically valid sample.

Repeat finding

A similar finding was not reported in the prior year.

Recommendation

We recommend the City review applications to ensure only eligible businesses are approved to receive beneficiary payments.

Views of responsible officials and corrective actions

The City has implemented additional controls over the review of all applicant information related to program funds being disbursed only to eligible applicants.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Finding Number: 2024-007

Program: Coronavirus State and Local Fiscal Recovery Funds

ALN #: 21.027

Pass-through Entity: N/A- Direct Award

Federal Agency: U.S. Department of Treasury

Federal Awar Year: July 1, 2023–June 30, 2024

Compliance Requirement: Procurement

Type of finding: Material weakness and noncompliance

Criteria

Recipients may use awarded funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in 42 USC sections 802(c) and 803(c) and Treasury's 2021 Interim Final Rule, and 2022 Final Rule, and 2023 Interim Final Rule.

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.327. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200.

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

For three of seven selections, we noted that the City did not follow the proper procurement policies as outlined in the Massachusetts General Law Chapter 30B. One exception related to a vendor that had cumulative expenditures greater than \$10,000 in FY24. This vendor did not have a related contract for these expenditures and therefore the City did not follow procurement policies. Two additional exceptions relate to sole-source procurements with contract values greater than \$50,000. Per Chapter 30B, sole-source procurements of more the \$50,000 cannot be completed unless the contract relates to software maintenance, library books, and educational materials. These contracts did not relate to any of the beforementioned categories. Additionally, the City did not have documentation to show that a reasonable investigation occurred that showed only one, or all vendors contracted with, could provide the required

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Schedule of Findings and Questioned Costs

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services. As such, a sole-source procurement method was not in compliance with Chapter 30B of the Massachusetts General Law.

Cause

The nature and reason for the noncompliance is attributed to oversight error on the City's part for not entering into contracts/maintaining procurement documentation appropriately. The City enters into hundreds of contracts annually funded with the ARPA program, all of which are manually reviewed. Therefore, it is likely that human error caused the noncompliance.

Proper perspective

The City's policy is to follow the Massachusetts General Law Chapter 30B when procuring goods and services. Out of a sample size of seven, we noted that three of the vendors were not properly procured, as described in the conditions found.

Possible asserted effect

Not following the proper procurement policies, as outlined in Chapter 30B, could cause the City to inappropriately award a contract to a vendor.

Questioned costs

None noted

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

A similar finding was not reported in the prior year.

Recommendation

We recommend the City to review the procurement policies and ensure that expenditures for vendors that exceed \$10,000 follow the correct procurement policies and procedures. Additionally, sole source bids require the City to follow certain policies and procedures.

Views of responsible officials and corrective actions

The City has updated its procurement process in FY2025 to ensure that expenditures for vendors that exceed \$10,000 and sole source contracts follow the correct procurement policies and procedures in accordance with MGL 30B.

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Year ended June 30, 2024

Finding Number: 2024-008

Program: Coronavirus State and Local Fiscal Recovery Funds

ALN #: 21.027

Pass-through Entity: N/A- Direct Award

Federal Agency: U.S. Department of Treasury

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Suspension and Debarment

Type of finding: Material weakness and noncompliance

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.

Additionally, 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

The City does not have formal policies and procedures for ensuring vendors are not suspended or debarred prior to entering into a contract. However, when establishing contracts for vendors 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. Additionally, the City requires the program staff check the System of Award Management (SAM) to ensure the vendor is not suspended or debarred from working under a federal contract. If neither of the beforementioned methods are used, the City will require the vendor to submit a self-certification to ensure they are not suspended or debarred. Throughout our testing, we noted the required contract language was not included within all vendor contracts. Additionally, there was no evidence that city verified the vendor on SAM.gov, or that there was a self-certification included as part of the contracting process.

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Cause

The City requires that standard contract language be included in all vendor contracts that addresses the suspension and debarment requirements. The City was unaware that the required language was excluded from vendor contracts entered into for the CSLFRF program. There was insufficient review of the contracts prior to execution to ensure all required elements were present. Additionally, the City did not retain any documentation that they checked SAM.gov prior to entering into a contract with a vendor.

Proper perspective

During our audit, we noted five of nine vendors selected for testing did not contain language in the contract regarding suspension and debarment, as evidenced via review of the subrecipient contracts. Additionally, it was communicated to us that the City checked SAM.gov for each vendor's status, however, they were not able to provide evidence that this occurred. During compliance testing, it was confirmed all subrecipients, except for two, were not suspended or debarred. The engagement team was unable to determine if Margaret Fuller Neighborhood House and Smartcat Platforms Inc. was suspended or debarred as they are not registered with SAM.gov.

Possible asserted effect

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

Questions costs

None noted

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding

Yes, 2023-008

Recommendation

We recommend the City set formal policies and procedures around ensuring vendors are not suspended or debarred. Documented policies and procedures would ensure that required language is included within all vendor contracts prior to execution and that SAM.gov is checked and documentation is retained.

Views of responsible officials and corrective actions

The City has taken actions to ensure that the "Suspension and Debarment" clause or vendor self-certification confirmation statement has been added to the FY2025 contract and grant agreements. Additionally, City staff has adopted a new sign-off process to document the City's staff review of the vendors status in "SAM.gov".

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Finding Number: 2024-009

Program: Coronavirus State and Local Fiscal Recovery Funds

ALN #: 21.027

Pass-through Entity: N/A- Direct Award

Federal Agency: U.S. Department of Treasury

Federal Award Year: July 1, 2023–June 30, 2024

Compliance Requirement: Subrecipient Monitoring

Type of finding: Material weakness and material noncompliance

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.
- All required elements of the subrecipient contracts are included during execution.

Cause

The City's lack of effective internal controls and written policies and procedures have caused the following noncompliance and control exceptions.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Proper perspective

During the audit, we noted that eight of the nine subrecipient selections did not contain all the required elements of the contract. Additionally, nine of the nine selections completed a risk assessment questionnaire. However, there is no indication that the City reviewed the questionnaires and subsequently concluded on the subrecipient's risk of noncompliance. We also noted that audited financial statements were obtained for the three subrecipients that required a single audit, but there was no documentation to evidence the nature and extent of the City's review of the audit reports obtained. Therefore, we were unable to determine if, based on the subrecipient's risk assessment questionnaire and single audit report, if additional monitoring procedures were required

Possible asserted 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

Statistical sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

Yes, 2023-009

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 and reviewing the documentation. The City should then conclude on and document the subrecipient's risk of noncompliance based on the checklist to ensure the proper level of monitoring occurs throughout the year.

Views of responsible officials and corrective actions

The City has implemented additional controls over subrecipient monitoring by establishing a formal policy to review and document subrecipient qualifications, risk assessments and financial reports and have created subsequent monitoring plans and checklists.