



**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

Year ended June 30, 2010

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

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Exhibit I

**Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Cambridge, Massachusetts (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Exhibit IV). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Cambridge Health Alliance (CHA), a discretely presented component unit, that received federal awards during the year ended June 30, 2010. Our audit described below, did not include the activities of the CHA because it engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the



## Exhibit I

auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report thereon, based upon our audit and the report of other auditors, dated December 17, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards (Exhibit II) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

March 11, 2011

(except for schedule of expenditures  
of federal awards, which is as of December 17, 2010)

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</b>	<b>CFDA number</b>	<b>Expenditures</b>
U.S. Department of Agriculture:		
Passed through Commonwealth of Massachusetts, Department of Education:		
Food Distribution	10.550	\$ 62,574
Child Nutrition Cluster:		
School Breakfast Program (SBP)	10.553	239,512
National School Lunch Program (NSLP)	10.555	951,386
Summer Food Service Program for Children (SFSPC)	10.559	92,416
Total Child Nutrition Cluster		1,283,314
Child and Adult Food Care Program	10.558	6,138
ARRA-Child Nutrition Discretionary Grants Limited Availability Program	10.579	45,461
Fresh Fruit and Vegetable Program	10.582	72,602
Total		1,470,089
U.S. Department of Housing and Urban Development:		
Direct programs (notes 3 and 4):		
Community Development Block Grants Entitlement Grants Cluster:		
Community Development Block Grants	14.218	10,869,693
ARRA-Community Development Block Grant ARRA Entitlement Grants	14.253	178,477
Total Community Development Block Grants Entitlement Grants Cluster		11,048,170
Emergency Shelter Grants Program	14.231	140,658
HUD Supportive Housing Program	14.235	2,738,346
Shelter Plus Care	14.238	217,073
HOME Investment Partnerships Program	14.239	9,249,140
Housing Opportunities for Persons with AIDS	14.241	458
ARRA-Homeless Prevention and Rapid Re-Housing Program	14.257	521,695
HUD Fair Housing Assistance Program-State and Local	14.401	49,285
Resident Opportunity and Supportive Services Homeownership and Family	14.870	81,158
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	1,200,897
Total		25,246,880
U.S. Department of Justice:		
Direct Programs:		
Public Safety Partnership and Community Policing Grants	16.710	50
Office on Violence Against Women Grant	16.590	44,276
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.804	12,443
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
ARRA-Violence Against Women Formula Grant	16.588	3,070
Passed through the Metropolitan Area Planning Council:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	36,264
Total		96,103
U.S. Department of Labor:		
Passed through Metropolitan Regional Employment Board:		
ARRA-WIA Dislocated Workers	17.260	25,602
U.S. Department of Transportation:		
Passed through Commonwealth of Massachusetts, Executive Office of Transportation:		
Highway Planning and Construction Program	20.205	69,903
State and Community Highway Safety	20.600	190
Emergency Preparation Coordination (EPAC)	20.703	425
Total		70,518

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</b>	<b>CFDA number</b>	<b>Expenditures</b>
National Endowment for the Arts:		
Direct programs:		
Promotion of the Arts Grants to Organizations and Individuals	45.024	\$ 2,359
National Science Foundation:		
Passed through Massachusetts Institute of Technology:		
Education and Human Services	47.076	61,671
U.S. Department of Education:		
Direct programs:		
Fund for the Improvement of Education	84.215	5,879
Foreign Language Assistance	84.293	137,097
Passed through Commonwealth of Massachusetts, Department of Education:		
Adult Education Basic Grants to States	84.002	203,226
Title I – Part A Cluster:		
Title I – Grants to Local Educational Agencies	84.010	1,860,285
ARRA-Title I – Grants to Local Educational Agencies, Recovery Act	84.389	189,581
Total Title I – Part A Cluster		2,049,866
Special Education Cluster (IDEA):		
Special Education-Grants to States (IDEA, Part B)	84.027	2,174,828
Special Education-Preschool Grants (IDEA Preschool)	84.173	57,654
ARRA-Special Education-Grants to States (IDEA, Part B), Recovery Act	84.391	337,095
ARRA-Special Education-Preschool Grants (IDEA Preschool), Recovery Act	84.392	20,489
Total Special Education Cluster (IDEA)		2,590,066
Career and Technical Education Basic Grants to States	84.048	73,042
Safe and Drug Free Schools and Communities State Grants	84.186	59,953
Education for Homeless Children and Youth	84.196	5,977
ARRA-Education for Homeless Children and Youth, Recovery Act	84.387	8,837
21st Century Community Learning Centers Grants	84.287	308,677
Education Technology State Grants	84.318	110,795
ARRA-Education Technology State Grants, Recovery Act	84.386	34,149
English Language Acquisition Grants	84.365	76,048
Improving Teacher Quality State Grants	84.367	510,838
Green in the Middle/Community Service Grant	94.004	9,244
Passed through American Institute for Research through World Education:		
Education Research Development	84.305	3,672
Total		6,187,366
U.S. Department of Health and Human Services:		
Direct programs:		
Drug-Free Communities Support Program Grants	93.276	142
Passed through Commonwealth of Massachusetts Executive Office of Health and Human Services:		
Public Health and Social Services Emergency Fund	93.003	1,795
Substance Abuse Prevention and Treatment	93.243	184,850
National Bioterrorism Hospital Preparedness Program	93.889	2,686
Block Grants for Prevention and Treatment of Substance Abuse	93.959	85,844
Passed through the Commonwealth of Massachusetts Executive Office of Community Development:		
Low-Income Home Energy Assistance Programs (LIHEAP)	93.568	1,929,212
Passed through Commonwealth of Massachusetts Department of Education:		
Community Based Child Abuse Prevention Grant	93.590	68,894

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</b>	<b>CFDA number</b>	<b>Expenditures</b>
Passed through Somerville-Cambridge Elder Services: Special Programs for the Aging Title III Part B Grants for Supportive Services and Senior Centers	93.044	\$ 2,264
Passed through the Institute for Community Health: Maternal and Child Health Federal Consolidated Programs	93.110	1,363
Passed through Community Action Programs Inter-City Inc.: Temporary Assistance for Needy Families	93.558	<u>1,630</u>
Total		<u>2,278,680</u>
U.S. Department of Homeland Security:		
Direct programs:		
Emergency Food and Shelter National Board Programs	97.024	9,289
Passed through the City of Boston, Massachusetts:		
Homeland Security Grant Program	97.067	<u>1,599</u>
Total		<u>10,888</u>
Total federal expenditures		<u>\$ 35,450,156</u>

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

**(1) Definition of Reporting Entity**

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

**(2) Summary of Significant Accounting Policies**

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

**(a) Basis of Presentation**

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

**(b) School Breakfast/Lunch Programs**

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the schedule of expenditures of federal awards represent total federal reimbursements for meals provided during 2010.

**(c) Food Distribution Program**

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

**(d) Other**

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

<b>Program title</b>	<b>CFDA number</b>	<b>Amount paid to MTRS</b>
Improving Teacher Quality State Grants	84.367	\$ 21,328
Education Technology State Grants	84.318	510
Special Education Grants to States	84.027	122,085
ARRA-Special Education Grants to States, Recovery Act	84.391	14,866
Title I Grants to Local Educational Agencies	84.027	81,095
ARRA Title I-Grants to Local Educational Agencies	84.389	13,020
Total		\$ 252,904



## CITY OF CAMBRIDGE, MASSACHUSETTS

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

**(3) Subrecipient Expenditures**

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

<b>Program title</b>	<b>CFDA number</b>	<b>Amount provided to subrecipients</b>
Community Development Block Grant	14.218	\$ 1,740,358
HOME Investment Partnership Program	14.239	426,064
HUD Supportive Housing Program	14.235	2,681,873

**(4) Loans or Loan Guarantees**

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

<b>Program title</b>	<b>CFDA number</b>	<b>Outstanding loan balance</b>
Community Development Block Grant	14.218	\$ 7,405,830
HOME Investment Partnership Program	14.239	8,679,212
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	709,200



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**Exhibit III**

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Cambridge Health Alliance, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



## Exhibit III

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the City Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 17, 2010

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2010

## (1) Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

\_\_\_\_\_ yes   x   no*Identification of Major Programs*

Name of federal program or cluster	CFDA #
Community Development Block Grants Entitlement Grants Cluster:	
Community Development Block Grants	14.218
ARRA-Community Development Block Grant ARRA Entitlement Grants	14.253
HUD Supportive Housing Program	14.235
ARRA-Homeless Prevention and Rapid Re-Housing	14.257
Title I, Part A Cluster:	
Title I- Grants to Local Educational Agencies	84.010
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389
Special Education Cluster (IDEA):	
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants (IDEA Preschool)	84.173
ARRA-Special Education Grants to States, Recovery Act (IDEA Part B)	84.391
ARRA-Special Education Preschool Grants, Recovery Act (IDEA Preschool)	84.392

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Dollar threshold used to distinguish between  
type A and type B programs:

\$732,060

Auditee qualified as low-risk auditee?

  x   yes             no

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

None

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

None