



**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, 2011

**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, 2011

**Table of Contents**

	<b>Page</b>
Independent Auditors' 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	Exhibit I
Schedule of Expenditures of Federal Awards	Exhibit II
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Exhibit III
Schedule of Findings and Questioned Costs	Exhibit IV



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

Exhibit I

**Independent Auditors' 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, 2011. 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, 2011. 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.



### **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 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.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

### **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, 2011, and have issued our report thereon, based upon our audit and the report of other auditors, dated December 16, 2011. 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 23, 2012

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/ program title/pass-through grantor's number	CFDA number	2011 expenditures
U.S. Department of Agriculture:		
Passed through the Commonwealth of Massachusetts Department of Education:		
Food Distribution	10.550	\$ 87,208
Child Nutrition Cluster:		
School Breakfast Program (SBP)	10.553	219,431
National School Lunch Program (NSLP)	10.555	975,255
Summer Food Service Program for Children (SFSPC)	10.559	87,527
Total Child Nutrition Cluster		1,282,213
Child and Adult Care Food Program	10.558	6,537
Fresh Fruit and Vegetable Program	10.582	83,038
Total		1,458,996
U.S. Department of Commerce:		
Passed through the Cambridge Housing Authority:		
ARRA-Broadband Technology Opportunities Program	11.557	72,188
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Community Development Block Grants Entitlement Grants Cluster:		
Community Development Block Grants	14.218	11,049,465
ARRA-Community Development Block Grant ARRA Entitlement Grants	14.253	665,492
Total Community Development Block Grants Entitlement Grants Cluster		11,714,957
Emergency Shelter Grants Program	14.231	142,352
Supportive Housing Program	14.235	2,785,620
Shelter Plus Care	14.238	188,727
HOME Investment Partnerships Program	14.239	9,688,002
ARRA-Homeless Prevention and Rapid Re-Housing Program	14.257	420,174
Fair Housing Assistance Program State and Local	14.401	41,410
Fair Housing Initiatives Program	14.408	1,293
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	398,975
Passed through the Cambridge Housing Authority:		
Resident Opportunity and Supportive Services - Service Coordinators	14.870	48,572
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877	22,000
Total		25,452,082
U.S. Department of Justice:		
Direct Programs:		
Office of Violence Against Women Grant	16.590	204,794
Local Law Enforcement Block Grant Program	16.592	14,091
Public Safety Partnership and Community Policing Grants	16.710	50
Edward Byrne Memorial Justice Assistance Grant Program	16.738	89,956
ARRA-Edward Byrne Memorial Justice Assistance Grant Program	16.804	84,304
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
ARRA-Violence Against Women Formula Grant	16.588	30,661
Bulletproof Vest Partnership Program	16.607	1,830
Total		425,686
U.S. Department of Labor:		
Passed through the Commonwealth Corporation:		
WIA Adult Program	17.258	8,501
WIA Youth Activities	17.259	20,970
WIA Dislocated Workers	17.260	15,675
ARRA-WIA Adult Program	17.258	4,309
ARRA-WIA Youth Activities	17.259	10,630
ARRA-WIA Dislocated Workers	17.260	7,946
Passed through the Metropolitan North Regional Employment Board:		
ARRA-WIA Youth Activities	17.259	23,214
Total		91,245

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<b>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</b>	<b>CFDA number</b>	<b>2011 expenditures</b>
U.S. Department of Transportation:		
Passed through the Commonwealth of Massachusetts Executive Office of Transportation:		
Highway Planning and Construction Program	20.205	\$ 58,165
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
State and Community Highway Safety	20.600	109,604
Total		<u>167,769</u>
National Endowment for the Arts:		
Direct Programs:		
Promotion of the Arts Grants to Organizations and Individuals	45.024	3,645
National Science Foundation:		
Passed through Massachusetts Institute of Technology:		
Education and Human Services	47.076	58,241
Passed through Boston University:		
ARRA-Trans-NSF Recovery Act Research Support	47.082	6,750
Total		<u>64,991</u>
U.S. Environmental Protection Agency:		
Passed through the Commonwealth of Massachusetts Executive Office of Environmental Protection:		
ARRA-Water Quality Management Planning	66.454	101,490
U.S. Department of Energy:		
Direct Programs:		
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128	854,387
U.S. Department of Education:		
Direct Programs:		
Safe and Drug-Free Schools and Communities - National Programs	84.184	21,829
Foreign Language Assistance	84.293	30,503
Passed through the Commonwealth of Massachusetts Department of Education:		
Adult Education Basic Grants to States	84.002	205,004
Title I- Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,526,246
ARRA-Title I-Grants to Local Educational Agencies	84.389	369,356
Total Title I- Part A Cluster		<u>1,895,602</u>
Special Education Cluster (IDEA):		
Special Education-Grants to States (IDEA, Part B)	84.027	2,254,654
Special Education-Preschool Grants (IDEA Preschool)	84.173	67,145
ARRA-Special Education-Grants to States (IDEA, Part B)	84.391	1,847,110
ARRA-Special Education-Preschool Grants (IDEA Preschool)	84.392	49,637
Total Special Education Cluster (IDEA)		<u>4,218,546</u>
Career and Technical Education Basic Grants to States	84.048	108,323
Safe and Drug-Free Schools and Communities State Grants (School)	84.186	12,425
Twenty-First Century Community Learning Centers	84.287	248,444
Education Technology State Grants	84.318	80,568
English Language Acquisition Grants	84.365	64,407
Improving Teacher Quality State Grants	84.367	439,817
ARRA-Education Technology State Grants	84.386	105,449
ARRA-Education for Homeless Children and Youth	84.387	23,729
ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants	84.394	46,152
ARRA-State Fiscal Stabilization Fund (SFSF)-Race to the Top Incentive Grants	84.395	4,067
Education Jobs Program	84.410	639,119
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
Safe and Drug-Free Schools and Communities State Grants (Police)	84.186	68,675
Passed through the Town of Arlington, Massachusetts Public Schools:		
Fund for the Improvement of Education - Teaching American History Grant	84.215	2,000
Passed through City of Newton, Massachusetts Public Schools:		
Fund for the Improvement of Education - Teaching American History Grant	84.215	3,100
Total		<u>8,217,759</u>

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<b>Federal grantor/pass-through grantor/ program title/pass-through grantor's number</b>	<b>CFDA number</b>	<b>2011 expenditures</b>
U.S. Department of Health and Human Services:		
Direct Programs:		
Substance Abuse and Mental Health Services (STOP ACT)	93.243	\$ 41,809
Passed through the Commonwealth of Massachusetts Executive Office of Health and Human Services:		
Substance Abuse and Mental Health Services (BSAS OPOID)	93.243	208,597
National Bioterrorism Hospital Preparedness Program	93.889	375
Block Grants for Prevention and Treatment of Substance Abuse	93.959	80,881
Passed through the Commonwealth of Massachusetts Executive Office of Community Development:		
Low-Income Home Energy Assistance Programs (LIHEAP)	93.568	1,534,619
Passed through the Commonwealth of Massachusetts Department of Education:		
Community Based Child Abuse Prevention Grant	93.590	60,462
Passed through the Institute for Community Health:		
Maternal and Child Health Federal Consolidated Programs	93.110	697
Total		<u>1,927,440</u>
U.S. Corporation for National and Community Service:		
Passed through the Commonwealth of Massachusetts Department of Education:		
Green in the Middle/Community Service Grant	94.004	19,989
U.S. Department of Homeland Security:		
Passed through Action for Boston Community Development, Inc.		
Emergency Food and Shelter National Board Program	97.024	9,409
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:		
Port Security Grant Program	97.056	48,924
Buffer Zone Protection Program	97.078	143,976
Total		<u>202,309</u>
Total federal expenditures		\$ <u>39,059,976</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, 2011

**(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 2011.

**(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	\$ 22,834
Special Education Grants to States	84.027	126,046
ARRA-Special Education Grants to States, Recovery Act	84.391	20,119
Title I Grants to Local Educational Agencies	84.010	54,915
ARRA Title I-Grants to Local Educational Agencies	84.389	17,625
Total		\$ 241,539



## CITY OF CAMBRIDGE, MASSACHUSETTS

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

**(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	\$ 1,769,210
HOME Investment Partnership Program	14.239	631,872
HUD Supportive Housing Program	14.235	2,851,412

**(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	\$ 7,443,314
HOME Investment Partnership Program	14.239	8,917,082
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	378,319



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

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2011. 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**

Management of the City is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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 16, 2011

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

## (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?

  x   yes \_\_\_\_\_ 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
ARRA-Homeless Prevention and Rapid Re-Housing	14.257
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128
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
Low-Income Home Energy Assistance Program (LIHEAP)	93.568

## CITY OF CAMBRIDGE, MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

\$1,171,799

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**

**Finding Number:** 2011-1

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

**Pass-Through Agency:** None

**Program:** Energy Efficiency and Conservation Block Grant Program (EECBG)

**CFDA Number:** 81.128

**Award Number:** DE – SC0002980

**Award Year:** July 1, 2010 to June 30, 2011

**Finding:** Suspension and Debarment

***Condition/Criteria:***

45 CFR 620 stipulates that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Procurement contracts for goods or services equal to or in excess of \$25,000 are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.

Non-Federal entities may perform a verification check to determine whether an entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

During our audit we noted that for 5 of the 6 vendors selected, there was no signed suspension and debarment certificate or a clause in the signed contract stating that the vendor was not suspended or debarred.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

***Cause/Effect:***

A lack of internal controls could result in the City engaging a contractor that is suspended or debarred from receiving federal funds.

***Questioned Costs:***

None

***Recommendation:***

The City should create a standard contract template that includes all required language regarding suspension or debarment for a contract with a vendor or obtain a signed suspension and debarment certificate.

***Corrective Action Plan:***

The department has created a suspension and debarment certification form that we will include in all future federally funded contracts.

***Contact Person:***

Betty Lyons, Fiscal Project Manager

***Anticipated Completion Date:***

March 22, 2012