



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, 2025

CITY OF CAMBRIDGE, MASSACHUSETTS

Table of Contents

	Exhibit
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	I
Schedule of Expenditures of Federal Awards	II
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 <i>Government Auditing Standards</i>	III
Schedule of Findings and Questioned Costs	IV



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

Exhibit I

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Cambridge, Massachusetts' (the City) compliance with the types of compliance requirements 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, 2025. 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, 2025. 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, 2025.

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, 2025.

Unmodified Opinion on Community Development Block Grants

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 the Community Development Block Grants program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.



Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Matters Giving Rise to Qualified Opinion on 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 subrecipient monitoring and reporting compliance requirements for the Housing Opportunities for Persons with AIDS program as described in findings 2025-002 and 2025-004. 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 2025-005. 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, 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 2025-001 and 2025-003. 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 2025-001, 2025-002, 2025-003, 2025-004, and 2025-005 to be material weaknesses.



Exhibit I

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of 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, 2025, and have issued our report thereon dated January 30, 2026, which contained an unmodified opinion 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
April 17, 2026

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

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	\$ —	534,328
National School Lunch Program	10.555	—	2,108,897
Summer Food Service Program for Children (SFSPC)	10.559	—	311,271
Total Child Nutrition Cluster		—	2,954,496
Total U.S. Department of Agriculture		—	2,954,496
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG – Entitlement Grants Cluster:			
Community Development Block Grants - Entitlement	14.218	2,156,509	2,974,269
Total CDBG – Entitlement Grants Cluster		2,156,509	2,974,269
Emergency Solutions Grant Program	14.231	197,731	235,968
HOME Investment Partnerships Program	14.239	—	12,871,948
Housing Opportunities for Persons with Aids (HOPWA)	14.241	1,791,980	1,851,582
Continuum of Care Program	14.267	5,542,250	5,813,292
Fair Housing Assistance Program	14.401	—	63,867
Passed through the Cambridge Housing Authority:			
Moving to Work Demonstration Program	14.881	—	27,942
Total U.S. Department of Housing and Urban Development		9,688,470	23,838,868
U.S. Department of Justice:			
Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	30,555
Equitable Sharing Program	16.922	—	153,778
Total U.S. Department of Justice		—	184,333
U.S. Department of Transportation:			
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	50,188
Total Highway Safety Cluster		—	50,188
Total U.S. Department of Transportation		—	50,188
U.S. Department of the Treasury:			
Direct Programs:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	8,340,605	15,759,090
Passed through the Commonwealth of Massachusetts Office for Administration and Finance:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	616,406	6,590,766
Passed through the Commonwealth of Massachusetts Department of Mental Health:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	—	98,324
Total U.S. Department of the Treasury		8,957,011	22,448,180
Federal Communications Commission:			
Direct Programs:			
Universal Service Fund Schools and Libraries (E-RATE)	32.004	—	72,177
COVID-19 Emergency Connectivity Fund Program (ECF)	32.009	—	158,827
Total Federal Communications Commission		—	231,004
U.S. Environmental Protection Agency:			
Passed through the Commonwealth of Massachusetts Department of Environmental Protection:			
Diesel Emissions Reduction Act (DERA) State Grants	66.040	—	302,173
Total U.S. Environmental Protection Agency		—	302,173

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

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 Elementary and Secondary Education:			
Adult Education Basic Grants to States	84.002	\$ —	326,439
Title I Grants to Local Educational Agencies	84.010	—	1,397,827
Special Education Cluster (IDEA):			
Special Education Grants to States (IDEA, Part B)	84.027	—	3,532,434
Special Education Preschool Grants (IDEA Preschool)	84.173	—	50,725
Total Special Education Cluster (IDEA)		—	3,583,159
Career and Technical Education Basic Grants to States	84.048	—	149,569
Education for Homeless Children and Youth	84.196	—	33,045
English Language Acquisition State Grants	84.365	—	115,960
Supporting Effective Instruction State Grants	84.367	—	184,733
Student Support and Academic Enrichment Program	84.424	—	47,702
Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425	—	5,522
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425 D	—	6,114
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	—	1,387,508
Total Education Stabilization Fund		—	1,399,144
Total U.S. Department of Education		—	7,237,578
U.S. Department of Health and Human Services:			
Passed through the Commonwealth of Massachusetts Department of Elementary and Secondary Education:			
Refugee and Entrant Assistance State	93.566	—	27,784
Passed through the Commonwealth of Massachusetts Executive Office of Housing and Livable Communities:			
Low Income Home Energy Assistance Programs (LIHEAP)	93.568	—	1,481,535
Passed through the Commonwealth of Massachusetts Department of Early Education and Care:			
Community Based Child Abuse Prevention Grant	93.590	—	185,602
Passed through the Fenway Community Health Center:			
Opioid STR	93.788	—	18,996
Total U.S. Department of Health and Human Services		—	1,713,917
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	—	6,145
Passed through the Massachusetts Emergency Management Agency:			
COVID-19 Disaster Grants Public Assistance	97.036	—	1,275,188
Emergency Management Performance Grants	97.042	—	73,748
Passed through the City of Boston, Massachusetts:			
Homeland Security Grant Program	97.067	—	1,137,706
Passed through the Commonwealth of Massachusetts Executive Office of Public Safety:			
State and Local Cybersecurity Grant Program	97.137	—	84,700
Total U.S. Department of Homeland Security		—	2,577,487
Total federal expenditures		\$ 18,645,481	61,538,224

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, 2025

(1) Definition of Reporting Entity

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The Schedule is presented using the cash basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the Schedule represent total federal reimbursements for meals provided during fiscal year 2025.

(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	\$ 197,663

(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 2025, 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, 2025, the HOME program had loan balances subject to federal continuing compliance requirements of \$12,792,645.

CITY OF CAMBRIDGE, MASSACHUSETTS
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

(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.



KPMG LLP
Two Financial Center
60 South Street
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, 2025, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2026. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 30, 2026

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

(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: **No**
- (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**
 - Community Development Block Grants; ALN 14.218 – **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major programs:

Name of federal program or cluster	Assistance listing number
Community Development Block Grants (CDBG)	14.218
Housing Opportunities for Persons with Aids (HOPWA)	14.241
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,846,147**
- (i) Auditee qualified as a low-risk auditee: **No**

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding Number: 2025-001

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, 2024–June 30, 2025

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.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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.

Cause

The condition found was due to the City not reporting amounts passed through to subrecipients for the period from July 2024 to June 2025 within the required time after the award is granted to the subrecipient.

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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

Yes, 2024-002

Recommendation

We recommend that the City continue to review and enhance their 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 will continue strengthening its policies, procedures, and internal controls to ensure all subawards are reported in full compliance with FFATA. The City reported subawards using the subaward obligation date, which is the date the agreement is fully executed, rather than the July 1 performance start date. As a result, obligation dates varied depending on when each agreement is signed.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Finding Number: 2025-002

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, 2024 – June 30, 2025

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 has not implemented the designed controls and procedures to ensure compliance with the following requirements:

- Each subrecipients risk of noncompliance is appropriately evaluated and level of monitoring is determined.
- Appropriate monitoring and review of the subrecipient based on their risk of noncompliance.
- Ensure that subrecipients are not suspended or debarred prior to entering into a contract with the City.

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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, there was no evidence that the City ensured the subrecipient was not suspended or debarred from working under a federal engagement prior to entering into the contract.

Possible asserted effect

Lack of effective controls 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, 2024-003

Recommendation

We recommend the City establish a checklist or formal documentation to assess each subrecipient and their risk of non compliance prior to entering into a formal contract. The City should then use this risk assessment to determine the level of monitoring that is required throughout the term of the contract.

Views of responsible officials and corrective actions

The City has established a Risk Assessment tool that rates each HOPWA subrecipient across nine factors: 1) award amount, 2) timeliness of reporting, 3) timeliness of invoicing, 4) quality of reporting, 5) program complexity, 6) staff capacity, 7) staff turnover, 8) management changes, and 9) grantee history.

The City will use this tool to determine the appropriate level and frequency of monitoring for each subrecipient.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Finding Number: 2025-003**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, 2024–June 30, 2025**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

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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 2024 to June 2025 within the required time after the award is granted to the subrecipient.

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Questioned costs

None

Statistical sampling

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

Repeat finding

Yes, 2024-004

Recommendation

We recommend that the City continue to review and enhance their 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 will continue strengthening its policies, procedures, and internal controls to ensure all subawards are reported in full compliance with FFATA. The City reported subawards using the subaward obligation date, which is the date the agreement is fully executed, rather than the July 1 performance start date. As a result, obligation dates var depending on when each agreement is signed.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Finding Number: 2025-004

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, 2024–June 30, 2025

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).

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

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, 2023 to June 30, 2024 to HUD by the September 30, 2024 deadline. The City ultimately submitted the CAPER on February 28, 2025.

Additionally, for four of four subrecipients selected for testing, the City was unable to provide documentation that the subrecipients' CAPER reconciled to the Integrated Disbursement and Information System (IDIS) or the City's general ledger system.

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, 2024-005

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 Audit, while investigating FY25 programs and activities, assessed the FY24 HOPWA CAPER, which was delivered to HUD past its due date. For the FY25 CAPER, a submission by nature of general reporting

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

timelines occurs in FY26, was completed by the grantees on time and submitted to the City on time, including certain specific revisions and corrections, and was delivered to and accepted by HUD by the required submission deadline. The City expects future CAPERs to be submitted in a timely manner as grantees successfully adapted to the new Excel based reporting format.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Finding Number: 2025-005

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, 2024–June 30, 2025

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 effective controls in place to ensure compliance with the following requirements:

- Each subrecipients risk of noncompliance is appropriately evaluated and level of monitoring is determined.
- Verification and review 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 which caused the following noncompliance and control exceptions.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Proper perspective

During the audit, we noted that six of the nine subrecipient selections did not contain all the required elements of the contract. Additionally, for nine of the nine selections, the City did not complete a risk assessment or conclude on the subrecipient's risk of noncompliance. We also noted that for two of the subrecipients that required a single audit, there was no evidence to support the nature and extent of the City's review of those audit reports. Therefore, we were unable to determine, based on the subrecipient's risk assessment and single audit reports, the proper level of monitoring procedures to be performed.

Possible asserted effect

Lack of effective controls 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, 2024-009

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 already established a well-designed internal control manual of policies and procedures over the ARPA grant's full cycle grant management, as well as various templates to evaluate the subrecipients' risks and monitoring their performances. In FY26, the city will implement its internal control by conducting timely subrecipient monitoring activities with signed documents