



CITY OF BOSTON, 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, 2019

CITY OF BOSTON, MASSACHUSETTS

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

Exhibit I

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Boston, Massachusetts' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Boston Planning and Development Agency, Boston Public Health Commission, the Economic Development and Industrial Corporation of Boston, and the Trustees of the Public Library of the City of Boston, that received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these entities because they engaged other auditors to perform audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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)*. Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



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 2019-001 and 2019-003 through 2019-009. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-003, and 2019-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-002, and 2019-005 through 2019-009 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



Exhibit I

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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 auditing standards generally accepted in the United States of America. 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
January 15, 2020

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture:			
Passed-through Fair Food Network:			
Food Insecurity Nutrition Incentive Grants Program	10.331	\$ —	81,401
Passed-through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program (note 2)	10.555	—	33,078,705
Summer Food Service Program for Children	10.559	—	1,004,369
Total Child Nutrition Cluster		—	34,083,074
Fresh Fruit and Vegetable Program	10.582	—	1,185,595
Passed-through State Department of Food and Nutrition Service:			
Child and Adult Care Food Program	10.558	—	3,353
Total U.S. Department of Agriculture		—	35,353,423
U.S. Department of Commerce:			
Passed-through State Coastal Zone Management Program:			
Coastal Zone Management Administration Awards	11.419	—	5,238
Total U.S. Department of Commerce		—	5,238
U.S. Department of Defense:			
Direct programs:			
Language Grant Program	12.900	—	81,754
Total U.S. Department of Defense		—	81,754
U.S. Department of Housing and Urban Development:			
Direct programs:			
CDBG Entitlement Grants Cluster:			
Community Development Block Grants – Entitlement Grant	14.218	6,011,073	19,434,334
Emergency Solutions Grants Program	14.231	1,630,379	1,754,421
H.O.M.E. Investment Partnerships Program (note 3)	14.239	—	141,898,090
Housing Opportunities for Persons with AIDS	14.241	3,207,211	3,349,651
Dudley Executive Plaza Project	14.246	—	11,864
Empower Zone/Repayment Sec 108	14.248	—	(342,937)
Continuum of Care Program	14.267	23,490,055	24,831,716
Fair Housing Assistance Program: State and Local	14.401	—	215,621
Lead Hazard Reduction Demonstration Grant Program	14.905	36,412	1,140,924
Choice Neighborhood Implementation Grant:			
Direct Program	14.889	49,500	49,500
Passed-through Economic Development and Industrial Corporation of Boston	14.889	—	5,300
Total Choice Neighborhood Implementation Grant		49,500	54,800
Total U.S. Department of Housing and Urban Development		34,424,630	192,348,484
U.S. Department of the Interior:			
Direct programs:			
Youth Engagement, Education, and Employment Programs	15.676	—	17,267
Passed-through MA Historical Commission:			
Historic Preservation Fund Grants-In-Aid	15.904	—	34,210
Total U.S. Department of the Interior		—	51,477
U.S. Department of Justice:			
Direct programs:			
Special Data Collections and Statistical Studies	16.734	—	565,552
Edward Byrne Memorial Justice Assistance Grant	16.738	—	32,201
DNA Backlog Reduction Program	16.741	—	217,742
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	73,394	79,157
Passed-through State Office of Juvenile Justice and Delinquency Prevention:			
Missing Children's Assistance	16.543	—	3,382
Passed-through American Institute for Research:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	—	90,151
Passed-through State Executive Office of Public Safety:			
Violence Against Women Formula Grants	16.588	—	140,388
Edward Byrne Memorial Competitive Grant Program	16.751	—	79,181
Passed-through Massachusetts Department of State Police:			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	—	32,790
Passed-through Boston Public Health Commission:			
Connecting the Peaces	16.817	—	3,475
Total U.S. Department of Justice		73,394	1,244,019
U.S. Department of Labor:			
Passed-through Economic Development and Industrial Corporation of Boston:			
WIOA Cluster:			
Workforce Investment Act – Youth Activities	17.259	—	857
Total U.S. Department of Labor		—	857

CITY OF BOSTON, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Exhibit II

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Transportation:			
Direct programs:			
National Infrastructure Investments	20.933	\$ —	1,618,301
Passed-through Massachusetts Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	—	1,190,465
Passed-through State Executive Office of Public Safety/Administration:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	93,552
National Priority Safety Programs	20.616	—	7,216
Total Highway Safety Cluster		—	100,768
Passed-through National Safety Council:			
Boston's Safest Driver 2.0	20.614	—	36,575
Total U.S. Department of Transportation		—	2,946,109
National Endowment for the Arts:			
Direct programs:			
Promotion of the Arts	45.024	—	100,000
Passed-through Institute of Museum and Library Services:			
Grants to States	45.310	—	2,076
Total National Endowment for the Arts		—	102,076
National Endowment for the Humanities:			
Direct programs:			
Promotion of the Humanities	45.149	—	350
Total National Endowment for the Humanities		—	350
National Science Foundation:			
Passed-through University of Massachusetts:			
Education and Human Resources	47.076	—	153,427
Total National Science Foundation		—	153,427
U.S. Environmental Protection Agency:			
Direct programs:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	—	75,590
Total U.S. Environmental Protection Agency		—	75,590
U.S. Department of Education:			
Direct programs:			
Education Research, Development and Dissemination	84.305	—	53,523
Hurricane Education Recovery	84.938	—	(13,365)
Passed-through State Department of Elementary and Secondary Education:			
Adult Education – Basic Grants to States	84.002	—	65,270
Title I – Grants to Local Educational Agencies	84.010	—	45,260,851
Mathematics and Science Partnerships	84.366	—	9,356
ARRA – Race To The Top	84.395	—	1,386
Special Education (IDEA) Cluster:			
Special Education - Grants to States	84.027	—	19,824,777
Special Education – Preschool Grants	84.173	—	522,931
Total Special Education (IDEA) Cluster		—	20,347,708
Vocational Education	84.048	—	2,174,963
Education for Homeless Children and Youth	84.196	—	70,926
English Language Acquisition State Grants	84.365	—	2,618,592
Improving Teacher Quality State Grants	84.367	—	4,745,086
School Improvement Grants	84.377	—	1,678,264
Student Support and Academic Enrichment Program	84.424	—	2,165,886
Twenty-First Century Community Learning Centers:			
Passed-through State Department of Elementary and Secondary Education	84.287	—	979,966
Passed-through Economic Development and Industrial Corporation of Boston	84.287	—	2,578
Total Twenty-First Century Community Learning Centers		—	982,544
Passed-through The New Teacher Project, Inc.:			
Student Financial Assistance Cluster:			
TEACH Grants	84.379	—	74,498
Passed-through State Department of Early Education and Care:			
Preschool Development Grants	84.419	2,929,041	3,800,915
Passed-through Spurwink Services, Inc.:			
i3 Scale Up Grant -Building Assets Reducing Risks	84.411	—	9,724
Total U.S. Department of Education		2,929,041	84,046,127

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Passed through to subrecipients</u>	<u>Total federal expenditures</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Cooperative Agreements to Promote Adolescent Health	93.079	\$ —	384,196
Substance Abuse and Mental Health Services	93.243	—	64,956
Passed-through State Executive Office of Elderly Affairs:			
Special Programs for the Aging:			
Title VII, Chapter 2	93.042	177,699	177,699
Title III, Part D	93.043	91,215	422,704
National Family Caregiver Support, Title III, Part E	93.052	486,943	486,943
Aging Cluster:			
Special Programs for the Aging:			
Title III, Part B	93.044	613,980	845,549
Title III, Part C	93.045	1,644,551	1,658,469
Nutritional Services Incentive Program	93.053	387,318	387,318
Total Aging Cluster		<u>2,645,849</u>	<u>2,891,336</u>
Passed-through State Department of Early Education and Care:			
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	—	203,893
Passed-through Massachusetts Councils On Aging:			
Caregiver Respite and Support Program	93.763	—	23,867
Total U.S. Department of Health and Human Services		<u>3,401,706</u>	<u>4,655,594</u>
Corporation for National and Community Services:			
Direct programs:			
Retired and Senior Volunteer Program	94.002	—	123,747
Foster Grandparent/Senior Companion Cluster: Senior Companions Programs	94.016	—	281,669
Total Corporation for National and Community Services		<u>—</u>	<u>405,416</u>
U.S. Department of Homeland Security:			
Direct programs:			
Assistance to Firefighters Grant	97.044	—	1,635,605
Passed-through Massachusetts Emergency Management Agency:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	—	575,493
Emergency Management Performance Grants	97.042	—	34,235
Passed-through State Executive Office of Public Safety:			
Homeland Security Grant Program	97.067	5,837,968	12,435,069
Total U.S. Department of Homeland Security		<u>5,837,968</u>	<u>14,680,402</u>
Total expenditures of federal awards		<u>\$ 46,666,739</u>	<u>336,150,343</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BOSTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) Reporting Entity

The basic financial statements of the City of Boston, Massachusetts (the City) include various component units that have separate single audits conducted in accordance with the Uniform Guidance. The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs of the City, exclusive of component units.

All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule of expenditures of federal awards.

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

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

(b) National School Lunch and School Breakfast Programs (CFDA # 10.555)

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in a combined program. Program expenditures in the accompanying schedule of expenditures of federal awards represent total expenditures for meals provided during 2019 and includes \$1,747,461 of noncash contributions of commodities passed through the Commonwealth of Massachusetts. For purposes of the schedule of expenditures of federal awards, such commodities are valued at federally published wholesale prices. These commodities are not recorded in the financial records, although memorandum records are maintained.

(3) H.O.M.E. Investment Partnership Program Loans (CFDA # 14.239)

Total expenditures in the accompanying schedule of expenditures of federal awards for the H.O.M.E. Investment Partnership (H.O.M.E.) program include the total amount of new loans made during fiscal year 2019, 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, 2019, the H.O.M.E. program had year end loan balances subject to continuing compliance requirements of \$124,586,907.

(4) Indirect Cost Rate

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



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Exhibit III

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Mayor and City Council
City of Boston, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2019. Our report includes an emphasis of matter paragraph related to the City's election to change the measurement date of the liability reported under the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, our report includes a reference to other auditors who audited the financial statements of Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, the City's Permanent Funds, the Boston Retirement System, the City's OPEB Trust Fund, the City's Private-Purpose Trust Funds, the Boston Public Health Commission, the Trustees of the Public Library of the City of Boston, and the Economic Development and Industrial Corporation of Boston, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported on separately by those auditors.

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) to determine the 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 may exist that have not been identified.



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 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*.

Purpose of this Report

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

KPMG LLP

Boston, Massachusetts
December 30, 2019

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified for all opinion units**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **None Reported**
 - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Identification of Major Programs

<u>Name of federal program or cluster</u>	<u>CFDA #</u>
H.O.M.E. Investment Partnerships Program	14.239
Housing Opportunities for Persons with AIDS	14.241
Highway Planning and Construction	20.205
Title I – Grants to Local Educational Agencies	84.010
English Language Acquisition State Grants	84.365
Preschool Development Grants	84.419
Aging Cluster:	
Special Programs for the Aging, Title III, Part B	93.044
Special Programs for the Aging, Title III, Part C	93.045
Nutritional Services Incentive Program	93.053
Homeland Security Grant Program	97.067

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **No**

CITY OF BOSTON, MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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

None noted.

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

(3) Findings and Questioned Costs Relating to Federal Awards

Finding number: 2019-001

Federal Agency: U.S. Department of Transportation

Pass-through Agency: Massachusetts Department of Transportation

Program: Highway Planning and Construction

CFDA#: 20.205

Award numbers: CT DOT INTF 00X0 2012A 0070062
 CT DOT 6433 INTF 00X0 2015 A 0077951

Award years: May 2, 2012 to December 31, 2018;
 June 26, 2014 to June 30, 2019

Finding: Internal Control and Compliance over Proper Reporting of Expenditures in the Schedule of Expenditures of Federal Awards

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

Per Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F, Section 200.510, a recipient of Federal awards subject to audit (the auditee) must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502.

Condition/Context

During our audit of the Highway Planning and Construction grant and review of the program grant award documents, it was determined that certain expenditures were incorrectly coded as federal expenditures in the City of Boston’s (the City) accounting records. These expenditures were coded to pass-through grant awards in which the grant period had ended and amendments were not received. Expenditures were properly removed from the Schedule of Expenditures of Federal Awards (SEFA).

Cause

Inaccurate coding of grant awards within the City’s general ledger and inadequate review of the preparation of the SEFA for accuracy.

Effect

The expenditures for the program were overstated in the current year SEFA.

Whether Sampling was Statistically Valid

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

CITY OF BOSTON, MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Questioned Costs:

None

Recommendation:

We recommend that the City enhance year-end reporting controls to ensure that the SEFA is complete and accurate, as well as enhance controls to ensure grants are properly coded when inputted into the City's general ledger.

View of Responsible Officials from the Auditee:

The City mistakenly coded some of the external highway funds as federal funds. The City has put additional review procedures in place to ensure the accuracy and completeness of the SEFA.

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

Finding number: 2019-002

Federal Agency: U.S. Department of Education

Pass-through Agency: Massachusetts Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

CFDA #: 84.010

Award numbers: Various

Award years: Various

Finding: Internal Control over Level of Effort

Prior Year Finding: Yes; 2018-003

Type of Finding: Significant Deficiency

Criteria

In accordance with 20 USC 6321(b), Local Educational Agencies may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources.

The pass-through agency has provided guidance to its subrecipients stating that for Title I, compliance with supplement not supplant is no longer measured by looking at particular Title I expenditures, but is measured instead by whether a school district has a written methodology to ensure that each Title I school receives all of the state and local funds that it would have received if it were not a Title I school. Districts must demonstrate that the methodology they use to allocate state and local funds is "Title I" neutral". The methodology must provide each Title I school with all of the state and local money it would have received if it did not participate in the Title I program.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The City of Boston Public Schools (BPS) allocates state and local funds to its individual schools based on a weighted student funding methodology. Weights are determined based on individual categories of need at each school without regard to the amount of Title I funding that a school receives. It was noted that complete allocation methodology, although documented among numerous documents, is not summarized in one concise area. It was also noted that the review and approval of the allocation calculations is not formally documented.

CITY OF BOSTON, MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Cause

This appears to be due to a lack of policies and procedures in place at BPS to formally document the processes and controls over this compliance requirement.

Effect

The lack of a formally documented allocation methodology and the related review and approval process increases the risk of noncompliance with level of effort – supplement not supplant compliance requirements.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

Recommendation:

We recommend that BPS implement control procedures to formally document both the state and local funding allocation methodology to its school districts and the related review and approval process over this funding allocation.

View of Responsible Officials from the Auditee:

BPS will formally document the funding allocation methodology and will have approval sign-off for the report. The BPS weighted student funding methodology is being implemented with a specific review to ensure that the methodology is calculated without regard to the Title I funding that each school receives.

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Finding number: 2019-003

Federal Agency: U.S. Department of Education

Pass-through Agency: Massachusetts Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

CFDA #: 84.010

Award numbers: Various

Award years: Various

Finding: Internal Control and Compliance over Annual Report Card, High School Graduation Rate

Prior Year Finding: Yes, 2018-004

Type of Finding: Material Weakness

Criteria

Beginning with annual report cards providing assessment results for the 2010–2011 school year, an SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv). Additionally, SEAs and LEAs must include the 4-year adjusted cohort graduation rate (which may be combined with an extended-year adjusted cohort graduation rate or rates) in adequate yearly progress (AYP) determinations beginning with determinations based on assessments administered in the 2011–2012 school year. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, immigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

For 15 of 40 students removed from their respective cohorts in the Student Information Management System (SIMS) selected for testing, the City of Boston Public Schools (BPS) could not provide any official written documentation that the student emigrated to another country, is deceased, or is enrolled in another school or in an education program that culminates in the award of a regular high school diploma.

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Cause

This appears to be due to insufficient review of supporting documentation before removal of students from the adjusted cohort graduation rate.

Effect

BPS is potentially misstating the number of students in the adjusted cohorts used by the Commonwealth of Massachusetts to determine the 4-year adjusted cohort graduation rate.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

Recommendation:

BPS management should re-familiarize and re-enforce the requirements with staff related to the removal of students from the adjusted cohorts used to determine the 4-year adjusted cohort graduation rate and the policies and procedures to obtain and monitor official written documentation of student transfers required to remove students from their respective cohort.

View of Responsible Officials from the Auditee:

BPS management has established policies and procedures to ensure when students are removed from the cohort, there is sufficient and appropriate documentation to verify the student is categorized appropriately as either immigrated to another country, deceased, or enrolled in another school or in an education program that culminates in the award of a regular high school diploma. BPS has put controls in place to require supporting documentation is provided each time a withdrawal code is entered into the system. This documentation will be verified before the code is accepted. All schools will be sent guidance on an annual basis on the acceptable documents for this process.

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Finding number: 2019-004
Federal Agency: U.S. Department of Education
Pass-through Agency: Massachusetts Department of Early Education and Care
Program: Preschool Development Grants
CFDA#: 84.419
Award number: 5186PEGBOSTONPUBLIC
Award years: March 31, 2015 to August 31, 2019
Finding: Internal Control and Compliance over Payroll Costs
Prior Year Finding: Yes; 2018-005
Type of Finding: Material Weakness

Criteria

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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Condition

During our testing of allowable costs associated with payroll charges, we noted that the City of Boston Public Schools (BPS) documents time and attendance of employees on daily timesheets signed by the employee, and that these timesheets are approved by the department supervisor on a department time summary report.

Our review of 40 payroll transactions charged to the program noted that for 28 payroll transactions tested, an allocation of payroll was made based on estimated time worked on the award for 10 employees whose salary was partially charged to the program; however, no documentation was provided to support this estimate.

Cause

This appears to be due to a lack of a formal system that documents actual time worked by program for employees that are charged to several funding sources.

Effect

Insufficient time allocation documentation increases the risk of inaccurate payroll costs being considered for allocation to a grant award.

Whether Sampling was Statistically Valid

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

Questioned Costs:

Questioned costs of \$62,107, for unsupported payroll charges, were charged to CFDA No. 84.419, Award No. 5186PEGBOSTONPUBLIC.

Recommendation:

We recommend that BPS implement control procedures to ensure that all payroll costs charged to the Federal program are supported by documentation as required by 2 CFR 200.430(i)(1).

View of Responsible Officials from the Auditee:

The Early Childhood Department at BPS has implemented internal control systems in order to properly tracking salaries and ensure that all payroll costs charged to the program are supported by acceptable documentation.

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Finding number: 2019-005
Federal Agency: U.S. Department of Education
Pass-through Agency: Massachusetts Department of Early Education and Care
Program: Preschool Development Grants
CFDA#: 84.419
Award number: 5186PEGBOSTONPUBLIC
Award years: March 31, 2015 to August 31, 2019
Finding: Internal Control and Compliance over Subrecipient Monitoring
Prior Year Finding: Yes; 2018-006
Type of Finding: Significant Deficiency

Criteria

Also, according to 2 CFR 200.331(d), a pass-through entity must:

- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.
- Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

Our review of program monitoring documentation for our sample of 4 of the population of 8 subrecipients indicated that, although the City of Boston Public Schools (BPS) performed subrecipient monitoring in fiscal year 2019 using the standard template as recommended by the Preschool Expansion Grant Implementation Guide issued by the pass-through agency, which included site visits and periodic meetings with the subrecipient, and reported areas of noncompliance to the subrecipients, BPS did not follow-up and ensure that the subrecipient took timely and appropriate action on reported noncompliance for 4 of the 4 subrecipients tested.

Cause

This appears to be due to inadequate policies and procedures in place to ensure follow-up over subrecipients when issues of noncompliance are identified during program monitoring reviews.

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Effect

Untimely follow-up could result in findings not being addressed by the City and corrected by the subrecipient in a timely manner.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

Recommendation:

We recommend that BPS implement control procedures to ensure that subrecipients take timely and appropriate action on all areas of noncompliance identified through program monitoring reviews.

View of Responsible Officials from the Auditee:

BPS subrecipient monitoring procedures for risk assessment and risk evaluation have been enhanced to ensure that all subrecipients take timely and appropriate action on all areas of noncompliance. BPS will train the staff to complete and document the corrective action of the subrecipient.

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Finding Number: 2019-006

Federal Agency: U.S. Department of Health and Human Services

Pass-through Agency: Massachusetts Executive Office of Elderly Affairs

Program: Aging Cluster

CFDA#: 93.044, 93.045, 93.053

Award numbers: CT-ELD 0366 TITLE3FEDYR18BOSTCOM, CT ELD 0366
 NSIPPROGRAM2018BOSTN, CT ELD 0366
 NSIPPROGRAM2019BOSTN

Award years: October 1, 2017 to June 30, 2019 and October 1, 2018 to March 30, 2020

Finding: Internal Control and Compliance over Subrecipient Monitoring

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

According to 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

During our testing of subrecipient monitoring for a sample of 11 out of the population of 26 subrecipients, the City of Boston's Age Strong Commission (Age Strong Commission) was unable to provide documentation showing that a formal risk evaluation had been performed for any of their subrecipients. In addition, the Age Strong Commission's internal controls did not include formal risk evaluation procedures.

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Cause

This appears to be due to a lack of awareness regarding the requirements of the compliance supplement which changed in recent years.

Effect

The Age Strong Commission is not in compliance with the requirements related to evaluating each subrecipient's risk of noncompliance for purposes of determining appropriate subrecipient monitoring.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

Recommendation:

We recommend that the Age Strong Commission implement control procedures to ensure that each subrecipient is evaluated for risk of noncompliance for determining appropriate subrecipient monitoring.

View of Responsible Officials from the Auditee:

The Age Strong Commission currently has written subrecipient monitoring procedures for risk assessment and risk evaluation. In practice the subrecipients that are deemed to have a potential for risk are site visited and more closely monitored. This evaluation and work has not been documented in the files. The Age Strong Commission will formalize this documentation step and train the staff to complete a checklist and document the evaluation of each subrecipient and the additional steps taken, if warranted.

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Finding Number: 2019-007
Federal Agency: U.S. Department of Homeland Security
Pass-through Agency: Massachusetts Executive Office of Public Safety & Security
Program: Homeland Security Grant Program
CFDA#: 97.067
Award numbers: Boston FFY17 UASI
Award years: October 30, 2017 to June 30, 2020
Finding: Internal Control and Compliance over Payroll Costs
Prior Year Finding: No
Type of Finding: Significant Deficiency

Criteria

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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Condition

During our testing of allowable costs associated with payroll charges, we noted that the City's Office of Emergency Management (OEM) documents time and attendance of employees on daily timesheets signed by the employee, and ensures salary and wage distribution to the Homeland Security Grant Program award through review and approval of employee timesheets by the Assistant Program Director. However, for 2 payroll transactions, timesheets were not reviewed and approved by the assistant program director.

Cause

This appears to be the result of an insufficient policy and lack of compensating controls when the Assistant Program Director is unavailable to approve timesheets.

Effect

Insufficient review of department timesheets or other time allocation documentation increase the risk of inaccurate payroll costs being considered for allocation to a grant award.

Whether Sampling was Statistically Valid

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

Questioned Costs:

Questioned costs of \$5,117, for unapproved payroll charges, were charged to CFDA No. 97.067. Award No. Boston FFY17 UASI.

Recommendation:

We recommend that OEM enhance its policies and procedures to include the review of employees' time allocation by another member of program management while the Program Director is away to ensure time charged to the award is appropriate.

View of Responsible Officials from the Auditee:

OEM will have the Staff Assistant (the Staff) send a weekly email reminder for all staff to complete timesheets for the immediate past work week. Staff will be required to complete and submit their signed time sheets no later than the Monday immediately following the previous completed work week. Once the Staff member completes his/her timesheet and signs attesting to the accuracy of the time recorded, they shall submit a hard copy to their supervisor. The supervisor will then forward the time sheet to the Deputy Director of Administration or in their absence, the Deputy Director of Operations, for confirmation and approval of time worked or used. After authorizing the timesheets, the Deputy Director of Administration or the Deputy Director of Operations will forward the hard copies to the Administration and Finance Manager for cross checking and reconciliation of time in BAIS HR. Approved time sheets are filed in the employee's Department personnel files.

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Finding Number: 2019-008

Federal Agency: U.S. Department of Homeland Security

Pass-through Agency: Massachusetts Executive Office of Public Safety & Security

Program: Homeland Security Grant Program

CFDA#: 97.067

Award numbers: Boston FFY 15 UASI; Boston FFY16 UASI, Boston FFY 17 UASI; Boston FFY 18 UASI

Award years: October 1, 2018 to September 30, 2019

Finding: Internal Control and Compliance over Subrecipient Monitoring

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

2 CFR section 200.331(a) indicates that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification:

(1) Federal Award Identification.

- Subrecipient's name (which must match registered name in DUNS);
- Subrecipient's DUNS number (see § 200.32 Data Universal Numbering System (DUNS) number);
- Federal Award Identification Number (FAIN);
- Federal award date;
- Subaward Period of Performance Start and End Date;
- Amount of Federal Funds Obligated by this action;
- Total Amount of Federal Funds Obligated to the subrecipient;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;

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- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - Identification of whether the award is R&D; and
 - Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved Federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (b) of this part.
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the passthrough entity to meet the requirements of this section, § 200.300 Statutory and national policy requirements through 200.309 Period of performance, and Subpart F – Audit Requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward.

Condition

Based on a review of the original Memorandum of Agreement (MOA) document between the City's Office of Emergency Management (OEM) and its 9 subrecipients and subsequent addendums, it was noted that such documents did not contain all of the required elements of 2 CFR Section 200.331(a) listed above. For all 9 subrecipients, the MOA did not contain the subrecipient's DUNS number. The most recent addendums for the period April 1, 2019 through June 30, 2021 contained the subrecipient's DUNS number for only 2 of the 9 subrecipients.

Cause

This appears to be due to the MOA being a standard template which did not include all of the required elements of 2CFR Section 200.331(a).

Effect

OEM is not in compliance with subrecipient notification requirements.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

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Recommendation:

We recommend that OEM execute an updated MOA with its subrecipients that expressly includes all information description in 2 CFR section 200.331(a)(1) as required by the Uniform Guidance.

View of Responsible Officials from the Auditee:

OEM will ensure that all required information is incorporated into the body of sub-recipient documents. All of the required information will be included singularly or cumulatively through the following sub-recipient documents: MOA, Schedule of Expenditures of Federal Awards letters, Award Budget Agreements through Jurisdictional Points of Contact and any project Award Letters.

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Finding Number: 2019-009

Federal Agency: U.S. Department of Homeland Security

Pass-through Agency: Massachusetts Executive Office of Public Safety & Security

Program: Homeland Security Grant Program

CFDA#: 97.067

Award numbers: Boston FFY 15 UASI; Boston FFY16 UASI, Boston FFY 17 UASI; Boston FFY 18 UASI and Boston FFY19 UASI

Award years: October 1, 2017 to September 30, 2018 and October 1, 2018 to September 30, 2019

Finding: Internal Control and Compliance over Subrecipient Monitoring

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

According to 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Also, according to 2 CFR 200.331(d), a pass-through entity must:

- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.
- Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

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Condition

Based on our testwork, it was noted that the City's Office of Emergency Management (OEM) did not perform a formal evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring to be performed.

Further, our review of program monitoring documentation for our sample of 9 of the population of 9 subrecipients indicated that, although OEM performed subrecipient monitoring in fiscal year 2019, OEM did not follow-up with the 3 out of 9 subrecipients to ensure that the subrecipient took timely and appropriate action on reported noncompliance.

Cause

This appears to be due to inadequate policies and procedures surrounding both the initial risk assessment of the subrecipients, as well as follow-up over the subrecipients when issues of noncompliance are identified during program monitoring reviews.

Effect

OEM is not in compliance with the requirements related to evaluating each subrecipient's risk of noncompliance for purposes of determining appropriate subrecipient monitoring, and ensuring that subrecipients take timely and appropriate action on all deficiencies pertaining to Homeland Security Grant Program funding provided to the subrecipient.

Whether Sampling was Statistically Valid

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

Questioned Costs:

None

Recommendation:

We recommend that OEM implement control procedures to ensure that each subrecipient is evaluated for risk of noncompliance for determining appropriate subrecipient monitoring, and to ensure that subrecipients take timely and appropriate action on all areas of noncompliance identified through program monitoring reviews.

View of Responsible Officials from the Auditee:

OEM will send all Jurisdictional Points of Contact a Schedule of Expenditures of Federal Awards letter by October 1st covering the previous fiscal year. A risk assessment questionnaire will be included to be completed by an authorized person from the recipient community. Any questionnaire not returned by December 31st will be sent a 2nd request. A site visit will be planned for any jurisdiction that hasn't complied by January 31st.

Uniform Guidance reports will be verified in the Federal Audit Clearinghouse after the Federal deadline of March 31st. Any discrepancies in CFDA 97.067 reported, or audit findings that may pertain to the program

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will require reconciliation from the jurisdiction. The Administration and Finance Manager will document all interactions related to this process.

Inventory site visits will be performed at least once per calendar year for each jurisdiction. Visits will be to ensure that OEM and the jurisdiction(s) are in agreement with the appropriate accounting of and to ensure the proper operational capacity of UASI funded equipment. Jurisdictions further, have a reporting requirement to ensure proper notice and documentation of the disposition of UASI funded equipment.