

CITY OF EVERETT, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FISCAL YEAR ENDED JUNE 30, 2000

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TABLE OF CONTENTS

	Page
Independent Auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <u>Government Auditing Standards</u>	1
Independent Auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	2
Independent Auditors' report on schedule of expenditures of federal awards	4
Schedule of expenditures of federal awards	5
Notes to schedule of expenditures of federal awards	7
Schedule of findings and questioned costs	8

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor
City of Everett, Massachusetts

We have audited the general purpose financial statements of the City of Everett, Massachusetts, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 6, 2000, which was qualified for the noncapitalization of fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Everett's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Everett's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Everett in a separate letter dated September 6, 2000.

This report is intended for the information of management of the City of Everett, Massachusetts, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


September 6, 2000

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor
City of Everett, Massachusetts

Compliance

We have audited the compliance of the City of Everett, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. The City of Everett's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Everett's management. Our responsibility is to express an opinion on the City of Everett's compliance based on our audit.

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

In our opinion, the City of Everett, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the City of Everett, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Everett's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the City of Everett, Massachusetts and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


September 6, 2000

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor
City of Everett, Massachusetts

We have audited the general purpose financial statements of the City of Everett, Massachusetts, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 6, 2000, which was qualified for the noncapitalization of fixed assets. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



September 6, 2000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through State Department of Education:</u>		
Food Distribution	10.550	\$ 62,887
School Breakfast Program	10.553	76,041
School Lunch Program	10.555	669,183 *
Special Milk Program	10.556	<u>4,007</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>812,118</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through State Office for Communities and Development:</u>		
Small Cities Program	14.219	237,045 *
CDBG Ready Resource	14.219	81,491 *
CDBG Program Income	14.219	26,965 *
CDAG	14.unknown	14,354
CDBG-Housing Development Support Program	14.unknown	<u>305,041 *</u>
Total Passed Through		664,896
<u>Direct Program:</u>		
UDAG Program Income	14.221	<u>39,552</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>704,448</u>
U.S. DEPARTMENT OF JUSTICE:		
Law Enforcement Block Grant	16.592	1,584
Local Law Enforcement Block Grant	16.unknown	99,019
Community Policing Grant	16.710	54,905
Police Drug	16.unknown	<u>47,233</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>202,741</u>
U.S. DEPARTMENT OF MUSUEM AND LIBRARY:		
<u>Passed through Massachusetts Board of Library Commission:</u>		
Health Information Project	45.312	1,434
Computer Training	45.312	<u>967</u>
TOTAL U.S. DEPARTMENT OF MUSUEM AND LIBRARY		<u>2,401</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
<u>Passed through Massachusetts Emergency Management Agency:</u>		
Local Emergency Grant	83.503	<u>27,739</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through State Department of Education:</u>		
Title I Distribution	84.010	1,534,533 *
Sped 94-142 Allocation	84.027	507,287 *
Sped Professional Development	84.027	19,801 *
Occupational Education - Vocational Skills	84.048	11,111
Title VI	84.151	35,130
Emergency Immigration Act	84.162	34,402
Teacher Training Math/Science	84.164	42,017
Sped Early Childhood Allocation	84.173	17,512
Drug Free Schools - Distribution	84.186	28,289
Chapter 1 Capital Exps/Private	84.216	16,715
Chapter 1 Program Improvement - CII	84.218	8,550
Professional Development English Language/History	84.276	8,274
Technical Literacy Challenge I	84.318	14,931
Reading Excellence Program	84.338	56,433
Class Size Reduction Program	84.340	<u>160,937</u>
Total Passed Through		2,495,922
<u>Direct Program:</u>		
ERI Grant	84.unknown	<u>11,354</u>
TOTAL EDUCATION		<u>2,507,276</u>
TOTAL		<u>\$ 4,256,723</u>

* Major program

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Everett, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 - Significant Accounting Policies

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

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.
- (b) School Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

A. Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of the City of Everett, Massachusetts, for noncapitalization of fixed assets.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the City of Everett, Massachusetts, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Everett, Massachusetts expresses an unqualified opinion.
6. There are two audit findings relative to the major federal award programs for the City of Everett, Massachusetts.

The programs tested as major grants are:

<u>Program Title</u>	<u>CFDA Number</u>
School Lunch Program	10.555
Small Cities Program	14.219
CDBG Ready Resource	14.219
CDBG Program Income	14.219
CDBG-Housing Development Support Program	14.unknown
Title I	84.010
Sped 94-142 Allocation	84.027
Sped Professional Development	84.027

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Everett, Massachusetts, was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit**U.S. DEPARTMENT OF EDUCATION****Questioned
Costs**

Sped 94-142 Allocation
CFDA Nos. 84.027

00-1: *Condition and Criteria:* Form FR 1 (Final Financial Report) for the Sped 94-142 Allocation grant was due on October 31, 1999 and was submitted in November of 1999.

None

Cause: Lack of procedures in place to prepare and file reports on a timely basis.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Education.

Auditors' Recommendation: We recommend the City implement procedures to comply with all grant reporting requirements on a timely basis.

Grantee Response:

Sped 94-142 Allocation
CFDA Nos. 84.027

00-2: *Condition and Criteria:* Form FR 1 (Final Financial Report) for the Sped 94-142 Allocation grant showed line items that were overspent in excess of the 10% limit per line item.

None

Cause: Lack of procedures in place to prevent overspending line items within the grant.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Education.

Auditors' Recommendation: We recommend the City implement procedures to comply with all grant expenditure guidelines.

Grantee Response:

C. Prior Year Audit Findings and Questioned Costs

None