

***CITY OF EVERETT, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***FISCAL YEAR ENDED JUNE 30, 2015***

CITY OF EVERETT, MASSACHUSETTS  
REPORTS ON FEDERAL AWARD PROGRAMS  
YEAR ENDED JUNE 30, 2015

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**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**

**Independent Auditor's Report**

To the Honorable City Council  
City of Everett, 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, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of and for the year ended June 30, 2015 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City of Everett, Massachusetts' basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Everett, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Everett, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everett, Massachusetts' 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 of Everett, Massachusetts' 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 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.



December 14, 2015





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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditor's Report**

To the Honorable City Council  
City of Everett, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the City of Everett, Massachusetts' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Everett, Massachusetts' major federal programs for the year ended June 30, 2015. The City of Everett, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Everett, Massachusetts' 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 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, Massachusetts' 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 of Everett, Massachusetts' compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Everett, Massachusetts 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, 2015.

## **Report on Internal Control Over Compliance**

Management of the City of Everett, Massachusetts 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 of Everett, Massachusetts' 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Everett, Massachusetts' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts as of and for the year ended June 30, 2015 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City of Everett, Massachusetts' basic financial statements. We issued our report thereon dated December 14, 2015, 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 OMB Circular A-133 and is not a required part of the basic 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 basic 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 basic

financial statements or to the basic 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 basic financial statements as a whole.

*Pons & Sullivan, LLC*

December 14, 2015

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 144,762
Cash Assistance:		
School Breakfast Program	10.553	893,141
National School Lunch Program	10.555	2,412,728
TOTAL AGRICULTURE		<u>3,450,631</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through State Office for Communities and Development:</u>		
Community Development Block Grants - State's Program	14.228	751,081
Brownfields Economic Development Initiative	14.246	151,786
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>902,867</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Programs:</u>		
Public Safety Partnerships and Community Policing Grants	16.710	270,514
<u>Passed through the Massachusetts Executive Office of Public Safety</u>		
Edward Byrne Memorial Justice Assistance Grant	16.738	28,369
TOTAL JUSTICE		<u>298,883</u>
U.S. DEPARTMENT OF VETERAN AFFAIRS:		
<u>Passed through the Massachusetts Rehabilitation Commission:</u>		
Vocational Rehabilitation for Disabled Veterans	64.116	855

(continued)



# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<u>Direct Program:</u>		
Elementary and Secondary School Counseling Programs	84.215E	298,779
Arts in Education Model Development and Dissemination Grant Program	84.351D	172,138
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	1,687,456
Special Education Grants to States	84.027	1,943,065
Career and Technical Education	84.048	39,129
21st Century Community Learning Centers	84.287	478,439
English Language Acquisition Grants	84.365	234,085
Improving Teacher Quality State Grants	84.367	260,370
ARRA - Race to the Top, Recovery Act	84.395	95,618
<u>Passed through the Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	9,333
<b>TOTAL EDUCATION</b>		<u>5,218,412</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
<u>Passed through the Massachusetts Department of Public Health:</u>		
Public Health Emergency Preparedness	93.069	6,691
Community Transformation Grants	93.531	7,500
Preventive Health and Health Services Block Grant	93.758	5,000
National Bioterrorism Hospital Preparedness	93.889	2,000
<b>TOTAL HEALTH AND HUMAN SERVICES</b>		<u>21,191</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>		
<u>Passed through State Office of Public Safety:</u>		
Urban Areas Security Initiative	97.008	15,600
Emergency Food and Shelter National Board Program	97.024	8,565
Emergency Management Performance Grant	97.042	27,118
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	554,596
<u>Passed through the City of Boston, Massachusetts:</u>		
Homeland Security Grant Program	97.067	480,119
<b>TOTAL HOMELAND SECURITY</b>		<u>1,085,998</u>
<b>TOTAL</b>		<u>\$ 10,978,837</u>

See notes to schedule of expenditures of federal awards.

(concluded)

**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 modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred.
- (b) Cash Assistance – School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program - Program expenditures represent the value of donated foods received during the year.
- (d) Homeland Security Grant Program – Program expenditures represent financial and non-financial federal assistance passed through from the City of Boston, Massachusetts.

**Note 3 – Program Clusters**

In accordance with Subpart A §.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
<b>Special Education Cluster</b>	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

**A. Summary of Auditor's Results**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the City of Everett, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Everett, Massachusetts' of Everett, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The independent auditor's report on compliance for the major federal award programs for the City of Everett, Massachusetts, expresses an unmodified opinion.
6. No audit findings that are required to be reported in accordance with Section 520(a) of OMB A-133 are reported in this schedule.
7. The following programs were tested as major programs:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Community Development Block Grants – State's Programs	14.228
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

8. The threshold for distinguishing Types A and B programs was \$329,365.
9. The City of Everett, Massachusetts was not determined to be a low-risk auditee.

**B. Findings – Financial Statements Audit**

None.

**C. Findings and Questioned Costs – Major Federal Award Programs**

None.

**D. Summary Schedule of Prior Audit Findings**

2014-001: U.S. DEPARTMENT OF HOMELAND SECURITY  
Passed through the City of Boston, Massachusetts

Homeland Security Grant Program

97.067

*Condition and Criteria:* The City failed to identify and report \$504,746 in federal financial and non-financial assistance received from another community during 2014 on the original Schedule of Expenditures of Federal Awards (SEFA). The receipt of federally funded equipment, materials or supplies that are paid for by another agency are considered to be non-financial assistance that is required to be reported on the SEFA.

*Auditor's Recommendation:* The City should strengthen controls over the preparation of the SEFA to ensure that all non-financial federal assistance is identified through a review of the City's general ledger. This can be accomplished through additional training with departments to ensure that all non-financial assistance is reported to the City Auditor's office on a timely basis.

*Status:* The corrective action was taken.