

CITY OF EVERETT, MASSACHUSETTS

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2009

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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

To the Mayor and City Council
City of Everett, Massachusetts

We have audited the financial statements of the governmental 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated September 24, 2009.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

Andover, Massachusetts
September 24, 2009



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

To the Mayor and City Council
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, 2009. The City'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 grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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'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 of the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs of the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *control deficiency* in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs to be a material weakness as defined above.

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

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Everett as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. Our audit was performed for the purpose of forming our opinions on the financial

statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

Andover, Massachusetts

March 23, 2010

CITY OF EVERETT, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Name	Federal Catalogue Number	Federal Expenditures
<u>Department of Agriculture</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education		
School Lunch - Food Distribution	10.550	\$ 211,292
School Lunch - School Breakfast Program	10.553	360,925
School Lunch - School Lunch Program	10.555	<u>1,147,984</u>
Total Department of Agriculture		<u>1,720,201</u>
 <u>Department of Education</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education		
Title I	84.010	1,494,446
SPED - 94-142	84.027	1,213,008
Title VI Material Support	84.151	13,432
SPED - Early Childhood	84.173	34,992
Carole M White Physical Education Program	84.215	311,649
English Literacy & Civics	84.257	76,091
Enhanced Education through Technology	84.318	13,406
School to Work Technology Grant	84.343	23,964
LEP Support	84.365	106,769
Teacher Quality	84.367	<u>343,430</u>
Total Department of Education		<u>3,631,187</u>
 <u>Department of Housing and Urban Development</u>		
UDAG	14.221	4,424
CDBG Small Cities	14.228	496,384
H.O.M.E. Program	14.239	<u>63,003</u>
Total Department of Housing and Urban Development		<u>563,811</u>
 <u>Department of Health and Human Services</u>		
Emergency Services	93.127	<u>41,127</u>
Total Department of Health and Human Services		41,127
 <u>Department of Justice</u>		
Police Drug Funds	16.585	13,972
Governor's Alliance Against Drugs	16.728	<u>35,524</u>
Total Department of Justice		49,496
 <u>Environmental Protection Agency</u>		
Brownfields Assessment and Clean up Cooperative Agreements	66.818	<u>62,000</u>
Total Environmental Protection Agency		62,000
 <u>Federal Emergency Management Agency</u>		
Assistance to Firefighters	83.554	<u>5,899</u>
Total Federal Emergency Management Agency		5,899
 <u>Department of Homeland Security</u>		
Homeland Security Information and Technology and Evaluation Program	97.066	<u>4,739</u>
Total Department of Homeland Security		<u>4,739</u>
Total Federal Assistance		<u>\$ 6,078,460</u>

This schedule was prepared on the modified accrual basis of accounting.
See Independent Auditors' Report on Schedule of Expenditures of Federal Awards.
State identifying numbers were not available for the pass-through grants listed above.

CITY OF EVERETT, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs:

Unqualified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.550/10.553/10.555	National School Lunch Program
14.228	CDBG Small Cities
84.010	Title I
84.027	SPED 94-142
84.215	Carole M White Physical Education Program
84.394	State Fiscal Stabilization Fund (SFSF)

Dollar threshold used to distinguish between type A and type B programs: \$ 337,725

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
09-1	National School Lunch (10.550) (10.553) (10.555)	<u>Improve Cash Collection Process (Material Weakness)</u> <u>Criteria:</u> The City is required to maintain an internal control process designed to provide reasonable assurance that transactions are properly recorded and accounted for. <u>Condition:</u> Receipts collected for meal tickets at school (except for Everett High School) classrooms are placed in the cash register, but are not rung into the cash registers at each school, resulting in the cash on hand in the registers not equal to the register tapes. <u>Effect:</u> The condition results in the City being at risk for loss due to error or irregularity since there is no proof that the sales rung into a cash register agrees with the cash on hand. <u>Recommendation:</u> We recommend the City develop policies and procedures for handling cash collected in the classrooms and record such sales through the registers. <u>Corrective Action Plan:</u> The schools will develop policies and procedures related to receipts collected for meals tickets. Specifically, develop procedures to ensure receipts are rung into the cash registers, so that cash on hand equals the register tapes. Cash reconciliations must be an integral part of financial reporting and must be performed timely and accurately.	Undetermined

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
08-1	National School Lunch (10.550) (10.553) (10.555)	<p><u>Comply with Eligibility Requirements</u></p> <p><u>Prior Year Recommendation:</u></p> <p>We recommended the City implement policies and procedures designed to ensure full compliance with federal eligibility regulations. Specific steps with the policies and procedures should address maintenance of records and the review and approval process of applications.</p> <p><u>Current Year Status:</u> This issue was satisfactorily resolved.</p>	Undetermined
08-2	National School Lunch (10.550) (10.553) (10.555)	<p><u>Improve Cash Collection Process</u></p> <p><u>Prior Year Recommendation:</u></p> <p>We recommended the City implement policies and procedures for handling cash collected in the classrooms and record such sales through the registers.</p> <p><u>Current Year Status:</u> This issue was not satisfactorily resolved and is repeated as current year finding 09-1.</p>	Undetermined