

CITY OF SOMERVILLE, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2012

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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 Honorable Mayor and Board of Aldermen
City of Somerville, Massachusetts

Compliance

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 Somerville, Massachusetts, as of and for the year ended June 30, 2012, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2011) which collectively comprise the City's financial statements, and have issued our report thereon dated January 15, 2013. 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 of Somerville'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 of Somerville'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 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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, 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 of Somerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance 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 other matters that we reported to management of the City of Somerville in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of management of the City of Somerville, 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.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

January 15, 2013



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Board of Aldermen
City of Somerville, Massachusetts

Compliance

We have audited the compliance of the City of Somerville, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Somerville's major federal programs for the fiscal year ended June 30, 2012. The City of Somerville'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 Somerville's management. Our responsibility is to express an opinion on the City of Somerville'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 on the City's compliance with those requirements.

In our opinion, the City of Somerville, Massachusetts, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Somerville 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 Somerville'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.

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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures 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 Somerville, Massachusetts, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management of the City of Somerville 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.



January 15, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 162,046
Cash Assistance:		
School Breakfast Program	10.553	299,417
National School Lunch Program	10.555	1,398,960
Summer Food Service Program for Children	10.559	178,127
Fresh Fruit and Vegetable Program	10.582	93,434
		<hr/>
TOTAL DEPARTMENT OF AGRICULTURE		2,131,984
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	2,894,400
Urban Development Action Grants	14.221	4,088
Emergency Shelter Grants Program	14.231	124,326
HOME Investment Partnerships Program	14.239	294,042
ARRA - Community Development Block Grant Entitlement Grants	14.253	345,461
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	31,842
Sustainable Communities Regional Planning Grant Program	14.703	106,868
Lead Hazard Reduction Demonstration Grant Program	14.905	597,249
Lead and Healthy Homes Technical Studies Grants	14.906	234,828
		<hr/>
TOTAL HOUSING AND URBAN DEVELOPMENT		4,633,104
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Programs</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23,774
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	58,161
		<hr/>
TOTAL JUSTICE		81,935
U.S. DEPARTMENT OF LABOR:		
<u>Passed through State Division of Career Services:</u>		
ARRA - WIA Youth Activities	17.259	5,960
		<hr/>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through the Office of the Secretary of Public Safety:</u>		
Highway Planning and Construction	20.205	196,319
State and Community Highway Safety	20.600	42,842
		<hr/>
TOTAL TRANSPORTATION		239,161
NATIONAL ENDOWMENT FOR THE ARTS		
<u>Direct Program:</u>		
Promotion of the Arts-Partnership Agreements	45.025	12,500
		<hr/>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
<u>Direct Program:</u>		
Environmental Protection Agency Water Quality	66.818	258,120
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	50,000
		<hr/>
TOTAL ENVIRONMENTAL PROTECTION		308,120

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

U.S. DEPARTMENT OF ENERGY:

Direct Program:

ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	131,239
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U.S. DEPARTMENT OF EDUCATION:

Passed through Massachusetts Department Elementary and Secondary Education:

Adult Education - Basic Grants to States	84.002	180,843
Title I Grants to Local Educational Agencies	84.010	1,156,550
Special Education-Grants to States	84.027	1,595,492
Handicapped - State Grants	84.027A	6,259
Career and Technical Education-Basic Grants to States	84.048	98,481
Safe and Drug-Free Schools and Communities-State Grants	84.186	225
Twenty-First Century Community Learning Centers	84.287	309,732
High School Graduate Initiative	84.360	80,889
English Language Acquisition Grants	84.365	160,331
Improving Teacher Quality State Grants	84.367	575,536
ARRA - Education Technology State Grants	84.386	50,437
ARRA - Title I Grants to Local Educational Agencies	84.389	38,154
ARRA - Special Education-Grants to States	84.391	53,265
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	80,887
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	131,171
Education Jobs Fund	84.410	1,041,282

Passed through State Department of Early Education and Care

Special Education-Preschool Grants	84.173	60,313
ARRA - Special Education-Preschool Grants	84.392	1,553

TOTAL EDUCATION		5,621,400
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Direct Program:

Drug-Free Communities Support Program Grants	93.276	54
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Passed through Massachusetts Executive Office of Health and Human Services:

Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	22,379
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	16,718
PPHF: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	45,000
National Bioterrorism Hospital Preparedness Program	93.889	2,024
Block Grants for Prevention and Treatment of Substance Abuse	93.959	213,311

TOTAL HEALTH AND HUMAN SERVICES		299,486
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SOCIAL SECURITY ADMINISTRATION:

Passed through Massachusetts Rehabilitation Commission:

Social Security Disability Insurance	96.001	4,600
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U.S. DEPARTMENT OF HOMELAND SECURITY

Passed through Massachusetts Emergency Management Agency:

Assistance to Firefighters Grant	97.044	232,914
Disaster Grants - Public Assistance	97.036	229,395
Emergency Management Performance Grants	97.042	24,341
Homeland Security Grant Program	97.067	262

TOTAL HOMELAND SECURITY		486,912
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TOTAL		\$ 13,956,401
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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 Somerville, 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 Somerville, 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) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

(c) Non-Cash Assistance (Commodities) - School Breakfast and Lunch Program - Program expenditures represent the value of donated foods received during the fiscal year..

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>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I, Part A Cluster	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Grants to States	84.027A
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States	84.391
ARRA - Special Education Preschool Grants	84.392

A. Summary of Auditors’ Results

1. The auditors’ report expresses an unqualified opinion on the financial statements of the City of Somerville, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control 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 Somerville, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on 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 Somerville, Massachusetts, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Somerville, Massachusetts.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Community Development Block Grants/Entitlement Grants	14.218
ARRA - Community Development Block Grant Entitlement Grant	14.253
Title I Grants to Local Educational Agencies	84.010
Special Education - Grants to States	84.027
Special Education - Grants to States	84.027A
Special Education - Preschool Grants	84.173
ARRA - Title I Grants to Local Educational Agencies	84.389
ARRA - Special Education - Grants to States	84.391
ARRA - Special Education - Preschool Grants	84.392
ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants	84.395
Education Jobs Fund	84.410

8. The threshold for distinguishing Types A and B programs was \$418,692.
9. The City of Somerville, Massachusetts, was determined to be a high-risk auditee.

B. Findings-Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Program Audit

None

D. Prior Summary Schedule of Audit Findings

None