

**CITY OF SALEM, MASSACHUSETTS**

**SINGLE AUDIT REPORTS**

**PURSUANT TO**

**OMB CIRCULAR A-133**

**JUNE 30, 1997**

**CITY OF SALEM, MASSACHUSETTS**  
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# TUCCI & ROSELLI

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CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT CONSULTANTS

**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 Mayor and City Council  
City of Salem, Massachusetts  
Salem, Massachusetts

We have audited the financial statements of the City of Salem, as of and for the year ended June 30, 1997, and have issued our report thereon dated November 21, 1997. This report was qualified with respect to the accounting for: fixed assets; the enterprise fund; the pension trust fund; and risk financing, as the accounting principles used were not in accordance with generally accepted accounting principles. 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 Salem's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 97-1 through 97-16. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Salem in a separate letter dated November 21, 1997.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Salem's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Salem's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-17, 97-19, 97-20, 97-28 through 97-32.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Salem in a separate letter dated November 21, 1997.

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

*Tucci & Roselli*

Tucci & Roselli  
Certified Public Accountants  
November 21, 1997

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# TUCCI & ROSELLI

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CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT CONSULTANTS

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

To the Mayor and City Council  
City of Salem, Massachusetts  
Salem, Massachusetts

**Compliance**

We have audited the compliance of the City of Salem 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, 1997. The City of Salem's major federal programs are identified in the summary of auditor's 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 Salem's management. Our responsibility is to express an opinion on the City of Salem'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 Salem'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 Salem's compliance with those requirements.

As described in items 97-2, and 97-3 through 97-13 in the accompanying schedule of findings and questioned costs, the City of Salem did not comply with requirements regarding reporting, eligibility, and cash management that are applicable to its Community Development Block Grant, School Lunch and Title I federal programs. Compliance with such requirements is necessary, in our opinion, for the City of Salem to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Salem 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, 1997. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 97-1, 97-14, 97-15, and 97-16.

#### Internal Control Over Compliance

The management of the City of Salem 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 Salem'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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Salem's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 97-17, 97-19, 97-20, 97-28, through 97-32.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all of the items to be material weaknesses.

### Schedule of Expenditure of Federal Awards

We have audited the financial statements of the City of Salem as of and for the year ended June 30, 1997, and have issued our report thereon dated November 21, 1997. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City of Salem 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 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 for the information of the Mayor, City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Tucci & Roselli  
Certified Public Accountants  
November 21, 1997

**CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 1997**

<u>PROGRAM NAME</u>	<u>CFDA #</u>	<u>EXPENDITURES</u>
<b><u>U.S. Department of Health and Human Services</u></b> <b><u>Passed through North Shore Elder Services, Inc.</u></b>		
Title IIIB - Special Programs for the Aging	93.044	\$74,102
<b><u>U.S. Department of Justice -</u></b> <b><u>Office of Community Oriented Policing Services</u></b> <b><u>Passed through the Commonwealth of Massachusetts</u></b> <b><u>Executive Office of Public Safety</u></b>		
Community Policing	16.710	20,711
<b><u>U.S. Department of Education</u></b>		
Kidnet - College Family Support	84.233A	45,043
Plan New School	84.211B	24,751
Project Globe	84.003C	5,807
<b><u>Passed through the Commonwealth of Massachusetts</u></b> <b><u>Department of Education</u></b>		
Emergency Immigration	84.162	11,098
Drug Free Schools	84.186	36,822
Vocational Skills	84.048	20,480
Title VI	84.151	15,302
Curriculum Study Group	84.276	8,713
Goals 2000: Alternative Education	84.276	2,000
Goals 2000: Professional Development	84.276	49,800
Teacher Training Math/Science (Eisenhower)	84.164	21,497
School to Work	84.278B	158,314
Highschools That Work	84.048	19,803
Technology Preparation	84.243	2,600
Foreign Language	84.293	2,830
Eisenhower Professional Development	84.281	1,986
Chapter I (ECIA Plummer)	84.010 *	58
Title I (Chips)	84.010 *	910,164
SPED: Early Childhood Allocation	84.027	38,706
SPED: 94-142 (Division & Mainstream)	84.027	250,563
<b><u>U.S. Department of Agriculture</u></b> <b><u>Passed through the Commonwealth of Massachusetts</u></b> <b><u>Department of Education</u></b>		
National School Lunch Program	10.555 *	563,103
School Breakfast Program	10.553	116,959
Food Distribution	10.550	50,552
<b><u>U.S. Department of Housing</u></b> <b><u>and Urban Development</u></b>		
CDBG Entitlement	14.218 *	1,907,322
HIP	14.218 *	37,803
FG Section 108	14.218 *	22,200
<b>TOTAL EXPENDITURES</b>		<b>\$4,419,089</b>

\*denotes major programs



**THE CITY OF SALEM, MASSACHUSETTS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 1997**

**A. Scope of Audit**

The City of Salem is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All operations related to the City of Salem's federal grant programs are included in the scope of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Compliance testing of all requirements, as described in the Compliance Supplement was performed. The Community Development Block Grant (CFDA # 14.218), School Lunch (CFDA # 10.555), and Title I (CFDA # 84.010) were determined to be major programs.

**B. Period Audited**

Single audit testing procedures were performed for federal grant transactions during the year ended June 30, 1997.

**C. Summary of Significant Accounting Policies**

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting principles followed by the City are as follows:

**Basis of Presentation -**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of the City of Salem, although some of these programs may be supplemented with state and other revenue, only federal activity is shown. The receipts, proceeds for federal grants, and disbursements are recorded on the modified accrual basis whereby revenue is recognized when it becomes available and measurable and expenditures are recognized when the liability is incurred. The activities of these programs are reflected in the general purpose financial statements in the Special Revenue Fund.

**THE CITY OF SALEM, MASSACHUSETTS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-**  
**CONTINUED**  
**YEAR ENDED JUNE 30, 1997**

4.     **Non - Cash Commodities**

The Schedule of Expenditures of Federal Awards includes \$50,552 of USDA commodities, which is a non - cash item and accordingly is not recorded in the general purpose financial statements.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997**

**A. Summary of Audit Results**

1. The auditors' report expresses a qualified opinion on the financial statements of the City of Salem, Massachusetts.
2. Reportable conditions and material weaknesses 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. Instances of noncompliance material to the financial statements of the City of Salem were disclosed during the audit.
4. Reportable conditions and material weaknesses disclosed during 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 Salem expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the City of Salem are reported in Part C of this Schedule.
7. The programs tested as major programs were the Community Development Block Grant (CFDA No. 14.218), School Lunch (CFDA No. 10.555), and Title I (CFDA No. 84.010).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Salem was not determined to be a low risk auditee.

**B. Findings-Financial Statement Audit**

Findings relative to the financial statement audit are located in a separate letter dated November 21, 1997.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit**

Department of Agriculture

**Questioned  
Costs**

97-1 School Lunch - CFDA No. 10.555

*Statement of Condition:* Source documentation for the FP-9 forms, utilized by the head cooks to summarize data, was not available for review.

*Criteria:* Backup documentation for all reporting is required to be kept on file in accordance with federal record retention regulations, in order to fulfill compliance requirements.

*Effect of Condition:* We were unable to verify the FP-9 reports properly and verify if the activity was accurately reflected for the school lunch program for that period. Therefore, grant compliance requirements were not met.

*Cause of Condition:* Source documentation was not available for review and verification.

*Recommendation:* All source documentation for filed reports must be retained in accordance with federal record retention requirements.

Department of Housing and Urban Development

97-2 Community Development Block Grant - CFDA No. 14.218

***Material Weakness:*** The grantee performance report was filed using a new on-line computer system that wire transfers the document; however, an error occurred with the transfer and the narratives arrived at the federal government offices, but the amounts were zero. To date, the federal government office and the City have not been able to figure out the cause of the problem and hence, a complete performance report has not been finalized.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

Department of Education

**Questioned  
Costs**

97-3 Emergency Immigration - CFDA No. 84.162

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-4 Drug Free Schools - CFDA No. 84.186

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-5 Vocational Skills - CFDA No. 84.048

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-6 Title VI - CFDA No. 84.151

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-7 Goals 2000: Curriculum Study Groups / Alternative Education /  
Professional Development - CFDA No. 84.276

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-8 Technology Preparation - 84.243

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-9 Eisenhower Professional Development - CFDA No. 84.281

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-10 Teacher Training Math / Science (Eisenhower) - 84.164

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.



**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-11 School to Work - CFDA No. 84.278B

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-12 High Schools That Work - 84.048

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-13 Foreign Language - CFDA No. 84.293

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The final financial report was not available for review and verification.

*Criteria:* Final financial reports are required to be filed 30 days after the close of the program. It is also a federal requirement the original signed copy be kept on file at the grantees place of business.

*Effect of Condition:* Grant compliance requirements have not been satisfied.

*Cause of Condition:* Grant report was not submitted.

*Recommendation:* Procedures should be put into place to ensure that all reports are filed timely and the signed original retained on file.

97-14 SPED 94-142 - 84.027

*Statement of Condition:* Cash management is not efficiently being performed.

*Criteria:* The grantee is allowed to request funds for expenditures up to 60 days in advance.

*Effect of Condition:* Monies were being requested after the school year had ended to cover expenditures of the previous months.

*Cause of Condition:* Lack of proper cash management.

*Recommendation:* Review and evaluate the policies and procedures in place for the requesting of grant revenues, in order to best utilize timing issues with expenditures.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-15 Title I - CFDA No. 84.010

**Questioned  
Costs**

*Statement of Condition:* Test results for one student file could not be located.

*Criteria:* All Title I students are required to be tested in order to determine eligibility for the program.

*Effect of Condition:* Grant eligibility requirements have not been satisfied.

*Cause of Condition:* One students testing could not be located.

*Recommendation:* All student's files should contain the required original testing in order to comply with grant eligibility requirements.

97-16 Title I - 84.010

*Statement of Condition:* One student file could not be located.

*Criteria:* All Title I students are required to have a file maintained in order to properly document eligibility for the program.

*Effect of Condition:* Grant eligibility requirements have not been satisfied.

*Cause of Condition:* One students file could not be located.

*Recommendation:* All student files should be readily accessible and contain the required documentation in order to comply with grant eligibility requirements.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

Department of Housing and Urban Development

**Questioned  
Costs**

97-17 Community Development Block Grant - CFDA No. 14.218

***Material Weakness:***

*Statement of Condition:* An invoice was paid to the wrong vendor.

*Criteria:* All disbursements from federal funding needs to meet the allowable cost criteria.

*Effect of Condition:* The wrong vendor was paid for an expenditure.

*Cause of Condition:* The wrong vendor number was entered into the computer system while entering the invoice.

*Recommendation:* The authorized check signer should review all invoices and checks together prior to mailing in order to properly account for allowable costs. Also, a review should be performed to evaluate options to optimize the internal controls surrounding the payable area.

97-18 Community Development Block Grant - 14.218

*Statement of Condition:* For six employees of this grant we were unable to locate a contract stating their rate of pay, in order to verify the expenditure was an allowable cost.

*Criteria:* Each employee should have an employment contract with their current rate of pay.

*Effect of Condition:* Unable to verify if the payroll expenditures are allowable costs.

*Cause of Condition:* Employees do not have an updated contract for their current rate of pay in their file.

*Recommendation:* All employee files should contain a contract with a properly authorized current wage rate.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-19 Community Development Block Grant - 14.218

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The gross pay calculation on four time sheets, made by a subrecipient, was not mechanically accurate. Also, the error was not identified by the Community and Development Department, of the City of Salem during the monitoring process.

*Criteria:* The Davis Bacon Act requires pay to be properly calculated, and the monitoring compliance requirement is meant to determine if the Davis Bacon Act is properly adhered to.

*Effect of Condition:* Payroll payments were not correctly calculated, therefore they were not properly paid.

*Cause of Condition:* Manual spreadsheets are used by the subrecipient in order to calculate payroll. Also, the effective monitoring procedures were not being utilized.

*Recommendation:* Computerize the payroll spreadsheets in order to hinder calculation errors and evaluate the monitoring process and procedures for the payroll cycle on subrecipients.

97-20 Community Development Block Grant - 14.218

***Material Weakness:***

*Statement of Condition:* Subrecipient monitoring reports are not consistently reporting findings on a per subrecipient basis.

*Criteria:* Each finding noted for every subrecipient should have the same level of non-compliance standard.

*Effect of Condition:* Inconsistent treatment of non-compliance standards on a per subrecipient basis.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-20 Community Development Block Grant - 14.218 (continued)

**Questioned  
Costs**

*Cause of Condition:* Subrecipients monitoring reports show different treatment with respect to the level of non - compliance for a particular item, on a per subrecipient basis.

*Recommendation:* All subrecipients should have the same standard and level of non - compliance applied to their audit findings.

**Department of Education**

97-21 Drug Free Schools - CFDA No. 84.186

*Statement of Condition:* The grant award letters were not available, therefore the period of availability was not able to be determined.

*Criteria:* Award letters must be kept on file for each grant.

*Effect of Condition:* Grant period of availability requirements are not met.

*Cause of Condition:* Grant award letters were not available.

*Recommendation:* All grant award letters must be kept on file at the grantees office.

97-22 Goals 2000: Curriculum Study Group - CFDA No. 84.276

*Statement of Condition:* The grant award letters were not available, therefore the period of availability was not able to be determined.

*Criteria:* Award letters must be kept on file for each grant.

*Effect of Condition:* Grant period of availability requirements are not met.

*Cause of Condition:* Grant award letters were not available.

*Recommendation:* All grant award letters must be kept on file at the grantees office.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-23 Vocational Skills - CFDA No. 84.048

**Questioned  
Costs**

*Statement of Condition:* The grant award letters were not available, therefore the period of availability was not able to be determined.

*Criteria:* Award letters must be kept on file for each grant.

*Effect of Condition:* Grant period of availability requirements are not met.

*Cause of Condition:* Grant award letters were not available.

*Recommendation:* All grant award letters must be kept on file at the grantees office.

97-24 Technology Preparation - CFDA No. 84.243

*Statement of Condition:* The grant award letters were not available, therefore the period of availability was not able to be determined.

*Criteria:* Award letters must be kept on file for each grant.

*Effect of Condition:* Grant period of availability requirements are not met.

*Cause of Condition:* Grant award letters were not available.

*Recommendation:* All grant award letters must be kept on file at the grantees office.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

**Questioned  
Costs**

97-25 Early Childhood Education - CFDA No. 84.027

*Statement of Condition:* The grant final financial reports were not filed timely.

*Criteria:* Final financial reports are required to be submitted by 30 days after the end of the grant period.

*Effect of Condition:* Grant reporting requirements are not met.

*Cause of Condition:* The final financial report was not submitted timely.

*Recommendation:* All final financial reports must be submitted timely and in accordance with grant requirements.

97-26 Title I - CFDA No. 84.010

*Statement of Condition:* The grant final financial reports were not filed timely.

*Criteria:* Final financial reports are required to be submitted by 30 days after the end of the grant period.

*Effect of Condition:* Grant reporting requirements are not met.

*Cause of Condition:* The final financial report was not submitted timely.

*Recommendation:* All final financial reports must be submitted timely and in accordance with grant requirements.



**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

**Questioned  
Costs**

97-27 School Lunch - CFDA No. 10.555

*Statement of Condition:* Four eligibility determination forms were not properly filled out.

*Criteria:* Eligibility forms are required to contain certain data.

*Effect of Condition:* Eligibility for those four children is not determinable.

*Cause of Condition:* The eligibility forms were not properly filled out.

*Recommendation:* A review of the internal controls surrounding the determination of eligibility should be performed to hasten any future eligibility issues from arising, in accordance with grant requirements.

97-28 Goals 2000: Curriculum Study Group / Professional Development -  
CFDA No. 84.276

***Material Weakness:***

*Statement of Condition:* The receipts were not recorded on the general ledger.

*Criteria:* Revenue should be recorded when received.

*Effect of Condition:* Insufficient fund notices were received by the School Department, which delayed their ability to purchase necessary items.

*Cause of Condition:* The Treasurer's Office did not forward the award letter to the Auditor's Office to be recorded.

*Recommendation:* Verification of revenue on a quarterly or annual basis for grant funds would increase the likelihood these issues would be noted prior to the annual audit and corrected in the normal course of business.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-29 Eisenhower Professional Development - CFDA No. 84.281

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The receipts were not recorded on the general ledger.

*Criteria:* Revenue should be recorded when received.

*Effect of Condition:* Insufficient fund notices were received by the School Department, which delayed their ability to purchase necessary items.

*Cause of Condition:* The Treasurer's Office did not forward the award letter to the Auditor's Office to be recorded.

*Recommendation:* Verification of revenue on a quarterly or annual basis for grant funds would increase the likelihood these issues would be noted and adjusted for prior to the annual audit, in the normal course of operations.

97-30 Teacher Training Math / Science (Eisenhower) - CFDA No. 84.164

***Material Weakness:***

*Statement of Condition:* The receipts were not recorded on the general ledger.

*Criteria:* Revenue should be recorded when received.

*Effect of Condition:* Insufficient fund notices were received by the School Department, which delayed their ability to purchase necessary items.

*Cause of Condition:* The Treasurer's Office did not forward the award letter to the Auditor's Office to be recorded.

*Recommendation:* Verification of revenue on a quarterly or annual basis for grant funds would increase the likelihood these issues would be noted and adjusted for prior to the annual audit, in the normal course of operations.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1997  
(Continued)**

**C. Findings and Questioned Costs-Major Federal Award Programs Audit - (continued)**

97-31 Drug Free Schools - CFDA No. 84.186

**Questioned  
Costs**

***Material Weakness:***

*Statement of Condition:* The receipts were not recorded on the general ledger.

*Criteria:* Revenue should be recorded when received.

*Effect of Condition:* Insufficient fund notices were received by the School Department, which delayed their ability to purchase necessary items.

*Cause of Condition:* The Treasurer's Office did not forward the award letter to the Auditor's Office to be recorded.

*Recommendation:* Verification of revenue on a quarterly or annual basis for grant funds would increase the likelihood these issues would be noted and adjusted for prior to the annual audit, in the normal course of operations.

97-32 Early Childhood Allocation - CFDA No. 84.027

***Material Weakness:***

*Statement of Condition:* The receipts were not recorded on the general ledger.

*Criteria:* Revenue should be recorded when received.

*Effect of Condition:* Insufficient fund notices were received by the School Department, which delayed their ability to purchase necessary items.

*Cause of Condition:* The Treasurer's Office did not forward the award letter to the Auditor's Office to be recorded.

*Recommendation:* Verification of revenue on a quarterly or annual basis for grant funds would increase the likelihood these issues would be noted and adjusted for prior to the annual audit, in the normal course of operations.

**THE CITY OF SALEM, MASSACHUSETTS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 1997**

The City of Salem did not have any questioned costs, reportable conditions, or material weaknesses that need to be addressed.

**THE CITY OF SALEM, MASSACHUSETTS  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 1997**

**TO BE PROVIDED BY CLIENT**