

***CITY OF SALEM, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

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

**CITY OF SALEM, 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 Mayor  
and Members of the City Council  
City of Salem, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Massachusetts, as of and for the year ended June 30, 2015 (except for the Salem 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 Salem, Massachusetts' basic financial statements, and have issued our report thereon dated October 30, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Salem, 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 Salem, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, 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 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 Salem, 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.

*Powers & Sullivan LLC*

October 30, 2015



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

**Independent Auditor's Report**

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

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

We have audited the City of Salem, 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 Salem's major federal programs for the fiscal year ended June 30, 2015. The City of Salem, 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 Salem, 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 Salem, 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 Salem, Massachusetts' compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City of Salem, 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 Salem, 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 Salem, 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 Salem, 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 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 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 City of Salem as of and for the year ended June 30, 2015, and have issued our report thereon dated October 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted 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 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Powers & Sullivan LLC*

October 30, 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>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
<u>Passed through State Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program.....	10.555	\$ 158,425
Cash Assistance:		
School Breakfast Program.....	10.553	405,635
National School Lunch Program.....	10.555	1,023,335
ARRA - Equipment Assistance School Equipment Grant.....	10.579	52,019
Fresh Fruit and Vegetable Program.....	10.582	88,924
<b>TOTAL AGRICULTURE.....</b>		<b>1,728,338</b>
<b>U.S. DEPARTMENT OF DEFENSE:</b>		
<u>Direct Program:</u>		
ROTC Language and Culture Training Grants.....	12.357	69,362
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
<u>Direct Program:</u>		
Community Development Block Grant/Entitlement Grants.....	14.218	1,315,533
<u>Passed through North Shore Home Consortium:</u>		
HOME Investment Partnerships Program.....	14.239	69,550
<b>TOTAL HOUSING.....</b>		<b>1,385,083</b>
<b>U.S. DEPARTMENT OF THE INTERIOR:</b>		
<u>Passed through State Executive Office of Environmental Affairs:</u>		
Clean Vessel Act.....	15.616	7,297
<b>U.S. DEPARTMENT OF JUSTICE:</b>		
<u>Direct Program:</u>		
Local Law Enforcement Trust Funds Program.....	16.592	81,615
Bulletproof Vest Partnership Program.....	16.607	4,010
Byrne Criminal Justice Innovation Program.....	16.817	2,950
<u>Passed through Executive Office of Public Safety:</u>		
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	4,412
Congressionally Recommended Awards.....	16.753	19,207
<b>TOTAL JUSTICE.....</b>		<b>112,194</b>
<b>U.S. DEPARTMENT OF LABOR:</b>		
<u>Passed through State Division of Career Services - Workforce Development:</u>		
Employment Service/Wagner Peyser Funded Activities.....	17.207	261,319
Unemployment Insurance.....	17.225	35,182
Trace Adjustment Assistance.....	17.245	1,531
Workforce Investment Act - Adult Program.....	17.258	735,053
Workforce Investment Act - Youth Activities.....	17.259	776,339
Workforce Investment Act - National Emergency Grants.....	17.277	36,807
Workforce Investment Act - Dislocated Worker Formula Grants.....	17.278	804,882
Disabled Veterans' Outreach Program (DVOP).....	17.801	15,473
<b>TOTAL LABOR.....</b>		<b>2,666,586</b>

(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 TRANSPORTATION:</b>		
<u>Passed through Executive Office of Public Safety:</u>		
Highway Planning and Construction.....	20.205	67,809
State and Community Highway Safety.....	20.600	4,716
National Highway Traffic Safety Administration		
Discretionary Safety Grants.....	20.614	9,540
<u>Passed through State Department of Transportation:</u>		
Job Access and Reverse Commute Program.....	20.516	263,962
New Freedom Program.....	20.521	176,233
TOTAL TRANSPORTATION.....		522,260
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>		
<u>Direct Program:</u>		
Investigations and Special Purpose Utilities Grant.....	66.610	5,736
Brownfield Assessment & Cooperative Cleanup Program.....	66.818	5,649
TOTAL ENVIRONMENTAL PROTECTION AGENCY.....		11,385
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<u>Passed through State Department of Elementary and Secondary Education:</u>		
Adult Education Basic Grants to States.....	84.002	4,190
Title I Grants to Local Educational Agencies.....	84.010	1,088,571
Special Education Grants to States (IDEA, Part B).....	84.027	1,326,418
Career and Technical Education- Basic Grants to States.....	84.048	48,185
Special Education Preschool Grants.....	84.173	7,761
Charter Schools Assistance/Distributions.....	84.282	1,425
Twenty-First Century Community Learning Centers.....	84.287	125,255
English Language Acquisition Grants.....	84.365	74,402
Improving Teacher Quality State Grants.....	84.367	208,577
ARRA - School Improvement Grant, Recovery Act.....	84.388	429,335
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act.....	84.395	199,580
<u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants (IDEA Preschool).....	84.173	125,697
<u>Passed through the University of Massachusetts Lowell:</u>		
ARRA - Race to the Top - Early Learning Challenge.....	84.412	230
TOTAL EDUCATION.....		3,639,626
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
<u>Passed through North Shore Elder Services, Inc.:</u>		
Special Programs for the Aging Title III, Part B Grants for		
Supportive Services and Senior Centers.....	93.044	23,502
Special Programs for the Aging Title III, Part C Nutrition Services.....	93.045	48,739
<u>Passed through Executive Office of Health and Human Services:</u>		
Strengthening Public Health Infrastructure.....	93.507	45,622
<u>Passed through Center for Disease Control and Prevention:</u>		
Cooperative Agreements to Promote Adolescent Health Through School-Based .....	93.079	3,821
<u>Passed through the Department of Public Health:</u>		
National Bioterrorism Preparedness Grant.....	93.889	200
TOTAL HEALTH AND HUMAN SERVICES.....		121,884

(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>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Direct Program:</u>		
Assistance to Firefighters.....	97.044	38,412
<u>Passed through Mass Emergency Management Agency:</u>		
Disaster Grants- Public Assistance (Presidentially Declared Disasters).....	97.036	359,490
Emergency Management Performance Grants.....	97.042	<u>28,435</u>
TOTAL HOMELAND SECURITY.....		<u>426,337</u>
 TOTAL.....		 \$ <u>10,690,352</u>

(concluded)

See notes to schedule of expenditures of federal awards.

**NOTE 1 – Definition of Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Salem, 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 Salem, 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 National Lunch Program - Program expenditures represent federal reimbursement for meals provided during the fiscal year.
- (c) Non-Cash Assistance (Commodities) - National School 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 applicable to the City:

<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>Employment Service Cluster</b>	
Employment Service/Wagner Peyser Funded Activities	17.207
Disabled Veterans' Outreach Program (DVOP)	17.801
<b>Workforce Investment Act (WIA) Cluster</b>	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278
<b>Transit Services Programs Cluster</b>	
Job Access and Reverse Commute Program	20.516
New Freedom Program	20.521
<b>Special Education Cluster (IDEA)</b>	
Special Education - Grants to States (IDEA Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173
<b>Aging Cluster</b>	
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045

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

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the City of Salem, Massachusetts.
2. There were no significant deficiencies relating to the audit of the financial statements 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 basic financial statements of the City of Salem, 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 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 auditor's report on compliance for the major federal award programs for the City of Salem, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings related to federal award programs.
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
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grant	17.278
Special Education – Grants to States (IDEA Part B)	84.027
Special Education – Preschool Grants	84.173
Disaster Grants – Presidentially Declared	97.036

8. The threshold for distinguishing Types A and B programs was \$320,711.
9. The City of Salem, Massachusetts, was determined to be a low-risk auditee.

**B. Findings and Questioned Costs – Financial Statements Audit – None****C. Findings and Questioned Costs – Major Federal Award Programs Audit – None****D. Prior Audit Findings and Questioned Costs – Financial Statement Audit – None****E. Prior Audit Findings and Questioned Costs – Major Federal Award Programs Audit – None**