

CITY OF SALEM, MASSACHUSETTS

SINGLE AUDIT REPORTS

PURSUANT TO

OMB CIRCULAR A-133

JUNE 30, 1999

CITY OF SALEM, MASSACHUSETTS
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TUCCI & ROSELLI

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, 1999, and have issued our report thereon dated October 30, 1998. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Salem in a separate letter dated February 14, 2000.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 amount 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. However, we 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 February 14, 2000.

This report is intended for the information of the Mayor, City Council, management, 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
February 14, 2000

TUCCI & ROSELLI

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, 1999. 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.

In our opinion, the City of Salem complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

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.

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 material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider 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, 1999, and have issued our report thereon dated February 14, 2000. 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 solely for the information and use of the audit committee, management, Board of Selectmen, 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.



Tucci & Roselli
Certified Public Accountants
February 14, 2000

CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1999

Federal Agency / Pass Through Agency/ Program Name	Federal CFDA # Number	Gross Expenditures
U.S. Department of Education		
Title VII - Bilingual Education: Comprehensive School Grants	84.290U	\$283,747
Title VII - Foreign Language	84.293B	137,225
<i>Passed through the Commonwealth of Massachusetts - Department of Education</i>		
Title I	84.010 *	1,229,279
Title I - Capital Expense/Private	84.216 *	8,505
SPED: 94-142	84.027	481,260
SPED: Curriculum Frameworks	84.027	17,323
SPED: Early Childhood Education	84.173	49,669
Vocational Education - Skills	84.048	25,404
State Lead - Curriculum Development (H.S. That Work)	84.048	17,047
Title VI	84.151	46,874
Emergency Immigration Act	84.162	21,810
Teacher Training Math/Science	84.164	28,253
Drug Free Schools - Distribution	84.186	24,909
Goals 2000: Preservice Recruitment	84.276	21,739
Goals 2000: Induction Year	84.276	11,000
Goals 2000: Curriculum Study Groups	84.276	9,997
Leadership Academies	84.276	17,500
School To Work	84.278	222,985
U.S. Department of Agriculture		
<i>Passed through the Commonwealth of Massachusetts - Department of Education</i>		
Food Distribution	10.550 *	76,325
School Breakfast Program	10.553 *	156,656
National School Lunch Program	10.555 *	678,721
U.S. Department of Housing and Urban Development		
<i>Office of Community Planning and Development</i>		
Community Development Block Grant - Entitlement Grant	14.218 *	1,134,011
<i>Passed through the North Shore Home Consortium</i>		
Home Investment Partnerships Programs	14.239	174,545
U.S. Department of Justice		
<i>Office of Community Oriented Policing Services</i>		
Problem Solving	16.710	17,135
Grants to Encourage Arrest Policies (Domestic Violence)	16.590	159,167
Local Law Enforcement Block Grant	16.592	40,598
U.S. Department of Health and Human Services		
<i>Passed through North Shore Elder Services, Inc.</i>		
Title IIIB - Special Programs for the Aging	93.044	24,667
Title IIIC - Nutrition Program for the Aging	93.045	44,090
U.S. Environmental Protection Agency		
<i>Passed through Northeastern University Division of Research Management</i>		
CESAME - Growlab	66.951	2,833
Federal Emergency Management Agency		
<i>Passed through the Commonwealth of Massachusetts - Massachusetts Emergency Management Agency</i>		
Emergency Management - State and Local Assistance	83.534	28,442
GRAND TOTAL		\$5,191,716

* Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF SALEM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1999

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 Title I (CFDA# 84.010), National School Lunch Cluster (CFDA#s 10.550, 10.553, and 10.555), and Community Development Block Grant – Entitlement (CFDA# 14.218) 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, 1999.

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.

CITY OF SALEM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1999
(Continued)

D. Non - Cash Commodities

The Schedule of Expenditures of Federal Awards includes \$76,325 of USDA commodities, which is a non-cash item and accordingly is not recorded in the general purpose financial statements.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999**

A. Summary of Audit Results

1. The auditor's report expresses a qualified opinion on the financial statements of the City of Salem, Massachusetts.
2. No reportable conditions 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. No instances of noncompliance material to the financial statements of the City of Salem were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are 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 unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Salem are reported.
7. The programs tested as major programs were the Title I (CFDA# 84.010), National School Lunch Cluster (CFDA#s 10.550, 10.553, and 10.555), and Community Development Block Grant – Entitlement (CFDA# 14.218) grants.
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 February 14, 2000.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999
(Continued)**

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

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

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999**

D. Findings and Questioned Costs Prior Year

**Questioned
Costs**

U.S. Department of Health & Human Services

98-1 Title III B – Special Programs for the Aging – CFDA No. 93.044

Statement of Condition: Grant revenues and expenditures are combined with another program, therefore actual transactions for this program cannot be delineated.

Criteria: Federal compliance requirements mandate only allowable costs and activities be expended from federal grants.

Effect of Condition: Without segregation of financial activity it is undeterminable what costs are actually associated with this grant award.

Cause of Condition: Lack of financial activity segregation.

Recommendation: Each federal grant must be separately accounted for on the general ledger.

Current Year Status: Appropriate segregation of financial activity has been applied to this grant.

98-2 Title III C – Nutrition program for the Aging – CFDA No. 93.045

Statement of Condition: Grant revenues and expenditures are combined with another program, therefore actual transactions for this program cannot be delineated.

Criteria: Federal compliance requirements mandate only allowable costs and activities be expended from federal grants.

Effect of Condition: Without segregation of financial activity it is undeterminable what costs are actually associated with this grant award.

Cause of Condition: Lack of financial activity segregation.

Recommendation: Each federal grant must be separately accounted for on the general ledger.

Current Year Status: Appropriate segregation of financial activity has been applied to this grant.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education

98-3 SPED Early Childhood Allocation – CFDA No. 84.173

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been adopted and implemented to prevent reoccurrence in future years; additionally, the deadline has been extended to 60 days.

98-4 Teacher Training Math / Science – CFDA No. 84.164

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

98-5 State Lead : Curriculum Development – CFDA No. 84.048

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

98-6 Technology Literacy Challenge – CFDA No. 84.318

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

98-7 SPED Curriculum Frameworks – CFDA No. 84.027

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

98-8 Occupational Education / Vocational Skills – CFDA No. 84.048

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

98-9 Safe and Drug Free Schools – CFDA No. 84.186

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

98-10 Goals 2000: Curriculum Study Group – CFDA No. 84.276

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

98-11 Title VI Block Grant – CFDA No. 84.151

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

98-12 Title I – CFDA No. 84.010

Statement of Condition: The grant final financial report was not filed timely.

Criteria: Final financial reports are required to be filed 30 days after the close of the grant period.

Effect of Condition: The grant reporting compliance requirement was 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.

Current Year Status: Procedures have been successfully adopted and implemented, thereby allowing for timely filing; additionally, the deadline has been extended to 60 days.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

98-13 Title I – CFDA No. 84.010

Statement of Condition: We were unable to locate a contract for an employee's payroll charged to this program.

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

Effect of Condition: Unable to verify if the grant expenditures were allowable.

Cause of Condition: Employee did not have a current 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.

Current Year Status: Employees' payroll agreed without issue to provided pay scale information.

98-14 Title I – CFDA No. 84.010

Statement of Condition: The grant performance and achievement report was not filed timely.

Criteria: The performance and achievement report is required to be filed by December 15th of the following school year.

Effect of Condition: The grant reporting compliance requirement was not met.

Cause of Condition: The performance and achievement report was not submitted timely.

Recommendation: The performance and achievement report must be submitted timely and in accordance with grant requirements.

Current Year Status: Personnel changes are currently being employed which will allow for timely filing of the report in future years.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year – continued

**Questioned
Costs**

U.S. Department of Education – continued

98-15 Title I – CFDA No. 84.010

Statement of Condition: Private school Title I funding acceptance does not have the proper documentation.

Criteria: All transactions with federal funding should have the proper documentation.

Effect of Condition: The grant special tests and provisions compliance requirement was not met.

Cause of Condition: Private school Title I funding acceptance was not documented.

Recommendation: All activities pertaining to federal grants should be properly documented.

Current Year Status: Appropriate correspondence regarding private school funding was properly documented.

98-16 Title I – CFDA No. 84.010

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

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

Effect of Condition: Monies were held longer than the compliance requirements allow.

Cause of Condition: The grantees cash management was not proper.

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.

Current Year Status: Analysis of the cash activity indicates that compliance with the cash advance regulations was materially and satisfactorily met.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development

98-17 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: A subrecipient award was made to the Council on Aging, which is part of the City, these expenditures of federal funds are being doubled on the financial statements of the City.

Criteria: Revenue and expenditures should be recorded on the financial statements of the City once.

Effect of Condition: The revenues and expenditures of the City are overstated.

Cause of Condition: Transactions between the Community Development Department and Council on Aging Department are not being properly recorded.

Recommendation: Evaluate the policies and procedures surrounding the overlapping transactions within the City.

\$23,121

Current Year Status: Adequate recording of cash transaction activity was achieved within the expected parameters of accounting practices.

98-18 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: The total amount of loans outstanding for the City's home Improvement program, under the Community Development Block Grant is unknown.

Criteria: All federally funded loans are to be tracked for proper compliance.

Effect of Condition: The cash management compliance requirement is not met.

Cause of Condition: Tracking of loans granted is not fully performed.

Recommendation: Review and evaluate the policies and procedures in place for the tracking of loans and implement the conclusions.

Current Year Status: The City's loan records appeared complete and adequately maintained.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development- continued

98-19 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: We were unable to locate various contracts for employees payrolls charged to this program.

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

Effect of Condition: Unable to verify if the grant expenditures were allowable.

Cause of Condition: Employees did not have a current 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.

Current Year Status: Adequate proof of payroll allocation calculations and charges to the program were provided by the City for the year.

98-20 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: The grant CAPER report was not filed timely.

Criteria: The CAPER report was required to be filed by September of the following fiscal year.

Effect of Condition: The grant reporting compliance requirement was not met.

Cause of Condition: The CAPER report was not submitted timely.

Recommendation: The CAPER report must be submitted timely and in accordance with grant requirements.

Current Year Status: The date of completion shown on the CAPER for the current year is within the mandated timeframe.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development- continued

98-21 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: Verification of prevailing wages under the Davis Bacon Act could not be performed.

Criteria: All employees of federally funded projects must be paid at a rate of federal prevailing wages or above, and the grantee is required to monitor these expenditures.

Effect of Condition: Unable to verify if the grant expenditures were within the appropriate compliance guidelines.

Cause of Condition: Grantee did not verify contractor wages paid, and did not gather the necessary documentation.

Recommendation: Perform all required verification procedures in order to maintain proper compliance under the federal requirements.

Current Year Status: Adequate documentation of prevailing wages was provided for current year activities tested which were applicable to the Davis-Bacon Act.

98-22 Community Development Block Grant – CFDA No. 14.218

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

Criteria: The grantee is allowed to request funds on a reimbursement basis.

Effect of Condition: A large deficit balance, greater than a million dollars, was accumulated in the Special Revenue funds of the City.

Cause of Condition: The grantees cash management was not proper, or timely.

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.

Current Year Status: Cash management was improved through strengthened internal controls with regards to expenditure activity.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development- continued

98-23 Community Development Block Grant – CFDA No. 14.218

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

Criteria: The grantee is required to segregate these funds per the grant contract.

Effect of Condition: A clear, concise trail of expenditures is not available.

Cause of Condition: Drawdowns are automatically transferred into the general account of the City.

Recommendation: Drawdowns should be maintained in a separate bank account and transferred to the general account of the City on per warrant basis to enable the proper accounting of funds.

Current Year Status: Procedures have been put into place whereby the wired drawdowns are deposited directly into a segregated CDBG bank account.

98-24 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: Documentation with respect to the income eligibility guidelines within the loan recipients files was not adequate.

Criteria: The income eligibility calculation must be well documented within the loan recipients file.

Effect of Condition: The compliance requirement for eligibility is not met.

Cause of Condition: Documentation with respect to income eligibility is not complete.

Recommendation: All loan recipients should have their income eligibility documented in their files.

Current Year Status: New loans for the year all contained adequate income eligibility documentation within their files.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development- continued

98-25 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: Documentation with respect to loan files is lacking substantially.

Criteria: All transactions utilizing federal funding requires documentation.

Effect of Condition: A clear, concise trail of transactions is not maintained, therefore grant compliance is questionable.

Cause of Condition: Lack of proper documentation in file.

Recommendation: All transactions utilizing federal funds should be adequately documented in the loan recipients file.

Current Year Status: Improvement was noted as internal documentation on loans and external documentation from custodian banks was available for review.

98-26 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: A citizen participation plan is not formalized.

Criteria: The grantee compliance requirements mandate a citizen participation plan be formulated.

Effect of Condition: The compliance requirement for special tests and provisions is not met.

Cause of Condition: A citizens participation plan is not formalized.

Recommendation: Formulate an adequately documented citizens participation plan.

Current Year Status: A completed Citizen's Participation Plan for the year was reviewed.

**CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Housing and Urban Development- continued

98-27 Community Development Block Grant – CFDA No. 14.218

Statement of Condition: Grant funds are not being utilized for their intended purpose.

Criteria: Grant funds must be utilized for projects covered under the grant contract.

Effect of Condition: Grant compliance requirements for allowable costs are not met.

Cause of Condition: Debt payments on section 108 loans were not made in accordance with the payment schedule, therefore the federal agency deducted the amount of the payment from drawdown requests on this grant.

Recommendation: The City should make all required payments in a timely manner.

\$81,777

Current Year Status: Corrective action with regards to Section 108 loans was achieved through agreed upon procedures with HUD officials.