

CITY OF SPRINGFIELD, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor, the City Council, the Finance Control Board, and Management
City of Springfield, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the City of Springfield, Massachusetts' basic financial statements and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Springfield, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Springfield, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the City of Springfield, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Springfield, Massachusetts' internal control. We consider the deficiencies described in item #08-1 in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springfield, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #08-2 to #08-5.

We noted certain other matters that we reported to management of the City of Springfield, Massachusetts, in a separate letter dated February 18, 2009.

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

A handwritten signature in cursive script that reads "Bowers + Sullivan".

Wakefield, Massachusetts
February 18, 2009



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

To the Honorable Mayor, the City Council, the Finance Control Board, and Management
City of Springfield, Massachusetts

Compliance

We have audited the compliance of the City of Springfield, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The City of Springfield, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Springfield, Massachusetts' management. Our responsibility is to express an opinion on the City of Springfield, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Springfield, 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. Our audit does not provide a legal determination on the City of Springfield, Massachusetts' compliance with those requirements.

As described in items #08-2 through #08-5 in the accompanying schedule of findings and questioned costs, the City of Springfield, Massachusetts did not comply with requirements regarding documentation, eligibility, monitoring, and certain cost principles that are applicable to its Home Investment Partnership Program, Title 1 Grants to Local Educational Agencies, Special Education Cluster Grants, Improving Teacher Quality State Grants, and Striving Readers Program. Compliance with such requirements is necessary, in our opinion, for the City of Springfield, Massachusetts to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Springfield, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Springfield, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Springfield, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, Massachusetts' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the year ended June 30, 2008, (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2007), and have issued our report thereon dated February 18, 2009. In our report, our opinion on the basic financial statements of the City of Springfield, Massachusetts was qualified relating to the exclusion of financial data for four legally separate entities which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Springfield, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Finance Control Board, City Council, and others within the City, 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.



Wakefield, Massachusetts

June 19, 2009, (except for the Schedule of Expenditures of Federal Awards, as to which the date is February 18, 2009)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Food Distribution	10.550	\$ 807,105
School Breakfast Program	10.553	2,144,957
National School Lunch Program	10.555	7,329,071
Summer Food Service Program for Children	10.559	<u>165,840</u>
TOTAL DEPARTMENT OF AGRICULTURE		<u>10,446,973</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Community Development Block Grants/Entitlement Grants	14.218	4,928,542
Urban Development Action Grants	14.221	55,000
Emergency Shelter Grants Program	14.231	213,696
Supportive Housing Program	14.235	1,429,709
Shelter Plus Care	14.238	221,499
HOME Investment Partnership Program	14.239	3,650,840
Housing Opportunities for Persons with AIDS	14.241	411,670
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	539
Community Development Block Grants Section 108 Loan Guarantees	14.248	1,359,094
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	<u>31,422</u>
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>12,302,011</u>
U.S. DEPARTMENT OF JUSTICE:		
Public Safety Partnership and Community Policing Grants	16.710	149,870
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	103,755
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	14,721
Violence Against Women Formula Grants	16.588	32,357
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>204,084</u>
TOTAL JUSTICE		<u>504,787</u>
U. S. DEPARTMENT OF LABOR:		
<u>Passed through Senior Service America, Inc.</u>		
Senior Community Service Employment Program	17.235	<u>845,357</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<u>Passed through Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	<u>12,978</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>208,598</u>
U.S. DEPARTMENT OF EDUCATION:		
Magnet Schools Assistance	84.165	1,654,020
Fund for the Improvement of Education	84.215	476,786
Foreign Language Assistance	84.293	42,254
Arts in Education	84.351	349,091
Early Reading First	84.359	76,709
Striving Readers	84.371	3,337,712

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION - continued:		
<u>Passed through State Department of Elementary and Secondary Education:</u>		
Adult Education State Grant Program	84.002	190,613
Title I Grants to Local Educational Agencies	84.010	16,131,315
Special Education Grants to States	84.027	7,505,210
Vocational Education Basic Grants to States	84.048	595,210
Federal, State, and Local Partnership for Educational Improvement	84.151	77,888
Safe and Drug Free Schools and Communities State Grants	84.186	337,036
Education for Homeless Children and Youth	84.196	56,659
State School Improvement Grants	84.218	63,000
Twenty-First Century Community Learning Centers	84.287	993,247
Even Start Statewide Family Literacy Initiatives	84.314	63,233
Education Technology State Grants	84.318	386,568
Reading First State Grants	84.357	852,061
English Language Acquisition Grants	84.365	692,051
Mathematics and Science Partnerships	84.366	27,879
Improving Teacher Quality State Grants	84.367	3,277,963
 <u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	222,879
 TOTAL EDUCATION		 <u>37,409,384</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Model State-Supported Area Health Education Centers	93.107	47,366
Consolidated Health Centers	93.224	765,010
Healthy Communities Access Program	93.252	19,905
<u>Passed through Massachusetts Department of Public Health:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	3,283
<u>Passed through Massachusetts Department of Higher Education</u>		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2,470
 TOTAL HEALTH AND HUMAN SERVICES		 <u>838,034</u>
 U. S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Executive Office of Public Safety and Security:</u>		
State and Local Homeland Security Training Program	97.005	9,315
Assistance to Firefighters Grant	97.044	346,459
Metropolitan Medical Response System	97.071	187,115
 TOTAL HOMELAND SECURITY		 <u>542,889</u>
 TOTAL		 <u>\$ 63,111,011</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 Springfield, 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 Springfield, Massachusetts, are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.
- (b) Child Nutrition Cluster - Program expenditures represent federal reimbursement for meals provided during the fiscal year.

Note 3 – Subrecipients

The City of Springfield provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 137,602
Supportive Housing Program	14.235	700,206
Adult Education State Grant Program	84.002	<u>5,000</u>
Total		<u>\$ 842,808</u>

Note 4 – Program Clusters

In accordance with Subpart A §.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559

Special Education Cluster

Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

CDBG – Entitlement and (HUD-Administered) Small Cities Cluster

Community Development Block Grant/Entitlement Grants	14.218
Community Development Block Grant/Small Cities Program	14.219

A. Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the financial statements of the City of Springfield, Massachusetts relating to the exclusion of financial data for four legally separate entities which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units.
2. 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. No instances of noncompliance material to the financial statements of the City of Springfield, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements 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 Springfield, Massachusetts, expresses a qualified opinion.
6. Audit findings relating to the major federal award programs for the City of Springfield, Massachusetts, are described in Note C on the following pages.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
HOME Investment Partnership Program	14.239
Title I Grants to Local Educational Agencies	84.010
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Improving Teacher Quality State Grants	84.367
Striving Readers	84.371

8. The threshold for distinguishing Type A and B programs was \$1,852,558
9. The City of Springfield, Massachusetts, was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit**MATERIAL WEAKNESS**

08-1: Failure of the School Department to Record Transportation Expenditures in the Proper Fiscal Period

Condition and Criteria: During the fiscal year 2008 audit and after the City's books were closed for the year then ended we were informed that approximately \$1,454,000 of transportation expenses incurred with one vendor during fiscal year 2008 had not been recoded in the City's general ledger. An audit adjustment was necessary to record these as a liability for financial statement purposes as of June 30, 2008, and the City was required to have a special vote to transfer funds from its Stabilization Fund to appropriate this amount for payment during fiscal year 2009.

This situation was apparently caused by the lack of an internal control at the School Department requiring all invoices to be recorded in the accounting system upon receipt, and by the lack of budgetary monitoring policy in this particular department (Student Transportation).

Not having these invoices recorded in the general ledger during the 2009 budget season (the spring of 2008) also significantly contributed to the School Department's inability to properly budget for its actual transportation needs in fiscal year 2009. Additional appropriations amounting to approximately \$7.5 million were required to be again transferred from Stabilization Funds after the initial 2009 budget was adopted.

Effect: The overall effect of this deficiency deteriorates management's ability to properly report financial information on a timely basis and has significantly affected the City's ability to manage its subsequent year budget requirements

Cause: Lack internal accounting control over the recording of vendor invoices and a lack of budgetary monitoring during the period.

Recommendation: In order to strengthen internal control over financial reporting and to improve budgetary monitoring policy we recommend that management investigate the specific causes of this situation and take immediate action to implement procedures that would preclude this from occurring in the future. Considerations should be given to decentralizing the receipt and distribution of incoming mail, including electronic receipts, enhancing accountability for approving and processing of invoices, and to strengthening policies over monthly budgetary monitoring. Where necessary policies over segregation of duties and contractual and vendor relations should be re-examined to ensure that any outside vendor relationship is not being controlled by any one individual.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Home Investment Partnership Program
CFDA No: 14.239

08-2: *Condition and Criteria:* Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as

established by HUD. Our inquires and review of the City's documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis.

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

UNITED STATES DEPARTMENT OF EDUCATION

Title 1 Grants to Local Educational Agencies
CFDA No: 84.010

08-3: *Condition and Criteria:* While testing non-payroll expenditures charged to the 2008 Title 1 grants, we noted instances where 2007 grant expenditures appear to be charged to the 2008 grants.

Cause: Lack of procedures in place to ensure that charges for supplies and services associated with the grant are limited to those applicable to the proper grant year.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: \$77,000

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 grants.

Title 1 Grants to Local Educational Agencies
Special Education Cluster
Improving Teacher Quality State Grants
Striving Readers
CFDA No: 84.010
CFDA No: 84.027
CFDA No: 84.173
CFDA No: 84.367
CFDA No: 84.371

08-4: *Condition and Criteria:* During our audit we were provided with the District's documented policies and procedures for identifying and charging employee salaries to the various educational grants. We were provided with listings of approved teachers and support staff whose salaries were to be charged to the grants. From the District's payroll records provided, we attempted to trace individuals to the listing of approved teachers. We were unable to trace numerous individuals to the listings from our sample of transactions selected. We were informed that approved teacher and staff listings are not always maintained for each individual grant year.

Cause: Lack of procedures in place to maintain proper and accurate listings of the employees to be paid out of these grants during the grant period.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: None

Auditors' Recommendation: We recommend that the District implement procedures to maintain approved listings of staff to be paid out of these grants for each grant year.

Special Education Cluster

CFDA No: 84.027

CFDA No. 84.173

08-5: *Condition and Criteria:* While *testing* non-payroll expenditures charged to the 2008 Special Education grants, we noted instances where the expenditures were being charged to the inappropriate expense accounts. For example, an invoice paid for clinical services rendered was paid out of an Office Supplies account and in another instance a copier lease payment was charged to a Memberships and Dues account.

Cause: Lack of procedures in place to charge the incurred expenditures to the appropriate expense account.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: None

Auditor's Recommendation: We recommend that the District implement procedures to document it's compliance with proper classification the incurred expenses.

D. Prior Year Audit Findings and Questioned Costs

UNITED STATES DEPARTMENT OF AGRICULTURE

School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children
CFDA No: 10.553
CFDA No: 10.555
CFDA No: 10.559

07-2: Condition and Criteria: The City is required to complete a process each year by selecting certain applications for free and reduced meals to verify the accuracy of the applications made. Guidance for this process is provided by the federal publication "Eligibility Manual for School Meals". We noted during our audit that the School District did not utilize the proper sampling methodology as required in the regulations, and therefore has selected fewer applications for verification than the federal guidelines suggest. The City appears to be using an "Alternative Method" of sampling which we believe the City is not eligible for based on our understanding of the guidelines.

Cause: Lack of procedures in place to properly implement the verification requirements of the School Breakfast and Lunch Programs.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Agriculture.

Auditors' Recommendation: We recommend that the City implement procedures to document its compliance with the verification requirements of the School Breakfast and Lunch Programs.

Current Status: The recommendation was adopted during fiscal year 2008. No similar findings were noted during the 2008 audit.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnership Program
CFDA No: 14.239

07-3: Condition and Criteria: Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as established by HUD. Our inquires and review of the City's documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis.

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

Current Status: This situation has remained unchanged during fiscal year 2008 and the finding has been repeated as current year finding #08-2.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grants/Entitlement Grants
CFDA No: 14.218

07-4: Condition and Criteria: During our 2007 audit we selected a rehabilitation project financed with CDBG grant funds to determine that the project met the program's limitations. Although the project appeared to meet all of the documented criteria we noted that the loan file and all the supporting paperwork was completed as if this was a Home Program under CFDA No. 14.239. We inquired of management about the discrepancy and no reason was offered to explain why the CDBG grant funds were utilized when this appears to have been a Home Program. In addition, the loan documentation differed from the signed Mortgage Agreement and related Promissory Note found in the loan file by \$1,000. No explanation was offered for this discrepancy.

Cause: Lack of procedures in place to ensure that loan documentation is maintained in accordance with program requirements.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

Current Status: The recommendation was adopted during fiscal year 2008. No similar findings were noted during the 2008 audit.

UNITED STATES DEPARTMENT OF EDUCATION

Title 1 Grants to Local Educational Agencies
CFDA No: 84.010

07-5: Condition and Criteria: During our 2007 audit we were provided with the District's documented policies and procedures for identifying and charging employee salaries to the Title 1 grant. We were provided a listing of approved teachers and support staff whose salaries were to be charged to the grant. From the District's payroll records provided, we attempted to trace individuals to the listing of approved teachers. We were unable to trace all of the individuals to the listing from our sample of transactions selected.

Cause: Lack of procedures in place to properly document instructional salaries approved to be charged to the grant.

Effect: The District is not in compliance with the grant agreements entered into with the Department of

Education.

Questioned Costs: None

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 Program.

Current Status: This situation has remained unchanged during fiscal year 2008 and the finding has been repeated as current year finding #08-4.

Title 1 Grants to Local Educational Agencies

CFDA No: 84.010

07-6: *Condition and Criteria:* While testing non-payroll expenditures charged to the 2007 Title 1 grant we noted instances where expenditures from prior grant years (\$15,294 from 2005 and \$35,708 from 2006) were charged to the 2007 grant.

Cause: Lack of procedures in place to ensure that charges for supplies and services associated with the grant are limited to those applicable to the proper grant year.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: \$51,002

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 Program.

Current Status: This situation has remained unchanged during fiscal year 2008 and the finding has been repeated as current year finding #08-3.