



CITY OF BOSTON, MASSACHUSETTS

Independent Auditors' Reports as Required by Title 2 U.S. Code
of Federal Regulations Part 200, Uniform Administrative Requirements,
Cost Principles, and Audit Requirements for Federal Awards and
Government Auditing Standards and Related Information

Year Ended June 30, 2023

CITY OF BOSTON, MASSACHUSETTS

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KPMG LLP
Two Financial Center
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Boston, MA 02111

Exhibit I

Independent Auditors' 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 the Uniform Guidance

The Honorable Mayor and City Council
City of Boston, Massachusetts:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Boston, Massachusetts' (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Boston Planning and Development Agency, Boston Public Health Commission, the Economic Development and Industrial Corporation of Boston, and the Trustees of the Public Library of the City of Boston, that received federal awards that are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2023. Our compliance audit, described in the Qualified and Unmodified Opinions section of our report does not include the operations of these entities because they engaged other auditors to perform an audit of compliance.

Qualified Opinion on Title I – Grants to Local Educational Agencies; ALN 84.010

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Title I – Grants to Local Educational Agencies* program for the year ended June 30, 2023.

Qualified Opinion on Staffing for Adequate Fire and Emergency Response; ALN 97.083

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Staffing for Adequate Fire and Emergency Response* program for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.



Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal programs. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Title I – Grants to Local Educational Agencies; ALN 84.010

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the allowability of payroll costs and financial reporting requirements relating to the Title I – Grants to Local Education Agencies; ALN 84.010, as described in finding numbers 2023-006 and 2023-007, respectively. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Staffing for Adequate Fire and Emergency Response; ALN 97.083

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the financial and performance reporting requirements relating to the Staffing for Adequate Fire and Emergency Response program; ALN 97.083, as described in finding numbers 2023-015 and 2023-016, respectively. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.



In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-005, 2023-008, and 2023-010. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-005 through 2023-011, and 2023-014 through 2023-016 to be material weaknesses.



Exhibit I

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004, 2023-012 and 2023-013 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated February 26, 2024, which contained an unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinions 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 the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Boston, Massachusetts
September 11, 2024

CITY OF BOSTON, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Exhibit II

Federal grantor/pass-through grantor/program	Federal Assistance Listing Number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture:			
Direct Program:			
Food Insecurity Nutrition Incentive Grants Program	10.331	\$ —	40,575
Urban Agriculture and Innovative Production	10.935	—	68,330
Passed-through Commonwealth Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Lunch Program (note 2)	10.555	—	30,282,508
Summer Food Service Program for Children (note 2)	10.559	—	847,800
Fresh Fruit and Vegetable Program (note 2)	10.582	—	1,420,357
Total Child Nutrition Cluster		—	32,550,665
Child and Adult Care Food Program (note 2)	10.558	—	1,723,375
Child Nutrition Discretionary Grants Limited Availability	10.579	—	112,182
Total U.S. Department of Agriculture		—	34,495,127
U.S. Department of Housing and Urban Development:			
Direct programs:			
CDBG Entitlement Grants Cluster:			
Community Development Block Grants – Entitlement Grant	14.218	5,523,043	16,402,150
COVID-19 Community Development Block Grants – Entitlement Grant	14.218	—	2,922,841
Total CDBG Entitlement Grants		5,523,043	19,324,991
Emergency Solutions Grants :			
Emergency Solutions Grants Program	14.231	1,279,198	1,407,631
COVID-19 Emergency Solutions Grants Program	14.231	9,572,425	9,759,445
Total Emergency Solutions Grants		10,851,623	11,167,076
H.O.M.E. Investment Partnerships Program (note 3)	14.239	—	155,275,124
Housing Opportunities for Persons with AIDS Grants:			
Housing Opportunities for Persons with AIDS	14.241	3,260,933	3,389,171
COVID-19 Housing Opportunities for Persons with AIDS	14.241	146,150	146,150
Total Housing Opportunities for Person with AIDS		3,407,083	3,535,321
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	—	13,770
Community Development Block Grants_Section 108 Loan Guarantees	14.248	—	1,814,165
Homeless Management Information Systems Technical Assistance	14.261	—	38,248
Continuum of Care Program	14.267	31,602,356	33,214,588
Fair Housing Assistance Program_State and Local	14.401	—	43,110
Lead Hazard Reduction Demonstration Grant Program	14.905	40,563	932,129
Passed-through Boston Housing Authority:			
HOPE VI Cluster:			
Choice Neighborhoods Implementation Grants	14.889	—	38,598
Total U.S. Department of Housing and Urban Development		51,424,668	225,397,120
U.S. Department of Justice:			
Direct programs:			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	—	361,892
Law Enforcement Mental Health and Wellness Act	16.710	—	1,068
Edward Byrne Memorial Justice Assistance Grant	16.738	—	220,692
DNA Backlog Reduction Program	16.741	—	304,935
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	—	12,444
National Sexual Assault Kit Initiative	16.833	—	419,758
Comprehensive Opioid Abuse Site-Based Program	16.838	—	38,947
Passed-through American Institute for Research:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	—	7,450
Passed-through Commonwealth Executive Office of Public Safety:			
Violence Against Women Formula Grants	16.588	—	106,201
Sex Offender Registration & Notification Act Address Verification Pilot Program	16.751	—	62,566
Passed-through Massachusetts Department of State Police:			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	—	25,988
Passed-through Boston Public Health Commission:			
Byrne Criminal Justice Innovation Program	16.817	—	(17)
Passed-through The Committee for Public Counsel Services:			
Postconviction Testing of DNA Evidence	16.820	—	70,275
Total U.S. Department of Justice		—	1,632,199
U.S. Department of Transportation:			
Direct Program:			
Highway Planning and Construction	20.205	—	6,244
Passed-through Commonwealth Executive Office of Public Safety/Administration:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	—	283
Total U.S. Department of Transportation		—	6,527

CITY OF BOSTON, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Exhibit II

Federal grantor/pass-through grantor/program	Federal Assistance Listing Number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Treasury:			
Direct Program:			
COVID-19 Emergency Rental Assistance Program	21.023	\$ 12,789,695	13,458,316
COVID-19 Coronavirus State And Local Fiscal Recovery Funds	21.027	12,774,959	137,115,925
Total U.S. Department of Treasury		<u>25,564,654</u>	<u>150,574,241</u>
National Endowment for the Arts:			
Direct program:			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	—	75,000
Total National Endowment for the Arts		<u>—</u>	<u>75,000</u>
National Science Foundation:			
Passed-through University of Massachusetts:			
Education and Human Resources	47.076	—	48,623
Total National Science Foundation		<u>—</u>	<u>48,623</u>
U.S. Environmental Protection Agency:			
Direct programs:			
Reducing Lead in Drinking Water	66.443	—	2,326,678
Brownfields Cleanup Cooperative Agreement	66.818	—	6,810
Total U.S. Environmental Protection Agency		<u>—</u>	<u>2,333,488</u>
U.S. Department of Education:			
Passed-through Commonwealth Department of Elementary and Secondary Education:			
Adult Education – Basic Grants to States	84.002	—	637,747
Title I – Grants to Local Educational Agencies	84.010	—	36,423,791
Special Education (IDEA) Cluster:			
Special Education (IDEA) – Grants to States	84.027	—	18,478,829
Special Education (IDEA) – Preschool Grants	84.173	—	984,808
Total Special Education (IDEA) Cluster		<u>—</u>	<u>19,463,637</u>
Career and Technical Education – Basic Grants to States	84.048	—	1,886,640
Education for Homeless Children and Youth	84.196	—	101,856
Twenty-First Century Community Learning Centers	84.287	—	975,544
Education Research, Development and Dissemination	84.305	—	32,566
English Language Acquisition State Grants	84.365	—	1,968,427
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	—	2,663,956
Student Support and Academic Enrichment Program	84.424	—	1,207,521
COVID-19 Education Stabilization Fund	84.425D	—	95,956,519
Passed-through Spurwink Services, Inc.:			
Education Innovation and Research (formerly Investment in Innovation (i3) Fund)	84.411	—	1,192
Total U.S. Department of Education		<u>—</u>	<u>161,319,396</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Cooperative Agreements to Promote Adolescent Health	93.079	—	529,609
Substance Abuse and Mental Health Services	93.243	—	(385,211)
Passed-through Commonwealth Executive Office of Elderly Affairs:			
Special Programs for the Aging:			
Title VII, Chapter 2:			
Title VII, Chapter 2	93.042	109,666	109,666
COVID-19 Title VII, Chapter 2	93.042	19,965	19,965
Total Title VII, Chapter 2		<u>129,631</u>	<u>129,631</u>
Title III, Part D:			
Title III, Part D	93.043	65,439	424,082
COVID-19 Title III, Part D	93.043	8,078	47,562
Total Title III, Part D		<u>73,517</u>	<u>471,644</u>
National Family Caregiver Support, Title III, Part E			
Title III, Part E:			
Title III, Part E	93.052	581,813	581,813
COVID-19 Title III, Part E	93.052	54,824	54,824
Total Title III, Part E		<u>636,637</u>	<u>636,637</u>
Aging Cluster:			
Special Programs for the Aging:			
Title III, Part B:			
Title III, Part B	93.044	488,392	852,348
COVID-19 Title III, Part B	93.044	139,390	216,589
Total Title III, Part B		<u>627,782</u>	<u>1,068,937</u>

CITY OF BOSTON, MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

<u>Federal grantor/pass-through grantor/program</u>	<u>Federal Assistance Listing Number</u>	<u>Passed through to subrecipients</u>	<u>Total federal expenditures</u>
Title III, Part C:			
Title III, Part C	93.045	\$ 1,684,834	1,684,834
COVID-19 Title III, Part C	93.045	1,169,912	1,169,912
Total Title III, Part C		2,854,746	2,854,746
Nutritional Services Incentive Program	93.053	819,095	819,095
Total Aging Cluster		4,301,623	4,742,778
Passed-through Commonwealth Department of Elementary and Secondary Education: Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	—	9,500
Total U.S. Department of Health and Human Services		5,141,408	6,134,588
U.S. Corporation for National and Community Services:			
Direct programs:			
Retired and Senior Volunteer Program	94.002	—	128,436
Foster Grandparent/Senior Companion Cluster: Senior Companions Programs	94.016	—	282,802
Total U.S. Corporation for National and Community Services		—	411,238
U.S. Department of Homeland Security:			
Direct programs:			
Emergency Food and Shelter National Board Program	97.024	—	93,705
Assistance to Firefighters Grant	97.044	—	275,718
Port Security Grant Program	97.056	—	114,220
Staffing for Adequate Fire and Emergency Response	97.083	—	7,373,448
Securing the Cities Program	97.106	—	633,137
Passed-through Massachusetts Emergency Management Agency: Emergency Management Performance Grants	97.042	—	42,546
Passed-through Commonwealth Executive Office of Public Safety: Homeland Security Grant Program	97.067	3,187,319	14,245,859
Regional Catastrophic Preparedness Grant Program	97.111	—	296,943
Total U.S. Department of Homeland Security		3,187,319	23,075,576
Total expenditures of federal awards		\$ 85,318,049	605,503,123

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BOSTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

(1) Reporting Entity

The basic financial statements of the City of Boston, Massachusetts (the City) include various component units that have separate single audits conducted in accordance with the Uniform Guidance. The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs of the City, exclusive of component units.

All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule of expenditures of federal awards.

(2) Summary of Significant Accounting Policies

The accounting and reporting policies of the City are set forth below:

(a) Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

(b) School Breakfast/Lunch Programs

The City accounts for local, state, and federal expenditures of the National School Lunch and School Breakfast programs in a combined fund.

(c) Food Nutrition Service Programs (ALN # 10.555/10.558/10.559/10.582)

Program expenditures in the accompanying schedule of expenditures of federal awards represent total federal reimbursements for meals provided during fiscal 2023.

(d) National School Lunch (ALN # 10.555)

Noncash contributions of commodities under the National School Lunch Program are received under a state distribution formula and are valued at federally published wholesale prices for purposes of the schedule of federal awards. During fiscal 2023, the City received \$1,047,857 of noncash contributions of commodities passed through the Commonwealth of Massachusetts. These commodities are not recorded in the financial records, although memorandum records are maintained.

(3) H.O.M.E. Investment Partnership Program Loans (ALN # 14.239)

Total expenditures in the accompanying schedule of expenditures of federal awards for the H.O.M.E. Investment Partnership (H.O.M.E.) program include the total amount of new loans made during fiscal year 2023, as well as the unpaid principal balance from loans originated in previous years that are subject to continuing compliance requirements, as defined by the Uniform Guidance. As of June 30, 2023, the H.O.M.E. program had year end loan balances subject to continuing compliance requirements of \$151,145,135.

(4) Indirect Cost Rate

The City has elected to not use the 10% de minimis indirect cost rate as discussed in Section 200.514 of the Uniform Guidance.



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Exhibit III

Independent Auditors' 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*

The Honorable Mayor and City Council
City of Boston, Massachusetts:

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2024. Our report includes a reference to other auditors who audited the financial statements of Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, the Permanent Funds, the Boston Retirement System, the City's OPEB Trust Fund, the City's Private-Purpose Trust Funds, the Boston Public Health Commission, the Trustees of the Public Library of the City of Boston, and the Economic Development and Industrial Corporation of Boston, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 related to the Boston Planning and Development Agency, a discretely presented component unit of the City, to be a material weakness.



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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s 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 financial statements. 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*.

City’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

KPMG LLP

Boston, Massachusetts
February 26, 2024

CITY OF BOSTON, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2023

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified for all opinion units**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (c) Noncompliance material to the financial statements: **No**

Federal Awards

- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (e) Type of report issued on compliance for major programs:
 - Title I – Grants to Local Educational Agencies (ALN 84.010) – **Qualified**
 - Staffing for Adequate Fire and Emergency Response (ALN 97.083) – **Qualified**
 - All other major programs – **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Identification of Major Programs

<u>Name of federal program or cluster</u>	<u>Federal Assistance Listing Number</u>
Child Nutrition Cluster	10.555/10.559/10.582
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
COVID-19 Emergency Rental Assistance	21.023
Title I – Grants to Local Educational Agencies	84.010
Special Education (IDEA) Cluster	84.027/84.173
COVID-19 Education Stabilization Fund	84.425
Staffing for Adequate Fire and Emergency Response	97.083

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **No**

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(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2023-001- GASB 87 Implementation Errors

Condition and Context

The Authority should be commended for completing its financial reporting responsibilities in time to meet the City of Boston's external financial reporting requirements. However, the Authority identified several errors related to the implementation of GASB 87, *Leases*, in fiscal year 2022. This resulted in a restatement of the 2022 financial statements. The errors identified were as follows:

Error 1 – Interest Calculation

The Authority's leases have payments due at the beginning of each period. Interest income was not appropriately accrued in the month it was earned rather that interest was allocated to the month in which the payment was made. This error shifted recognition of interest income by 1 month (i.e. at implementation and for any new lease, there was one less month of interest income recognized and subsequently, interest income was recognized for the incorrect twelve-month period).

In addition, Lease Query calculates interest on a daily basis, while the Authority's original calculations calculated interest monthly. As such, there were differences in the lease receivables, deferred inflow of resources, and related lease amounts that the Authority has chosen to correct as they transition to Lease Query starting in fiscal year 2024.

Error 2 – Deferred Inflows of Resources Calculation

For lease amendments, the lease receivable was remeasured on the effective date of the amendment and both the lease receivable and deferred inflow of resources were adjusted to the remeasured lease receivable amount. However, per GASB 87, the deferred inflows of resources should have been adjusted for the difference between the lease receivable balance on the day before the remeasurement date and the lease receivable balance on the remeasurement date.

Error 3 – Unrecorded Leases

There were seven leases that were not included within the GASB 87 population. Management was reviewing the monthly rent schedules for each location, which were utilized to determine their population of leases and identified the missing leases.

Error 4 – Duplicate Lease

One lease was incorrectly included in the lease population twice. This error was identified when comparing the populations for two locations where it was determined that it was double counted.

Error 5 – Presentation of Accrued Interest Receivable for Leases

The Authority elected to include accrued interest receivable with lease receivables on the statement of net position. However, per GASB 87, the accrued interest receivable should be presented separately.

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Error 6 – Presentation of Interest Income on Leases

The Authority elected to include interest income on leases in operating revenues. However, per GASB implementation guide 2021-1, interest income on leases should be presented as non-operating revenue.

Recommendation

Error 1 – Interest Calculation and Error 2- Deferred Inflows of Resources Calculation

We recommend management moved forward with its plan to formally transitioning to the GASB 87 Lease Query software in fiscal year 2024, which will perform all lease calculations for new and amended leases going forward to ensure proper calculation of the lease activity.

Error 3 – Unrecorded Leases

We recommend that management move forward with its plan to assign the maintenance of the lease schedules to one Authority accounting staff, which should then be reviewed monthly by the Controller. A comparison of the monthly rental amounts in these schedules to monthly rental amounts in Lease Query should continue to be performed for each lease at fiscal year-end.

Error 4 – Duplicate Lease

We recommend that management move forward with its plan to review the population of leases and compare it to the monthly rent schedules. Management should also compare each location population to each other to ensure the same lease does not appear more than once in a population. This should continue to be reviewed monthly by the Controller.

Error 5 – Presentation of Accrued Interest Receivable for Leases and Error 6- Presentation of Interest Income on Leases

We recommend management review the guidance for new standard implementations more closely to ensure they do not overlook or misinterpret the guidance.

Management Response

Management agrees with the finding and concurs with the Auditors' recommendation noting that implementation of GASB 87 has been far more challenging than anticipated. Despite the best efforts of the Authority's financing staff, working with outside, highly skilled accounting consultants, these calculations and recording errors were made in the first year of implementation. The errors have been corrected in the fiscal year 2023 financial statements. The Authority is also in the process of implementing software specifically designed for GASB 87. In addition, going forward, the Authority is also updating its policies and procedures to prevent such errors and will take advantage of future training opportunities to enhance the knowledge of its finance staff.

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Finding 2023-002- Capital Fund Accounting

Condition and Context

Capital budget for Sale of Property

During fiscal year 2019, the City completed a sale of property for \$102 million and recorded revenue upon receipt of the proceeds. The City Council approved \$35 million of the proceeds to be committed to the Boston Housing Authority. Rather than recording a debit to expenditures for disbursement of the proceeds to the Boston Housing Authority at the time, the City recorded a debit to revenue on a statutory basis. As a result, the capital budget to which the funds were allocated indicated that no revenues were applied to the project and the expenditures did not appear in the project.

During fiscal year 2023, the City determined that no expenditures were applied to the capital project to which the funds were allocated. As such, a statutory adjustment was required to reflect the expenditures in the capital project budget in order to close out the project.

As a result of recording this adjustment on a statutory basis, revenues and expenditures relating to 2019 were reflected in the 2023 financial statements. However, as these revenues and expenditures did not relate to 2023 and no GAAP entry was recorded to eliminate the activity, the 2023 revenues and expenditures were overstated by \$35 million.

The City subsequently recorded a GAAP entry to eliminate the activity in order to ensure revenues and expenditures from 2019 were not reflected in the final 2023 GAAP balances.

Massachusetts School Building Authority

During fiscal year 2023, the City initially determined that only \$432 thousand of receivables were outstanding relating the school construction projects that are partly reimbursed by the Massachusetts School Building Authority.

However, upon further review, the City determined that it was actually due \$5.2 million of receivables for school construction projects.

As a result, the intergovernmental receivables and deferred inflows of resources in the capital project fund were understated by \$4.7 million and the governmental activities revenue was understated by \$4.7 million.

Recommendation

We recommend that the City perform a detailed statutory to statutory basis analytical review for each fund to assess the reasonableness of the changes, which would help identify unusual fluctuations.

In addition, when recurring GAAP entries are determined to be not applicable in the current year, the City should reevaluate each entry in detail to determine if all facts and circumstances are being considered to ensure entries are not missed.

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Management's Response

The City will perform a statutory to statutory analysis for all funds not just the General Fund going forward. The City will also perform a GAAP to GAAP entry analysis for all funds going forward to ensure that no entries are missed in the future.

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(3) Findings and Questioned Costs Relating to Federal Awards

Findings number: 2023-003

Federal agency: U.S. Department of Agriculture

Pass-through agency: Commonwealth Department of Elementary and Second Education

Program: Child Nutrition Cluster – National School Lunch Program

ALN #: 10.555

Award number: Various

Award year: Various

Finding: Internal Control and Compliance over Allowability and Reporting

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

Allowability:

Reimbursement for meals served is not based on costs; it is determined solely by applying the applicable meals times rates formula.

Financial Reporting:

a. Claims for Reimbursement

SFAs and sponsors must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim (7 CFR sections 210.8, 220.11, 215.10, and 225.15(c)). The state agency has an additional 30 days to submit a consolidated report to FNS (7 CFR 210.5(d), 220.13(b)(2), 215.11(c)(2), and 225.8).

b. Recordkeeping

Each month's claim for reimbursement and all data used in the claims review process must be maintained on file. Accurate records must be maintained justifying all meals claimed and documenting that all Program funds were spent only on allowable Child Nutrition Program costs. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. Records are required to be retained for a period of three years after submission of the final Claim for Reimbursement for the fiscal year. Or, if audit findings have not been resolved, the records must be retained beyond the three-year period as

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long as required for the resolution of the issues raised by the audit. School food authorities are required to make the information available to the Department and the state agency upon request.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our completeness and accuracy testing of the City of Boston Public Schools Food and Nutrition Services (FNS) monthly claims for reimbursement and recordkeeping, which included the allowability of meals reimbursed, we noted that edit checks were performed and documented monthly at the school site level confirming meal count reports. However, out of a sample of 60 days across 12 schools, there were 11 days across 4 schools that did not agree to the underlying manual tally sheets. Additionally, there was one school site that did not retain their tally sheets, and as such, we were unable to confirm the meals were accurate or allowable.

Additionally, although a control was identified by the FNS documented policies, we were unable to verify meal counts were being reviewed at the individual school level by the site manager.

Cause

This appears to be due to insufficient policies and procedures surrounding the claims for reimbursement and recordkeeping.

Effect

Meal count reports utilized for the monthly claims for reimbursement are not complete and accuracy, nor do they have complete and accurate underlying records to substantiate the meals requested for reimbursement.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

\$5,287

Recommendation

We recommend that FNS enhance their policies and procedures to include a more thorough review and approval of meal counts at the school level to ensure allowability as well as completeness and accuracy of the meal counts submitted for reimbursement. Additionally, we recommend FNS re-enforce their policy to ensure underlying records are maintained in accordance with program requirements.

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View of Responsible Officials from the Auditee

FNS understands that this is a serious issue in schools that use paper tally sheets and has already begun to implement steps to improve the accuracy of meal counting and claiming in response to similar findings from a March 2023 on-site DESE review of SY2022-23 meal claims.

- Site managers were retrained on June 7, 2023, on procedures for proper counting and claiming of reimbursable meals, and reminded of the document retention policy.
- Follow-up training was provided during the 2023-24 school year, and more is planned for 2024-25.
- In addition, FNS has been reducing the usage of paper tally sheets in favor of electronic records created in the POS system when students scan their ID card or enter their ID number as they are served a reimbursable meal. This greatly improves accuracy by eliminating the possibility of arithmetic or data entry errors that can occur when transferring information from paper sheets into the computer.
- FNS has hired a financial analyst, whose duties include working with field coordinators (regional supervisors who oversee groups of schools) to ensure that claims entered into the Titan POS system are accurate, complete and backed up by appropriate documentation.

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Finding number: 2023-004

Federal agency: U.S. Department of Agriculture

Pass-through agency: Commonwealth Department of Elementary and Second Education

Program: Child Nutrition Cluster – National School Lunch Program
 Child Nutrition Cluster – Fresh Fruits and Vegetables

ALN #: 10.555, 10.582

Award number: Various

Award year: Various

Finding: Internal Control over School Food Accounts

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

7 CFR 210.14(a), 210.14(c), 210.19(a)(2), 215.7(d), 220.2 and 220.7(e)(1)(i) indicate that a School Food Authority (SFA) is required to account for all revenues and expenditures of its nonprofit school food service in accordance with State and Federal requirements. A SFA must operate its food services on a non-profit basis; all revenue generated by the school food service must be used to operate and improve its food services.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing of school food accounts, it was disclosed that the recording of food service federal reimbursement payments is reviewed and approved by the City of Boston Public Schools Food and Nutrition Services (FNS) Director of Finance. This monthly Cash Receipt Form is prepared and sent from the FNS Director of Finance to the City of Boston Treasury Department (Treasury) outlining the grant's upcoming wire funds from their monthly claims submission request.

However, during our testing of a sample size of three months, we noted the September 2022 cash receipt form was not submitted to Treasury for both the National School Lunch program and Fresh Fruits and Vegetables program. Additionally, we noted a variance of \$8,676 between the March 2023 Cash Receipt Form, and the reimbursement request and revenue received for the Fresh Fruits and Vegetable program.

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Cause

This appears to be due to insufficient policies and procedures to ensure the Cash Receipt Form is complete and accurate. Additionally, the policies lack an alternative control in cases where key management is unable to perform the control.

Effect

The FNS does not have effective internal controls over the SFA.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that the FNS enhance its policies to ensure completeness and accuracy of the Cash Receipt Forms and include alternative procedures should the control operator be unavailable.

View of Responsible Officials from the Auditee

FNS would note that the cash receipt form is not the only control to ensure that school nutrition program revenues are correctly deposited in the school nutrition program account. The FNS Director of Finance also reviews the revenue deposited into the account on at least a monthly basis, compares this with a printed copy of the expected reimbursement amount that was submitted to DESE, writes and initials a confirmation of the deposit amount on the printed reimbursement report, and maintains this paperwork in a file. In the event of a discrepancy between the expected and received amounts, the FNS Director of Finance contacts DESE and/or the city treasury as needed to reconcile. So if a cash receipt form is not submitted or contains an error, any missing or incorrect deposits would be discovered and corrected.

However, to reduce the possibility of errors or delays in depositing the funds, the FNS Director of Finance will ensure that the FNS Financial Analyst is able to complete the cash receipt form as a backup when necessary.

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Finding number: 2023-005

Federal agency: U.S. Department of Treasury

Pass-through agency: N/A – Direct

Program: COVID-19 Emergency Rental Assistance Program

ALN #: 21.023

Award number: N/A

Award year: January 1, 2021 to September 30, 2025

Finding: Internal Control and Compliance over Subrecipient Monitoring

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

According to 2 CFR 200.331 (b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F -Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Also, according to 2 CFR 200.331 (d), a pass-through entity must:

- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.
- Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

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Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing of subrecipient monitoring for a sample of 2 out of the population of 5 subrecipients, the Mayor's Office of Housing (MOH) was unable to provide documentation for either of the subrecipients showing that a formal risk evaluation had been performed.

Cause

This appears to be due to inadequate policies and procedures surrounding the initial risk assessment of the subrecipients.

Effect

The MOH does not have adequate controls over evaluating each subrecipient's risk of noncompliance for purposes of determining appropriate subrecipient monitoring.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that the MOH implement control procedures to ensure that each subrecipient is evaluated for risk of noncompliance to ensure appropriate subrecipient monitoring.

View of Responsible Officials from the Auditee

The City and the Mayor's Office of Housing has reinforced all documented policies and procedures with staff to ensure all areas of compliance have appropriate backup documentation to demonstrate that pre-award risk has been assessed.

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Finding number: 2023-006

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

ALN #: 84.010

Award number: 305-532937-2022-0035; 305-719222-2023-0035

Award year: September 1, 2021 to June 30, 2023

Finding: Internal Control and Compliance over Payroll Costs

Prior Year Finding: Yes; 2022-001

Type of Finding: Material Weakness

Criteria

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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Condition

During our testing of allowable costs associated with payroll charges, we noted that the City of Boston Public Schools (BPS) documents time and attendance of employees on daily timesheets signed by the employee, and that these timesheets are approved by the Department Head/Supervisor on a Department Time Summary Report (DTSR). However, for our sample of 40 payroll transactions charged to the program, 23 transactions were not supported by a completed timesheet. Additionally, we noted that the DTSR was either not located or not approved by the Department Head/Supervisor for 5 payroll transactions.

Cause

This appears to be due to an insufficient system for collecting, filing and maintaining supporting documentation for payroll transactions charged to Federal programs.

Effect

Insufficient review of payroll documentation increases the risk of inaccurate payroll costs being allocated to a grant award.

Additionally, BPS is not in compliance with 2 CFR 200.430(i)(1) regarding documentation in support of salaries and wages charge to the federal program. The number of transactions that were not supported by a time sheet represent 57% of the selected population and indicate a systemic problem.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

Questioned costs of \$65,817, for unsupported payroll charges, were charged to ALN # 84.010, Award No. 305-532937-2022-0035 and Award No. 305-719222-2023-0035.

Recommendation

We recommend that BPS re-enforce its policies and procedures to ensure their review of payroll changes via signoff on the Department Time Summary is appropriately documented and records are retained to ensure that all payroll costs charged to the federal program are supported by documentation as required by 2 CFR 200.430(i)(1).

View of Responsible Officials from the Auditee

BPS has updated DTSR training and guidance for timekeepers to ensure that any similar technical issues are addressed quickly and manually adjusted if needed. Training was given in August 2024.

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Finding number: 2023-007

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

ALN #: 84.010

Award number: Various

Award year: Various

Finding: Internal Control and Compliance over Reporting

Prior Year Finding: Yes; 2022-002

Type of Finding: Material Weakness

Criteria

The City of Boston Public Schools (BPS) receives funding from the Commonwealth of Massachusetts’ Department of Elementary and Secondary Education (DESE). DESE sets policy for the grants and required reports. DESE issues guidance in *Grants for Schools: Getting Them and Using them, A Procedural Manual*.

According to the DESE’s procedure manual, “At the conclusion of grant activities, recipients must submit a final financial report to the Department, accounting for the expenditure of funds received. Grants Management has developed an online process and standard form (FR1) for collecting this information. The FR1 form should be submitted to Grants Management within sixty (60) days of the end date of the grant. Grant recipients should file their reports after carefully reconciling all figures with their city auditor, town accountant, or agency business manager.”

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our review of compliance with subrecipient reporting requirements for the Title I program, we noted that, for our sample of 6 of the population of 6 FR1 reports required to be filed in fiscal year 2023, all 6 reports were not filed.

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Cause

This appears to be due to inadequate policies and procedures surrounding the filing of financial reports under the program.

Effect

BPS does not have effective internal controls over the Federal award in regard to the primary recipient's Title I program reporting requirements.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that BPS implement control procedures to ensure that the FR1 form be submitted to DESE Grants Management within sixty (60) days of the end date of the grant in accordance with the reporting requirements of the primary Federal recipient of the Title I program.

View of Responsible Officials from the Auditee

BPS is working with DESE to revise our control procedures with the switch to their new GEM\$ grant management system to ensure we are meeting compliance with FR1 deadlines.

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Finding number: 2023-008

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

ALN #: 84.010

Award number: Various

Award year: Various

Finding: Internal Control and Compliance over Participation of Private School Children

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

For programs funded under Title I, Part A (Assistance Listing 84.010), an LEA, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public school attendance area and have educational needs under Section 1115(c) of the ESEA (20 USC 6315(c)). The amount of funds an LEA makes available for equitable services under Title I, Part A must be equal to the proportion of funds generated by private school children from low-income families who reside in participating public school attendance areas. An LEA must determine the proportional share available for services for eligible private school children based on the total amount of Title I funds received prior to any expenditures or transfers of funds within the program, such as reservations for administration, parental involvement, and district-wide activities (20 USC 6320(a)(4)(A)). LEAs determine the proportional share by multiplying the proportion of children from low-income families who attend private schools and live in participating Title I attendance areas by the LEA's total Title I allocation (including any funds transferred into Title I). For more information, see Title I, Part A of the ESEA: Providing Equitable Services to Eligible Private School Children, Teachers, and Families (October 7, 2019) (<https://oese.ed.gov/files/2020/07/equitable-services-guidance100419.pdf>).

The control of funds used to provide equitable services to eligible private school students, teachers and other educational personnel, and families, and title to materials, equipment, and property purchased with those funds must be in a public agency and the public agency must administer the funds, materials, equipment, and property. The provision of equitable services must be by employees of a public agency or through a contract by the public agency with an individual, association, agency, or organization that is independent of the private school. The contract must be under the control of the public agency (Sections 1117(d), and 8501(d) of ESEA (20 USC 6320(d), and 7881(d); section 18005(b) of the CARES Act; 34 CFR sections 76.661, 200.64(b)(3), 200.67, and 299.9).

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Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

As part of the City of Boston Public School's (BPS) policy over compliance with private school funding, private school officials are required to fill out the *Boston Public Schools: Non-Public Grant Assurance and Participation Form* attesting BPS provided timely and meaningful consultation with the school officials in making its determination. However, during our testing of 10 private schools in which BPS provides funding to eligible private school children, BPS was unable to locate the submitted form for one school. Additionally, for the 9 private schools where the form was provided, the authorized private school official certified that BPS did not provide timely and meaningful consultation before having made any decision that affected the participation of eligible private school children.

Additionally, we were able to verify that the amount of funds available for equitable services for BPS was determined by multiplying the proportion of private school children from low-income families residing in participating public school attendance areas by the LEA's total Title I, Part A allocation. We noted the data on children from low-income families who reside in the participating Title I public school attendance area and attend the private school is provided by the private school officials, which is then inputted and calculated by BPS on their Title I application. However, we were unable to confirm completeness and accuracy of the eligible private school children counts used in the calculation as BPS did not retain the correspondence from the schools to support the data ultimately included in their calculation.

Cause

This appears to be due to an insufficient system in place to ensure consultations are performed timely and all supporting documentation related to compliance with providing equitable services for eligible private school children.

Effect

BPS is not conducting timely consultations with private school officials in making its determination for private school funding and as such, private school programs are getting delayed.

BPS is potentially using inaccurate or incomplete data when calculating the amount of funds available for equitable services for eligible private school children.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

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Recommendation

BPS management should enhance their policy to include tracking of when consultations with private school officials are held to ensure timely and meaning consultation. Additionally, when utilizing data provided by private school officials to determine the eligible private school child count, we recommend BPS retain copies of their correspondence to ensure completeness and accuracy of the calculation.

View of Responsible Officials from the Auditee

BPS has implemented a revised consultation process for the FY24-FY25 cycle to ensure that the consultation process happens with fidelity and that records are properly stored.

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Finding number: 2023-009

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

ALN #: 84.010

Award number: Various

Award year: Various

Finding: Internal Control over Annual Report Card, High School Graduation Rate

Prior Year Finding: Yes; 2022-003

Type of Finding: Material Weakness

Criteria

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and state levels using the four-year adjusted cohort rate and, at an SEA's or LEA's discretion, one or more extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by the subgroups in Section 1111(c)(2) of the ESEA, homeless status, status as a child in foster care using a four-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates) (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(23), (25)(20 USC 6311(h)(1)(C)(iii)(II) and 7801(23), (25))). Except as noted below, only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating graduation rates. The term "regular high school diploma" means the standard high school diploma that is awarded to the preponderance of students in the state and that is fully aligned with the state standards (but not to alternate academic achievement standards for students with the most significant cognitive disabilities) or a higher diploma. A regular high school diploma does not include a recognized equivalent of a diploma, such as a general equivalency diploma (GED), certificate of completion, certificate of attendance, or similar lesser credential (ESEA, Section 8101(43) (20 USC 7801(43))). An SEA may, but is not required to, award a state-defined alternate diploma for students with the most significant cognitive disabilities who take an alternate assessment aligned with alternate academic achievement standards. That diploma must be standards based, aligned with the state's requirements for a regular high school diploma, and obtained within the time period for which the state ensures the availability of a free appropriate public education. If an SEA awards an alternate diploma, the SEA may count those students in its four-year and any extended-year adjusted cohort graduation rate, even if the student takes more than four years to receive the alternate diploma (ESEA, Section 8101(23)(A)(ii)(I)(bb), (25)(A)(ii)(I)(bb) (20 USC 7801(23)(A)(ii)(I)(bb), (25)(A)(ii)(I)(bb))).

To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that

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a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(23), (25) (20 USC 6311(h)(1)(C)(iii)(II) and 7801(23), (25))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

Per the City of Boston Public School's (BPS) *Student Withdrawal Procedures* policy, school leaders are required to sign off, via a Google Form, prior to state data submissions in October, March and June that there is sufficient documentation to support all students who have withdrawn from their school.

During our testing of 24 public high schools in which BPS is responsible for reporting graduation data, 13 school leaders did not submit their school's certification for the data submission timeframe selected. Additionally, we noted 5 schools where the school leader provided a certification; however their certification was not submitted prior to the state's data submission.

Cause

This appears to be due to an insufficient system for collecting school leader's certifications prior to state submission.

Effect

BPS is potentially misstating the number of students in the adjusted cohorts used by the Commonwealth of Massachusetts to determine the 4-year adjusted cohort graduation rate.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

BPS management should re-enforce their policy and the requirements with staff related to the removal of students from the adjusted cohorts used to determine the 4-year adjusted cohort graduation rate. In addition, BPS management should re-enforce their policies and procedures to obtain and monitor official written documentation of student transfers that is required to remove students from their respective cohort.

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View of Responsible Officials from the Auditee

The sign off form is only one part of the controls BPS has implemented. The student withdrawal team also reviews individual documentation for every student who has been withdrawn prior to the data certification, and they update the withdrawal code to be a dropout if there is not sufficient documentation. While, we did not have full sign off from school leaders, we did adjust individual withdrawal codes prior to submitting the data to the state. This is a new process that was put in place starting in the fall of 2022. We will continue to update training for school leaders around certification.

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Finding number: 2023-010

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Title I, Grants to Local Education Agencies

ALN #: 84.010

Award number: Various

Award year: Various

Finding: Internal Control and Compliance over Assessment System Security

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

SEAs, in consultation with LEAs, are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Title I, Section 1111(b)(2)(B)(iii) of the ESEA (20 USC 6311(b)(2)(B)(iii))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

Each year schools who administer the Massachusetts Comprehensive Assessment System (MCAS) test are required to review and sign the Superintendent’s Assurance of Proper MCAS Test Administration form (Assurance Form), attesting their school will meet all the requirements and test administration protocols as outlined by the City of Boston Public Schools (BPS) and the Massachusetts Department of Secondary Education.

During our testing of 26 schools in which BPS is responsible for administering the MCAS test, forms for 3 schools were not obtained.

Cause

This appears to be due to an insufficient system for collecting and retaining school leader’s certifications ensuring they will meet all requirements and test administration protocols.

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Effect

Schools are potentially not following all requirements and protocols related to the administration of the MCAS test and therefore not maintaining an assessment system that is valid, reliable and consistent with professional technical standards.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

BPS management should re-enforce their policy and the requirements to obtain and monitor official written documentation of school's compliance with the administration of the MCAS test.

View of Responsible Officials from the Auditee

BPS takes testing security very seriously. We have a cross-functional team that works with our schools to ensure that protocols are being followed. We will reinforce with our school leaders the need for them to promptly complete the certifications to that effect.

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Finding number: 2023-011

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Special Education (IDEA) Cluster

ALN #: 84.027; 84.173

Award number: 240-532934-2022-0035; 240-714716-2023-0035

Award year: August 23, 2021 to September 30, 2024

Finding: Internal Control over Payroll Costs and Period of Performance

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

Allowable Costs – Payroll

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

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Period of Performance

A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR sections 200.308, 200.309, and 200.403(h)). A period of performance may contain one or more budget periods.

LEAs and SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing of allowable costs and period of performance associated with payroll charges, we noted that the City of Boston Public Schools (BPS) documents time and attendance of employees on daily timesheets signed by the employee, and that these timesheets are approved by the Department Head/Supervisor on a Department Time Summary Report (DTSR). However, for 39 of our sample of 40 payroll transactions charged to the program, we noted that the DTSR was either not located or not approved by the Department Head/Supervisor.

Cause

This appears to be due to the insufficient retention and documentation over the review and approval of payroll charges.

Effect

Insufficient review of payroll documentation increases the risk of inaccurate payroll costs being allocated to a grant award.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that BPS re-enforce its policies and procedures to ensure their review of payroll changes via signoff on the Department Time Summary is appropriately documented and records are retained.

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View of Responsible Officials from the Auditee

BPS has updated DTSR training and guidance for timekeepers to ensure that any similar technical issues are addressed quickly and manually adjusted if needed. Training was given in August 2024.

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Finding number: 2023-012

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: Special Education (IDEA) Cluster

ALN #: 84.027; 84.173

Award number: Various

Award year: Various

Finding: Internal Control over Maintenance of Effort

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

LEAs – Local Maintenance of Effort

(1) Eligibility Standard

- a. To meet the eligibility standard for an award for a fiscal year, the LEA must budget for the education of children with disabilities at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available:
 - i. Local funds only;
 - ii. The combination of state and local funds;
 - iii. Local funds only on a per capita basis; or
 - iv. The combination of state and local funds on a per capita basis.
- b. When determining the amount of funds that the LEA must budget to meet the requirement, the LEA may take into consideration, to the extent the information is available, the exceptions and adjustment provided in 34 CFR sections 300.204 and 300.205 that the LEA:
 - i. Took in the intervening year or years between the most recent fiscal year for which information is available and the fiscal year for which the LEA is budgeting; and
 - ii. Reasonably expects to take in the fiscal year for which the LEA is budgeting.

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- c. Expenditures made from funds provided by the federal government for which the SEA is required to account to the federal government or for which the LEA is required to account to the federal government directly or through the SEA may not be considered in determining whether an LEA meets the eligibility standard (34 CFR section 300.203(a)).

(2) Compliance Standard

- a. Except as provided in 34 CFR sections 300.204 and 300.205, funds provided to an LEA under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in 34 CFR sections 300.204 and 300.205:

- i. Local funds only;
- ii. The combination of state and local funds;
- iii. Local funds only on a per capita basis; or
- iv. The combination of state and local funds on a per capita basis.

Expenditures made from funds provided by the federal government for which the SEA is required to account to the federal government or for which the LEA is required to account to the federal government directly or through the SEA may not be considered in determining whether an LEA meets the compliance standard (34 CFR section 300.203(b)).

(3) § 300.204 Exception to maintenance of effort

Notwithstanding the restriction in § 300.203(b), an LEA may reduce the level of expenditures by the LEA under Part B of the Act below the level of those expenditures for the preceding fiscal year if the reduction is attributable to any of the following:

- a. The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel.
- b. A decrease in the enrollment of children with disabilities.
- c. The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child—
 - i. Has left the jurisdiction of the agency;

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- ii. Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or
- iii. No longer needs the program of special education.
- d. The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.
- e. The assumption of cost by the high cost fund operated by the SEA under § 300.704(c).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing to confirm the City of Boston Public Schools (BPS) met Special Education (IDEA) Cluster's maintenance of effort (MOE) *Compliance Standard* test, we noted there were four school closures during fiscal year 2023. This resulted in a decrease in the enrollment of children with disabilities, an allowable exception to the MOE calculation as noted above.

However, BPS was unable to provide sufficient documentation calculating the actual decrease in the enrollment of children with disabilities and the associated dollar value impact on the MOE calculation.

Cause

This appears to be due to insufficient policy in place for tracking the MOE compliance and retention of documentation supporting allowable exceptions.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that BPS re-enforce its policies and procedures to ensure sufficient tracking and documentation is retained supporting all allowable exceptions for the maintenance of effort *Compliance Standard* requirement.

View of Responsible Officials from the Auditee

This is the first year BPS met maintenance of effort through the per-pupil standard. We are revising our tracking and documentation for special education expenses to ensure that when we meet MOE through this standard we have kept appropriate records to meet MOE compliance requirements.

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Finding number: 2023-013

Federal agency: U.S. Department of Education

Pass-through agency: Commonwealth Department of Elementary and Secondary Education

Program: COVID-19 Education Stabilization Fund

ALN #: 84.425D

Award number: 119-532940-2022-0035

Award year: September 1, 2022 to June 30, 2024

Finding: Internal Control over Payroll Costs

Prior Year Finding: No

Type of Finding: Significant Deficiency

Criteria

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the

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non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing of allowable costs associated with payroll charges, we noted that the City of Boston Public Schools (BPS) documents time and attendance of employees on daily timesheets signed by the employee, as well as weekly time and effort reporting worksheets. The timesheets are then reviewed alongside the bi-weekly Department Time Summary Reports (DTSRs) and approved by the Department Head, ensuring appropriate salary and wage distribution. However, for one of our sample of 40 payroll transactions charged to the program, we noted that although the respective DTSR was approved by the Department Head and the employee signed their timesheet, the employee selected was missing from the DTSR.

Cause

This appears to be due to the review of the DTSR not being precise enough to ensure all employees are included and appropriately charged to the program.

Effect

Insufficient review of payroll documentation increases the risk of inaccurate payroll costs being allocated to a grant award.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that BPS enhance its policies and procedures to include a more detailed review of the Department Time Summary to ensure that all payroll costs charged to the federal program are reviewed and approved.

View of Responsible Officials from the Auditee

We had a system error for the employee when they changed from temporary to permanent status that led to their time not correctly showing up in the DTSR document. This problem should have been flagged earlier by their department timekeeper for correction. BPS has updated DTSR training and guidance for timekeepers to ensure that any similar technical issues are addressed quickly and manually adjusted if needed.

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Finding number: 2023-014

Federal agency: U.S. Department of Homeland Security

Pass-through agency: N/A – Direct Funding

Program: Staffing for Adequate Fire and Emergency Response

ALN #: 97.083

Award number: EMW-2020-FF-00996

Award year: February 27, 2022 to February 26, 2025

Finding: Internal Control over Payroll

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

In accordance with 2 CFR 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- (iv) Encompass both Federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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Condition

During our testing of allowable costs associated with payroll charges, we noted the Boston Fire Department (BFD) provides a pay rate text file to the City of Boston Central Payroll Division to process stipend payments. The pay rate file is then uploaded into the City's payroll system (HCM), which is used to process the fire fighter's payroll. However, we noted there is no review process over the pay rate file to ensure accuracy of the rates.

Cause

This appears to be due to a lack of a formal control over the stipend pay rate process.

Effect

Insufficient review of payroll documentation increases the risk of inaccurate payroll costs being allocated to a grant award.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend BFD implement a formal process to ensure accuracy of stipend rates prior to upload into the City's payroll system.

View of Responsible Officials from the Auditee

The City of Boston and The Boston Fire Department will implement additional internal controls over the review of pay rates. These additional internal controls will ensure that all pay rates are accurate and will include evidence of review and approval.

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Finding number: 2023-015

Federal agency: U.S. Department of Homeland Security

Pass-through agency: N/A – Direct Funding

Program: Staffing for Adequate Fire and Emergency Response

ALN #: 97.083

Award number: EMW-2020-FF-00996

Award year: February 27, 2022 to February 26, 2025

Finding: Internal Control and Compliance over Financial Reporting

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

Per the *Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) for Fiscal Year 2020 Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program*, recipients of the SAFER Program grants are required to submit an FFR (SF-425) on a semi-annual basis. The FFR is to be submitted using the online FEMA GO based on the calendar year beginning with the period after the start of the period of performance. Grant recipients are required to submit an FFR throughout the entire period of performance of the grant.

Reports are due:

1. No later than July 30 (for the period January 1 – June 30)
2. No later than January 30 (for the period July 1 – December 31)
3. Within 120 days after the end of the period of performance

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our review of controls in place with the semi-annual SF-425 Financial Reporting requirement, we noted that for both our samples of the financial reports required to be filed in fiscal year 2023, there was a lack of an internal control over the filing of the reports in place during the fiscal year.

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During our review of compliance with the semi-annual SF-425 Financial Reporting requirement, we noted that certain financial information within the semi-annual report covering July 1, 2022 to December 31, 2022 could not be verified against the general ledger including Line 10e Federal Share of expenditures and Line 10g Total Federal Funds, both reporting \$6,125,484. Additionally, we noted the semi-annual report covering January 1, 2023 to June 30, 2023 was filed 87 days late on October 25, 2023.

Cause

This appears to be due to inadequate policies and procedures surrounding the filing of financial reports under the program.

Effect

The Boston Fire Department (BFD) does not have a process in place to ensure the completeness and accuracy, or the timely filing, of the semi-annual SF-425 Financial Report.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None

Recommendation

We recommend that the BFD implement control procedures to ensure that the SF-425 Financial Reports are filed timely and reviewed against supporting general ledger schedules to ensure completeness and accuracy of each report prior to submission.

View of Responsible Officials from the Auditee

BFD has taken considerable steps to incorporate and implement proper control procedures surrounding all grant related matters, i.e. financial reporting and oversight. In August 2023, BFD hired a Financial Grants Manager with more than ten years of experience working in municipal government with grants to ensure proper financial oversight is established and enforced.

Additionally, BFD has acquired licenses for Airtable, an online platform for creating and sharing relational databases. It combines the features of a database and a spreadsheet, allowing users to store, organize, and collaborate on information about anything. This platform allows the department to track upcoming reporting deadlines, maintain information regarding grant related purchases, etc.

The Financial Grants Manager has been reviewing all currently funded grants, to include SAFER, to ensure that the general ledger postings accurately reflect allowable costs so that when reports are filed the information reported in FEMA GO is accurate and complete.

BFD projects that timely and accurate filing will be in effect no later than in January 2025 in order to complete the semi-annual reports due for the period ending December 31, 2024.

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Finding number: 2023-016

Federal agency: U.S. Department of Homeland Security

Pass-through agency: N/A – Direct Funding

Program: Staffing for Adequate Fire and Emergency Response

ALN #: 97.083

Award number: EMW-2020-FF-00996

Award year: February 27, 2022 to February 26, 2025

Finding: Internal Control and Compliance over Performance Reporting

Prior Year Finding: No

Type of Finding: Material Weakness

Criteria

Per the *Department of Homeland Security (DHS) Notice of Funding Opportunity (NOFO) for Fiscal Year 2020 Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program and the Federal Emergency Management Agency (FEMA) Grant Programs Directorate Information Bulletin No. 471*, the recipient is responsible for completing and submitting a Programmatic Performance Report (PPR) using FEMA GO. For those awards which began in prior year, the PPR is due every six months based on the calendar year until the period of performance ends, and no later than 30 days after the six-month period end.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testing over both required semi-annual performance progress reports (PPRs) for fiscal year 2023, we noted the semi-annual PPR covering July 1, 2022 to December 31, 2022 was filed six days late on February 6, 2023. Additionally, we noted the semi-annual PPR covering January 1, 2023 to June 30, 2023 was never filed.

Cause

This appears to be due to inadequate policies and procedures surrounding the filing of PPRs under the program.

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Effect

The Boston Fire Department (BFD) does not have a process in place to ensure the completeness and accuracy, or the timely filing, of the semi-annual PPR.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs:

None

Recommendation

We recommend that the BPD implement control procedures to ensure that the PPRs are filed timely and reviewed against supporting schedules to ensure completeness and accuracy of each report prior to submission.

View of Responsible Officials from the Auditee

BFD has taken considerable steps to incorporate and implement proper control procedures surrounding all grant related matters, i.e. programmatic reporting and oversight. In February 2024, BFD hired a Programmatic Grants Manager to ensure and implement proper policies and procedures regarding programmatic aspects of the department's external funds.

Additionally, BFD has acquired licenses for Airtable, an online platform for creating and sharing relational databases. It combines the features of a database and a spreadsheet, allowing users to store, organize, and collaborate on information about anything. This platform allows the department to track upcoming reporting deadlines, maintain information regarding grant related purchases, etc.

The Programmatic Grants Manager has been reviewing all currently funded grants, to include SAFER, to ensure that the general ledger postings accurately reflect allowable costs so that when reports are filed the information reported in FEMA GO is accurate and complete.

BFD projects that timely and accurate filing will be in effect no later than in January 2025 in order to complete the semi-annual reports due for the period ending December 31, 2024.