

CITY OF SALEM, MASSACHUSETTS

SINGLE AUDIT REPORTS

PURSUANT TO

OMB CIRCULAR A-133

JUNE 30, 1998

CITY OF SALEM, MASSACHUSETTS
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TUCCI & ROSELLI

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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

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

We have audited the financial statements of the City of Salem, as of and for the year ended June 30, 1998, and have issued our report thereon dated October 30, 1998. This report was qualified with respect to the accounting for: fixed assets; the enterprise fund; the pension trust fund; and risk financing, as the accounting principles used were not in accordance with generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Salem's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 98-17, 98-18, and 98-27. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Salem in a separate letter dated October 30, 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Salem's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Salem's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-17, 98-18, 98-23, and 98-25.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Salem in a separate letter dated October 30, 1998.

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

Tucci & Roselli

Tucci & Roselli
Certified Public Accountants
October 30, 1998

TUCCI & ROSELLI

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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

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

Compliance

We have audited the compliance of the City of Salem with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. The City of Salem's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Salem's management. Our responsibility is to express an opinion on the City of Salem's compliance based on our audit.

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

As described in items 98-3 through 98-12, 98-16, 98-20 through 98-22, 98-24, and 98-27 in the accompanying schedule of findings and questioned costs, the City of Salem did not comply with requirements regarding reporting, eligibility, and cash management that are applicable to its Community Development Block Grant, and Title I federal programs. Compliance with such requirements is necessary, in our opinion, for the City of Salem to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Salem complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 98-14, 98-15, and 98-26.

Internal Control Over Compliance

The management of the City of Salem is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Salem's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Salem's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 98-17, 98-18, 98-25, and 98-23.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider all of the items to be material weaknesses.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the City of Salem as of and for the year ended June 30, 1998, and have issued our report thereon dated October 30, 1998. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City of Salem taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Tucci & Roselli

Tucci & Roselli
Certified Public Accountants
October 30, 1998

CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1998

Federal Agency / Pass Through Agency/ Program Name	Federal CFDA # Number	Gross Expenditures
U.S. Department of Health and Human Services		
<i>Passed through North Shore Elder Services, Inc.</i>		
Title IIIC - Nutrition Program for the Aging	93.045	\$51,897
Title IIIB - Special Programs for the Aging	93.044	20,790
U.S. Department of Justice		
<i>Office of Community Oriented Policing Services</i>		
Grants to Encourage Arrest Policies - Domestic Violence	16.590	24,190
<i>Passed through the Commonwealth of Massachusetts- Executive Office of Public Safety</i>		
Community Policing	16.710	53,456
U.S. Department of Education		
Kidnet - College Family Support	84.233A	12,908
Plan New School	84.211B	173
Project Globe	84.003C	3,170
Title VII - Models	84.290U	200,766
<i>Passed through North Shore Community College</i>		
Technology Preparation	84.243A	1,650
<i>Passed through the Commonwealth of Massachusetts- Department of Education</i>		
Emergency Immigration	84.162	20,629
Technology Literacy	84.318	8,799
Drug Free Schools	84.186	71,577
Vocational Skills	84.048	36,289
Title VI	84.151	37,819
Curriculum Study Group	84.276	11,478
Teacher Training Math/Science (Eisenhower)	84.164	26,505
School to Work	84.278B	363,358
Technology Preparation	84.243	4,990
Foreign Language	84.293	107,974
Eisenhower Professional Development	84.281	5,850
Title I (Chips)	84.010 *	1,168,557
SPED: Early Childhood Allocation	84.173	44,822
SPED: Curriculum Frameworks	84.027	359,265
U.S. Department of Agriculture		
<i>Passed through the Commonwealth of Massachusetts- Department of Education</i>		
National School Lunch Program	10.555	478,735
School Breakfast Program	10.553	123,889
Food Distribution	10.550	71,753
Federal Emergency Management Agency		
<i>Passed through the Commonwealth of Massachusetts- Massachusetts Emergency Management Agency</i>		
Civil Defense	83.503	17,444
U.S. Department of Housing and Urban Development		
CDBG Entitlement	14.218 *	1,720,353
<i>Passed through the North Shore Home Consortium</i>		
Home Investment Partnerships Program	14.239	110,746
TOTAL EXPENDITURES		\$5,159,832

*denotes major programs

THE CITY OF SALEM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1998

A. Scope of Audit

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

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

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

B. Period Audited

Single audit testing procedures were performed for federal grant transactions during the year ended June 30, 1998.

C. Summary of Significant Accounting Policies

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

Basis of Presentation -

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

THE CITY OF SALEM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-
CONTINUED
YEAR ENDED JUNE 30, 1998

D. Non - Cash Commodities

The Schedule of Expenditures of Federal Awards includes \$71,753 of USDA commodities, which is a non - cash item and accordingly is not recorded in the general purpose financial statements.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

A. Summary of Audit Results

1. The auditors' report expresses a qualified opinion on the financial statements of the City of Salem, Massachusetts.
2. Reportable conditions and material weaknesses relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Instances of noncompliance material to the financial statements of the City of Salem were disclosed during the audit.
4. Reportable conditions and material weaknesses disclosed during the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Salem expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the City of Salem are reported in Part C of this Schedule.
7. The programs tested as major programs were the Community Development Block Grant (CFDA No. 14.218), School Lunch (CFDA No. 10.555), and Title I (CFDA No. 84.010).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Salem was not determined to be a low risk auditee.

B. Findings-Financial Statement Audit

Findings relative to the financial statement audit are located in a separate letter dated October 30, 1998.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Health & Human Services

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

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

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

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

Cause of Condition: Lack of financial activity segregation.

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

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

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

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

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

Cause of Condition: Lack of financial activity segregation.

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education

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

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

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

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

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

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

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

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

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

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

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

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

98-6 Technology Literacy Challenge – CFDA No. 84.318

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

98-7 SPED Curriculum Frameworks – CFDA No. 84.027

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

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

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

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

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

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

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

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

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

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

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

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

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

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

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

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

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

98-12 Title I – CFDA No. 84.010

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

98-13 Title I – CFDA No. 84.010

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

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

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

Cause of Condition: Employee did not have a current contract for their current rate of pay in their file.

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

98-14 Title I – CFDA No. 84.010

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Education- continued

98-15 Title I – CFDA No. 84.010

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

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

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

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

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

98-16 Title I – CFDA No. 84.010

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

U.S. Department of Housing and Urban Development

**Questioned
Costs**

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

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

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

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

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

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

\$23,121

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

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

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

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

Cause of Condition: Employees did not have a current contract for their current rate of pay in their file.

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

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

Criteria: All transactions utilizing federal funding requires documentation.

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

Cause of Condition: Lack of proper documentation in file.

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

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

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

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

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

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

Recommendation: Formulate an adequately documented citizens participation plan.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

**Questioned
Costs**

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

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

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

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

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

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

\$81,777

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

D. Findings and Questioned Costs Prior Year

U.S. Department of Agriculture

**Questioned
Costs**

97-1 School Lunch - CFDA No. 10.555

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

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

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

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

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

Current Year Status: This issue was not noted in the current year.

U.S. Department of Housing and Urban Development

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

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

Current Year Status: Issues with the filing of the new CAPER report were noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education

**Questioned
Costs**

97-3 Emergency Immigration - CFDA No. 84.162

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-4 Drug Free Schools – CFDA No. 84.186

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education – continued

**Questioned
Costs**

97-5 Vocational Skills – CFDA No. 84.048

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-6 Title VI - CFDA No. 84.151

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education – continued

97-7 Goals 2000: Curriculum Study Groups - CFDA No. 84.276

**Questioned
Costs**

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-8 Technology Preparation - CFDA No. 84.243

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education – continued

97-9 Eisenhower Professional Development - CFDA No. 84.281

**Questioned
Costs**

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the Current year.

97-10 Teacher Training Math / Science (Eisenhower) - CFDA No. 84.164

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

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

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-12 High Schools That Work – CFDA No. 84.048

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

**Questioned
Costs**

U.S. Department of Education – continued

97-13 Foreign Language - CFDA No. 84.293

Material Weakness:

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

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

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

Cause of Condition: Grant report was not submitted.

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-14 SPED 94-142 - CFDA No. 84.027

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

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

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

Cause of Condition: Lack of proper cash management.

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

Current Year Status: The same issue denoted above was noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education – continued

97-15 Title I – CFDA No. 84.010

**Questioned
Costs**

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

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

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

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

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

Current Year Status: All student files were located and found to be materially complete in the current year.

97-16 Title I – CFDA No. 84.010

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

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

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

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

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

Current Year Status: All student files were located and found to be materially complete in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education – continued

97-17 Title I - CFDA No. 84.010

**Questioned
Costs**

Material Weakness:

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

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

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

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

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

Current Year Status: This issue was not noted in the current year.

U.S. Department of Housing and Urban Development

97-18 Community Development Block Grant – CFDA No. 14.218

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

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

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

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

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

Current Year Status: Contracts for these employees were implemented in April 1998.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

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

97-19 Community Development Block Grant – CFDA No. 14.218

**Questioned
Costs**

Material Weakness:

Statement of Condition: The gross pay calculation on four time sheets, made by a subrecipient, was not mechanically accurate.

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

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

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

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

Current Year Status: Detail testing revealed errors and non compliance in the area of time sheets and the Davis Bacon Act.

97-20 Community Development Block Grant - CFDA No. 14.218

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

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

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

Cause of Condition: Inconsistent write up of subrecipient monitoring.

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

Current Year Status: The above issue was noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education

**Questioned
Costs**

97-21 Drug Free Schools - CFDA No. 84.186

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

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

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

Cause of Condition: Grant award letters were not available.

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

Current Year Status: All grant award letters were located in the current year.

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

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

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

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

Cause of Condition: Grant award letters were not available.

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

Current Year Status: All grant award letters were located in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education - continued

97-23 Vocational Skills – CFDA No. 84.048

**Questioned
Costs**

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

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

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

Cause of Condition: Grant award letters were not available.

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

Current Year Status: All grant award letters were located in the current year.

97-24 Technology Preparation - CFDA No. 84.243

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

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

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

Cause of Condition: Grant award letters were not available.

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

Current Year Status: All grant award letters were located in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education - continued

**Questioned
Costs**

97-25 Early Childhood Education - CFDA No. 84.027

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

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

Effect of Condition: Grant reporting requirements are not met.

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

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

Current Year Status: Various final financial reports were not filed timely in the current year.

97-26 Title I - CFDA No. 84.010

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

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

Effect of Condition: Grant reporting requirements are not met.

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

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

Current Year Status: Various final financial reports were not filed timely in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Agriculture

**Questioned
Costs**

97-27 School Lunch - CFDA No. 10.555

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

Criteria: Eligibility forms are required to contain certain data.

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

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

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

Current Year Status: The above was not noted in the current year.

U.S. Department of Education

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

Material Weakness:

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

Criteria: Revenue should be recorded when received.

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

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

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

Current Year Status: This issue was not noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education - continued

97-29 Eisenhower Professional Development - CFDA No. 84.281

**Questioned
Costs**

Material Weakness:

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

Criteria: Revenue should be recorded when received.

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

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

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

Current Year Status: This issue was not noted in the current year.

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

Material Weakness:

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

Criteria: Revenue should be recorded when received.

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

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

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

Current Year Status: This issue was not noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998
(Continued)**

D. Findings and Questioned Costs Prior Year - continued

U.S. Department of Education - continued

97-31 Drug Free Schools - CFDA No. 84.186

**Questioned
Costs**

Material Weakness:

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

Criteria: Revenue should be recorded when received.

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

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

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

Current Year Status: This issue was not noted in the current year.

97-32 Early Childhood Allocation - CFDA No. 84.027

Material Weakness:

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

Criteria: Revenue should be recorded when received.

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

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

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

Current Year Status: This issue was not noted in the current year.

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998**

U.S. Department of Health & Human Services

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

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

Corrective Action Planned: All grants will be tracked separately to comply with federal guidelines.

Anticipated Completion Date: Immediate completion.

Contact: Jackie Grimes, Council on Aging

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

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

Corrective Action Planned: All grants will be tracked separately to comply with federal guidelines.

Anticipated Completion Date: Immediate completion.

Contact: Jackie Grimes, Council on Aging

U.S. Department of Education

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Dr. James O'Connor, Director Salem School Department

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

U.S. Department of Education- continued

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

98-6 Technology Literacy Challenge – CFDA No. 84.318

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

U.S. Department of Education- continued

98-7 SPED Curriculum Frameworks – CFDA No. 84.027

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Dr. James O'Connor, Director Salem School Department

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

U.S. Department of Education- continued

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

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Robert L. Pesce, Assistant to the Superintendent

98-12 Title I – CFDA No. 84.010

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

Corrective Action Planned: Final reports will be submitted to the Department of Education within 60 days after the close of the program.

Anticipated Completion Date: Immediate completion.

Contact: Brendan R. Walsh, Director Title One

98-13 Title I – CFDA No. 84.010

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

Corrective Action Planned: A contract was not available due to the contractual negotiation process between the School Department and the Director of this program. Currently, a contract has been agreed upon.

Anticipated Completion Date: Immediate completion.

Contact: Brendan R. Walsh, Director Title One

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

U.S. Department of Education- continued

98-14 Title I – CFDA No. 84.010

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

Corrective Action Planned: The performance and achievement report was filed on December 21, which is six days late.

Anticipated Completion Date: Immediate completion.

Contact: Brendan R. Walsh, Director Title One

98-15 Title I – CFDA No. 84.010

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

Corrective Action Planned: The school was asked to research its correspondence and to forward to us a letter copy for FY98.

Anticipated Completion Date: Immediate completion (3/1/99).

Contact: Brendan R. Walsh, Director Title One

98-16 Title I – CFDA No. 84.010

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

Corrective Action Planned: We are following correct procedures for our grant; procedures which have been followed for at least 15 years. To wit; the allotment schedule for grants over \$25,000 is that payments will be distributed in quarterly allotments on request. All sections of the request for funds application must be completed and the report submitted, four to six weeks prior to the need for additional funds to allow sufficient time for processing. The quarterly allotment schedule must be utilized when requesting funds. Any request in excess of the allotment schedule must include a letter of justification explaining the need for additional funds, otherwise the request will be reduced to coincide with the allotment schedule. Letters will be reviewed and approved or disapproved at the discretion of the staff of the Bureau of Grants Management.

Anticipated Completion Date: N/A

Contact: Brendan R. Walsh, Director Title One

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

U.S. Department of Housing and Urban Development

**Questioned
Costs**

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

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

Corrective Action Planned: The Finance Department will evaluate the policies and procedures when CDBG funds are used to reimburse expenses from other City departments through public service subgrants.

Anticipated Completion Date: June 30, 1999

Contact: Bruce Guy, Finance Director

\$23,121

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

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

Corrective Action Planned: The Community Development Department will review and evaluate the policies and procedures in place for the tracking of loans and implement the conclusions.

Anticipated Completion Date: June 30, 1999

Contact: Jane Guy, Community Development Director

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

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

Corrective Action Planned: This finding was implemented from the prior year, however it was not in practice until three quarters through fiscal year 1998, due to the timing of the audit. All employee contracts are and will continue to be on file in the Community Development, Personnel and Finance Departments.

Anticipated Completion Date: April 1998.

Contact: Jane Guy, Community Development Director

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

Corrective Action Planned: The Community Development Department received a letter from the U.S. Department of Housing and Urban Development accepting our request for a 45 day delay in the submission. In the future, the CAPER report will be submitted timely.

Anticipated Completion Date: Immediate completion.

Contact: Jane Guy, Community Development Director

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

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

Corrective Action Planned: The Community Development Department will perform all required verification procedures in order to assure that all projects are verified for prevailing wages.

Anticipated Completion Date: Immediate completion.

Contact: Jane Guy, Community Development Director

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

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

Corrective Action Planned: The statement of condition refers to drawdowns not being done timely. All drawdowns for the 1997 / 1998 CDBG grant have been drawn down as of 10/28/98. The policies and procedures for the requesting of revenues have been reviewed and a more efficient management system is being incorporated.

Anticipated Completion Date: Immediate and ongoing completion.

Contact: Jane Guy, Community Development Director

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

Corrective Action Planned: The statement of condition refers to the inaccurate assumption that drawdowns are automatically transferred into the general account of the City. Drawdowns are maintained in a separate bank account.

Anticipated Completion Date: N/A

Contact: Bruce Guy, Finance Director

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

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

Corrective Action Planned: The statement of condition appears to refer to older files that may still be active due to ongoing payments. For the last five years the Community Development Department has maintained a worksheet in each file which calculates eligibility, along with copies of all income information.

Anticipated Completion Date: Immediate and ongoing completion.

Contact: Jane Guy, Community Development Director

**THE CITY OF SALEM, MASSACHUSETTS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998
(Continued)**

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

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

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

Corrective Action Planned: All transactions utilizing federal funds will be adequately documented in the loan recipients files.

Anticipated Completion Date: Immediate and ongoing completion.

Contact: Jane Guy, Community Development Director

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

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

Corrective Action Planned: The Community Development Department will formulate an adequately documented citizens participation plan.

Anticipated Completion Date: June 30, 1999.

Contact: Jane Guy, Community Development Director

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

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

Corrective Action Planned: The statement of condition refers to section 108 loan payments being deducted directly from the CDBG grant rather than the City sending payment. In the future, the City shall make all required payments in a timely manner.

Anticipated Completion Date: Immediate and ongoing completion.

Contact: Jane Guy, Community Development Director

1. The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters α and β .

2. In the second part of the paper we consider the case of a linear system of equations (1) with constant coefficients. In this case the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters α and β is solved.

3. In the third part of the paper we consider the case of a nonlinear system of equations (1) with constant coefficients. In this case the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters α and β is solved.

4. In the fourth part of the paper we consider the case of a nonlinear system of equations (1) with variable coefficients. In this case the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters α and β is solved.