

***CITY OF SALEM, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***YEAR ENDED JUNE 30, 2019***

**CITY OF SALEM, MASSACHUSETTS**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

**Page**

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government</i> <i>Auditing Standards</i> .....	1
Report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance .....	3
Report on schedule of expenditures of federal awards required by the Uniform Guidance.....	5
Schedule of expenditures of federal awards .....	6
Notes to schedule of expenditures of federal awards.....	9
Schedule of findings and questioned costs .....	10



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

### **Independent Auditor's Report**

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

We have audited, in accordance with 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Salem, Massachusetts' basic financial statements, and have issued our report thereon dated January 28, 2020.

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

In planning and performing our audit of the financial statements, we considered the City of Salem, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Salem, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, Massachusetts' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Salem, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers & Sullivan LLC*

January 28, 2020



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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

### **Independent Auditor's Report**

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

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

We have audited the City of Salem, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Salem, Massachusetts' major federal programs for the year ended June 30, 2019. The City of Salem, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Salem, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salem, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Salem, Massachusetts' compliance.

## Opinion on Each Major Federal Program

In our opinion, the City of Salem, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of the City of Salem, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salem, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, Massachusetts' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



March 9, 2020



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## **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

### **Independent Auditor's Report**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Massachusetts, as of the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Salem, Massachusetts' basic financial statements. We issued our report thereon dated January 28, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Powers & Sullivan LLC*

January 28, 2020

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	05-258	\$ -	\$ 189,347
Cash Assistance:				
National School Lunch Program.....	10.555	05-258	-	1,528,016
After School Snack Program.....	10.555	05-258	-	5,237
Total National School Lunch Program.....			-	1,722,600
Cash Assistance:				
School Breakfast Program.....	10.553	05-258	-	667,266
TOTAL CHILD NUTRITION CLUSTER.....			-	2,389,866
<b>EMPLOYMENT SERVICE CLUSTER:</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through State Division of Career Services - Workforce Development:</u>				
Employment Service/Wagner Peyser Funded Activities (Fiscal year 2019).....	17.207	19CCSALEWP-WP 19	-	52,368
Employment Service/Wagner Peyser Funded Activities (Fiscal year 2018).....	17.207	18CCSALEWP-WP 18	-	18,211
Total Employment Service/Wagner Peyser Funded Activities.....			-	70,579
Disabled Veterans' Outreach Program (DVOP) (Fiscal year 2019).....	17.801	19CCSALEVETSUI-VETS 19	-	28,714
TOTAL EMPLOYMENT SERVICE CLUSTER.....			-	99,293
<b>WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) CLUSTER:</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through State Division of Career Services - Workforce Development:</u>				
WIOA - Adult Program (Fiscal Year 2019).....	17.258	CT EOL 19CCSALEWIA	-	331,410
WIOA - Adult Program (Fiscal Year 2018).....	17.258	CT EOL 18CCSALEWIA	-	245,417
Total WIOA - Adult Program.....			-	576,827
WIOA - Youth Activities (Fiscal Year 2019).....	17.259	CT EOL 19CCSALEWIA	235,558	464,345
WIOA - Youth Activities (Fiscal Year 2018).....	17.259	CT EOL 18CCSALEWIA	-	153,568
Total WIOA - Youth Activities.....			235,558	617,913
WIOA - Dislocated Worker Formula Grants (Fiscal Year 2019).....	17.278	CT EOL 19CCSALEWIA	-	246,830
WIOA - Dislocated Worker Formula Grants (Fiscal Year 2018).....	17.278	CT EOL 18CCSALEWIA	-	252,289
WIOA - Dislocated Worker Formula Grants (Fiscal Year 2018).....	17.278	18CCSALEWIA-RRSS	-	64,369
Total WIOA - Dislocated Worker Formula Grants.....			-	563,488
TOTAL WORKFORCE INNOVATION AND OPPORTUNITY ACT CLUSTER.....			235,558	1,758,228
<b>SPECIAL EDUCATION CLUSTER:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2019).....				
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	240-219356-2019-0258	-	1,034,290
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	240-147770-2018-0258	-	158,494
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	274-202023-2018-0258	-	9,051
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	248-202923-2018-0258	-	22,500
Special Education Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	240-102089-2017-0258	-	69
Total Special Education Grants to States (IDEA, Part B).....			-	1,224,404
Special Education Preschool Grants (Fiscal Year 2019).....	84.173	262-219354-2019-0258	-	47,461
Special Education Preschool Grants (Fiscal Year 2018).....	84.173	26218SALEMPUBLICPAY	-	834
Special Education Preschool Grants (Fiscal Year 2017).....	84.173	26217SALEMPUBLICPAY	-	5,900
Total Special Education Preschool Grants.....			-	54,195
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,278,599
<b>AGING CLUSTER:</b>				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through North Shore Elder Services, Inc.:</u>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers.....	93.044	15COA258000000002015	-	10,880
Special Programs for the Aging Title III, Part C Nutrition Services.....	93.045	15COA258000000002015	-	15,927
TOTAL AGING CLUSTER.....			-	26,807
<b>DIRECT PROGRAMS:</b>				
U.S. DEPARTMENT OF DEFENSE:				
<u>Direct Program:</u>				
ROTC Language and Culture Training Grants.....	12.357	N/A	-	94,421

(Continued)



FOR THE YEAR ENDED JUNE 30, 2019

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	645-239213-2019-0258	-	253,594
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	646-219371-2019-0258	-	51,163
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	644-287614-2019-0258	-	36,000
Twenty-First Century Community Learning Centers (Fiscal Year 2018).....	84.287	244-158267-2018-0258	-	5,820
Twenty-First Century Community Learning Centers (Fiscal Year 2018).....	84.287	645-146387-2018-0258	-	66,987
Total Twenty-First Century Community Learning Centers.....			-	413,564
English Language Acquisition Grants (Fiscal Year 2019).....	84.365	180-218821-2019-0258	-	12,523
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	180-146344-2018-0258	-	51,748
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-105260-2017-0258	-	525
Total English Language Acquisition Grants.....			-	64,796
Mathematics and Science Partnerships.....	84.366	145-205883-2018-0258	-	6,949
Supporting Effective Instruction State Grants (Fiscal Year 2019).....	84.367	140-218819-2019-0258	-	7,533
Supporting Effective Instruction State Grants (Fiscal Year 2018).....	84.367	140-146341-2018-0258	-	148,266
Supporting Effective Instruction State Grants (Fiscal Year 2018).....	84.367	144-205882-2018-0258	-	1,051
Supporting Effective Instruction State Grants (Fiscal Year 2017).....	84.367	140-100175-2017-0258	-	19,114
Total Supporting Effective Instruction State Grants.....			-	175,964
Student Support and Academic Enrichment (Fiscal Year 2019).....	84.424	309-218824-2019-0258	-	13,295
Student Support and Academic Enrichment (Fiscal Year 2018).....	84.424	309-156235-2018-0258	-	22,562
Total Student Support and Academic Enrichment.....			-	35,857
TOTAL U.S. DEPARTMENT OF EDUCATION.....			-	1,939,141
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through Center for Disease Control and Prevention:</u>				
Cooperative Agreements to Promote Adolescent Health Through School Based Surveillance.....	93.079	649-140235-2018-0258	-	143
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Teenage Pregnancy Prevention Program (Fiscal Year 2019).....	93.297	716-270833-2019-0258	-	24,000
Teenage Pregnancy Prevention Program (Fiscal Year 2018).....	93.297	716-149538-2018-0258	-	3,351
Total Teenage Pregnancy Prevention Program.....			-	27,351
Improving Student Health and Academic Achievement.....	93.981	650-270834-2019-0258	-	4,800
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES.....			-	32,294
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through Massachusetts Emergency Management Agency:</u>				
Hazard Mitigation Grant Program.....	97.039	HMGP189516-SPRING	-	9,485
Emergency Management Performance Grants.....	97.042	FY19EMPG1800000SALEM	-	13,760
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY.....			-	23,245
TOTAL.....			\$ 612,274	\$ 10,165,897

See notes to schedule of expenditures of federal awards.

(Concluded)

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Salem, Massachusetts under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City of Salem, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Salem, Massachusetts.

**Note 2 – Summary of Significant Accounting Policies**

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

- a) Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Cash Assistance – School Breakfast and National School Lunch Programs – Program expenditures represent federal reimbursement for meals provided during the year.
- c) Non-Cash Assistance (Commodities) – National School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- d) The City of Salem, Massachusetts has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Salem, Massachusetts.
2. No material weaknesses or significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Salem, Massachusetts were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City of Salem, Massachusetts expresses an unmodified opinion on all major federal award programs.
6. There were no audit findings relative to the major federal award programs for the City of Salem, Massachusetts.
7. The programs tested as major grants are the Child Nutrition Cluster CFDA #10.553 and 10.555 and Community Development Block Grant CFDA #14.218.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Salem, Massachusetts was determined to be a low-risk auditee.

**B. Findings-Financial Statements Audit**

None.

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

None.

**D. Summary Schedule of Prior Audit Findings**

None.