



**CITY OF BROCKTON, MASSACHUSETTS**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2013

# CITY OF BROCKTON, MASSACHUSETTS

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KPMG LLP  
Two Financial Center  
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Exhibit I

**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**

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

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

We have audited the City of Brockton, Massachusetts' (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's 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 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 Example Entity'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Basis for Adverse Opinion on Lead Based Paint Hazard Control in Privately Owned Housing***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding subrecipient monitoring and cash management related to CFDA 14.900, Lead Based Paint Hazard Control in Privately Owned Housing, as described in finding numbers 2013-004 and 2013-005. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.



***Adverse Opinion on Lead Based Paint Hazard Control in Privately Owned Housing***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the City did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.900 Lead Based Paint Hazard Control in Privately Owned Housing, for the year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City 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 other major federal programs for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which 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 2013-006 through 2013-009. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the City 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's 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 OMB Circular A-133, 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's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005 to be material weaknesses.



## Exhibit I

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-006 through 2013-009 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2014, 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 OMB Circular A-133 and is not a 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 basic 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 expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*KPMG LLP*

June 30, 2014

## CITY OF BROCKTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal grantor/passed-through grantor/program title	CFDA number	Federal expenditures
U.S. Department of Agriculture:		
Passed through State Department of Elementary and Secondary Education:		
Food Donation	10.550	\$ 518,258
School Breakfast Program (note 4)	10.553	1,527,996
National School Lunch Program (note 4)	10.555	5,662,815
Special Summer Food Service Program for Children (note 4)	10.559	225,301
Fresh Fruit and Vegetable Program	10.582	45,621
Total U.S. Department of Agriculture		<u>7,979,991</u>
U.S. Department of Defense:		
Direct Programs:		
U.S. Army Junior ROTC	12.000	107,597
Total U.S. Department of Defense		<u>107,597</u>
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant – Entitlement Grants (note 4)	14.218	1,486,690
Community Development Block Grant – Section 108 Loan Guarantees	14.248	1,070,790
Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	567,042
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	920,905
Total direct programs		<u>4,045,427</u>
Passed through State Department of Housing and Community Development:		
Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii (note 4)	14.228	358,657
Total U.S. Department of Housing and Urban Development		<u>4,404,084</u>
U.S. Department of the Interior National Park Service:		
Passed through Massachusetts Historical Commission:		
Historic Preservation Fund Grants-In-Aid	15.904	6,825
Total pass-through programs		<u>6,825</u>
Total U.S. Department of the Interior National Park Service		<u>6,825</u>
U.S. Department of Justice:		
Direct programs:		
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	94,045
Public Safety Partnership and Community Policing Grants	16.710	537,744
ARRA – Public Safety Partnership and Community Policing Grants	16.710	659,352
Total direct programs		<u>1,291,141</u>
Passed through Plymouth County District Attorney Office:		
Edward Byrne Memorial Justice Assistance Grant Program (note 4)	16.738	112,612
ARRA – Edward Byrne Memorial Justice Assistance Grant (note 4)	16.803	1,650
Total pass-through programs		<u>114,262</u>
Total U.S. Department of Justice		<u>1,405,403</u>
U.S. Department of Energy:		
Direct Programs:		
ARRA – Energy Efficiency and Conservation Block Grant Program	81.128	75,724
Total U.S. Department of Energy		<u>75,724</u>

## CITY OF BROCKTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal grantor/passed-through grantor/program title	CFDA number	Federal expenditures
U.S. Department of Labor:		
Passed through Brockton Area Workforce Investment Board:		
ARRA – WIA Adult Program (note 4)	17.258	\$ 1,620
Passed through State Department of Elementary and Secondary Education:		
WIA Adult Program (note 4)	17.258	59,083
Total U.S. Department of Labor		<u>60,703</u>
U.S. Department of Transportation:		
Passed through State Department of Transportation:		
Highway Planning and Construction (note 4)	20.205	104,235
Passed through State Office of Public Safety:		
State and Community Highway Safety (note 4)	20.600	31,103
Total U.S. Department of Transportation		<u>135,338</u>
U.S. Department of Education:		
Direct programs:		
Safe and Drug-Free Schools and Communities National Program	84.184	128,085
Total direct programs		<u>128,085</u>
Passed through State Department of Elementary and Secondary Education:		
Adult Education – Basic Grants to States	84.002	1,106
Title I – Grants to Local Educational Agencies (note 4)	84.010	5,039,763
Special Education – Grants to States (note 4)	84.027	4,945,689
Vocational Education – Grants to States	84.048	143,607
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	2,360
Education for Homeless Children & Youth	84.196	26,059
Twenty-First Century Community Learning Centers	84.287	415,524
English Language Acquisition Grants	84.365	688,176
Improving Teach Quality State Grants	84.367	1,458,413
ARRA – Title I – Grants to Local Educational Agencies (note 4)	84.389	36,024
ARRA – Special Education – Grants to States (note 4)	84.391	11,350
ARRA – State Fiscal Stabilization Fund Race to the Top	84.395	599,382
Passed through Massachusetts Department of Early Childhood Education & Care:		
Special Education – Preschool Grants (kindergarten development) (note 4)	84.173	555,144
ARRA – Special Education Grants to States (note 4)	84.391	85,003
Passed through Massachusetts Rehabilitation Commission:		
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	3,541
Passed through University of Massachusetts – Boston:		
Rehabilitation Services – Services Projects	84.128	3,004
Total pass-through programs		<u>14,014,145</u>
Total U.S. Department of Education		<u>14,142,230</u>
Corporation for National and Community Service:		
Passed through Department of Elementary and Secondary Education:		
Learn and Serve America School and Community Program	94.004	23,813
Total Corporation for National and Community Service		<u>23,813</u>

## CITY OF BROCKTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal grantor/passed-through grantor/program title	CFDA number	Federal expenditures
U.S. Department of Health and Human Services:		
Direct program:		
Medical Reserve Corps Small Grant Program	93.008	\$ 6,055
Total direct programs		<u>6,055</u>
Passed through State Department of Public Health:		
Public Health Emergency Preparedness	93.069	8,968
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	50,396
National Bioterrorism Hospital Preparedness Program	93.889	3,828
Passed through Massachusetts Department of Early Childhood Education & Care:		
Child Care Mandatory and Marching Funds of the Child Care and Development Fund (note 4)	93.596	206,676
Head Start	93.600	182,736
Total passed-through programs		<u>452,604</u>
Total U.S. Department of Health and Human Services		<u>458,659</u>
U.S. Department of Homeland Security:		
Direct program:		
Assistance to Firefighters Grant	97.044	718,455
Total direct programs		<u>718,455</u>
Passed through Massachusetts Emergency Management Agency:		
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	166,021
Emergency Management Performance Grants	97.042	50,450
Passed through Southeast Regional Advisory Council:		
Homeland Security Grant program	97.067	8,500
Total passed-through programs		<u>224,971</u>
Total U.S. Department of Homeland Security		<u>943,426</u>
Institute of Museum and Library Services:		
Passed through Massachusetts Board of Library Commissioners:		
Grants to States	45.310	797
Total Institute of Museum and Library Services		<u>797</u>
Total expenditures of federal awards		<u>\$ 29,744,590</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF BROCKTON, MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

**(1) Definition of Reporting Entity**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Brockton, Massachusetts (the City). All federal awards received directly from federal agencies as well as federal awards passed through other local government agencies are included on the Schedule.

**(2) Summary of Significant Accounting Policies**

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

**(a) Basis of Presentation**

The accompanying Schedule is presented using the modified accrual basis of accounting.

**(b) School Cafeteria Programs**

The City accounts for local, state, and federal expenditures of the National School Breakfast/Lunch programs in one combined fund. Program expenditures in the schedule represent federal reimbursements for meals provided during fiscal year 2013.

**(c) Food Distribution Program**

Noncash contributions of commodities under the Food Distribution program are received under a State distribution formula and are valued at federally published wholesale prices for purposes of this schedule. Such commodities are not recorded in the financial records, although memorandum records are maintained.

**(3) Subrecipient Expenditures**

The Community Development Block Grants/Entitlement Grant expenditures in the schedule of expenditures of federal awards represent funds paid by the City to its subrecipient(s).

**CITY OF BROCKTON, MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

**(4) Clustered Programs**

OMB Circular A-133 defines a “cluster” as “a grouping of closely related programs that share common compliance requirements.” The table below details the federal programs included in the schedule of expenditures of federal awards that are required by OMB Circular A-133 to be “clustered” for purposes of testing federal compliance requirements and identifying Type A programs:

<u>CFDA #</u>	<u>Program title</u>	<u>Expenditures</u>
Child Nutrition Cluster:		
10.553	School Breakfast Program	\$ 1,527,996
10.555	National School Lunch Program	6,181,073
10.559	Special Summer Food Service Program for Children	225,301
	Child Nutrition Cluster Total	<u>\$ 7,934,370</u>
CDBG – Entitlement Grants Cluster:		
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,486,690
	CDBG – Entitlement Grants Cluster Total	<u>\$ 1,486,690</u>
CDBG – State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	\$ 358,657
	CDBG – State-Administered CDBG Cluster Total	<u>\$ 358,657</u>
JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 112,612
16.803	Edward Byrne Memorial Justice Assistance Grant Program ARRA	1,650
	JAG Program Cluster Total	<u>\$ 114,262</u>
WIA Cluster:		
17.258	WIA Adult Program	\$ 59,083
17.258	WIA Adult Program – ARRA	1,620
	WIA Cluster Total	<u>\$ 60,703</u>
Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	\$ 104,235
	Highway Planning and Construction Cluster Total	<u>\$ 104,235</u>
Highway Safety Cluster:		
20.600	State and Community Highway Safety	\$ 31,103
	Highway Safety Cluster Total	<u>\$ 31,103</u>

**CITY OF BROCKTON, MASSACHUSETTS**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

<u>CFDA #</u>	<u>Program title</u>	<u>Expenditures</u>
Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	\$ 5,039,763
84.389	ARRA – Title I Grants to Local Educational Agencies	<u>36,024</u>
	Title I, Part A Cluster Total	<u>\$ 5,075,787</u>
Special Education Cluster (IDEA):		
84.027	Special Education--Grants to States (IDEA, Part B)	\$ 4,945,689
84.173	Special Education--Preschool Grants (IDEA Preschool)	555,144
84.391	ARRA – Special Education--Grants to States (IDEA, Part B)	<u>96,353</u>
	Special Education Cluster (IDEA) Total	<u>\$ 5,597,186</u>
CCDF Cluster:		
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>\$ 206,676</u>
	CCDF Cluster Total	<u>\$ 206,676</u>



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**Exhibit III**

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and City Council  
City of Brockton, 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 Brockton, Massachusetts (the City), as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2014.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2013-001 and 2013-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2013-003 to be a significant deficiency.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

**KPMG LLP**

March 27, 2014

**CITY OF BROCKTON, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u>  x  </u> yes	<u>      </u> no	
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  x  </u> yes	<u>      </u> none reported	
Noncompliance material to the financial statements noted?	<u>      </u> yes	<u>  x  </u> no	

***Federal Awards***

Internal control over major programs:			
• Material weakness(es) identified?	<u>  x  </u> yes	<u>      </u> <u>no</u>	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  x  </u> yes	<u>      </u> none reported	
Type of auditors' report issued on compliance for major programs:	Unmodified, except for CFDA No. 14.900, Lead Based Paint Hazard Control in Privately Owned Housing, which is Adverse		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>  x  </u> yes	<u>      </u> no	

**CITY OF BROCKTON, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

*Identification of Major Programs*

Name of federal program or cluster	CFDA #
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Summer Food Service Program for Children	10.559
Special Education Cluster (IDEA):	
Special Education--Grants to States (IDEA, Part B)	84.027
Special Education--Preschool Grants (IDEA Preschool)	84.173
ARRA – Special Education--Grants to States (IDEA, Part B)	84.391
ARRA – State Fiscal Stabilization Fund Race to the Top	84.395
Community Development Block Grant – Section 108 Loan Guarantees	14.248
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900
ARRA – Public Safety Partnership and Community Policing Grants	16.710

Dollar threshold used to distinguish between  
type A and type B programs:

\$892,338

Auditee qualified as low-risk auditee?

yes     no

## CITY OF BROCKTON, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**(2) Relating to Financial Statements Findings Reported in Accordance with *Government Auditing Standards*****Finding: 2013-001 – Material Weaknesses: Accounting for Taxes Receivable**

On an annual basis the City of Brockton books, for GAAP purposes, the cash receipts obtained in the first sixty days after fiscal year-end and the reversal of revenue booked in the same manner in the prior period.

We reviewed the City's Sixty Day accrual analysis which showed total deferred revenue of \$8.1 million of which \$7.5 million related to real estate taxes in the General Fund. During our testing of this account balance we noted that the City inappropriately included amounts collected relating to fiscal year 2014 in its fiscal year 2013 and prior accrual, thereby overstating the accrual.

The accrual was updated using a revised reconciliation from the Treasury department, thereby lowering the total accrual to \$1.6 million.

The Treasury department establishes each batch of receipts and enters them into MUNIS, the City's financial software system, by the tax year it relates to. We note the MUNIS system is not able to appropriately designate these receipts by tax year, and instead aggregates them by pulling the very first tax year entered. The City's internal control procedures failed to identify this deficiency in the MUNIS system, which subsequently led to the over accrual noted above.

**Recommendation**

We recommend that the City separate the receipts by year and generate the batches in that format before entering into MUNIS.

**Management's Response**

The City Auditor's Office concurs with the finding.

As tax bill payments in a batch are being processed by collections, MUNIS automatically populates the field description by the initial levy year receipt and extrapolates it to all tax bill payments in that batch regardless of year. The City is having a MUNIS specialist review the situation in order to ascertain whether there is an internal mechanism within MUNIS' property revenues' payment processing's payment entry that would segregate the levy years processed within batch work.

In any event, for purposes of the 60 day property tax receipts accrual the current year's and all prior year's receivable collection activity within the asset accounts will be reviewed for the time period subsequent to the current year between July 1 and August 31 rather than the amounts recorded in the general ledger's tax revenue account until the batch anomaly is corrected.

**CITY OF BROCKTON, MASSACHUSETTS**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Finding 2013-002 – Material Weakness: Workers’ Compensation Accrual**

On an annual basis the City performs a workers’ compensation accrual analysis to determine the liability balance as of year-end.

During our audit, we noted that for two individuals on the workers compensation listing, the return to work date was noted as “n/a” which resulted in an incorrect calculation of the year-end liability. This error resulted in an overstatement of the liability of \$2.2 million. The City recorded an adjustment in the financial statements to reduce the City’s liability by this amount.

**Recommendation**

We recommend the City of Brockton Auditor’s Office and the City of Brockton Workers’ Compensation Agent review the worker’s compensation listing in greater detail to ensure the appropriate information is used in the analysis.

**Management’s Response**

The City Auditor’s Office concurs with the finding.

Given the increasing complexities in drafting the financial statements in accordance with U.S. generally accepted accounting principles and other OMB Circular A-133 compliance matters, the City finds itself stretched to its limits in specialized human resources availability. One staff member is assigned solely to the drafting and compiling of the complete and entire financial statements both on the fund level and on the government wide level including the notes to the financial statements, required supplementary information, and the management discussion and analysis. Another staff member is available on a limited basis to: assist with completion of a final trial balance; assistance in certain labor intensive areas in the preparation of the financial statements; and drafting of the schedule of expenditures of federal awards and its notes to the schedule of expenditures of federal awards.

Typically, the City formally closes its books in late October or early November but still encounters additional adjustments to the trial balances subsequent to the closing of the books beyond its control, sometimes as late as January as subsequent events make accrual items measurable. As a consequential result, dedicated time management for drafting and compiling the financial statements is at an extreme premium.

An initial accrual calculation is prepared for the workers’ compensation accrual as statistical information is provided to the City Auditor’s Office in August after the close of the current year. This initial calculation is the basis of the initial accrual in the financial statements. Subsequent to August, after the close of the books in late October or early November, the workers’ compensation accrual is re-reviewed in early December with updated statistical information provided from the Workers’ Compensation Agent. Due to the exigencies of time, the statistical information that is furnished subsequent to August to the City Auditor’s Office is not verified or corroborated at the source document level. On the re-review, one individual whose open end date was updated by the Workers’ Compensation Agent was inadvertently missed on re-review.

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The second individual's open end date was updated by the Workers' Compensation Agent subsequent to the turnover of the second update in December. At some point, the City Auditor's Office must cut off any further updating of statistical information that may be forth coming from the Workers' Compensation Agent in order to complete the preparation of the financial statements. In any event (with emphasis added) these are estimates and the City clearly discloses in its notes to the financial statements the following.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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**Finding 2013-003 – Significant Deficiency: Retainage Payable**

As of June 30, 2013 the School Roof Repair Fund had a retainage payable for \$225,000. The Brockton Public School Department provided this amount to the City Auditor’s Office. The Brockton Public School Department calculated this amount based on contractor invoices received.

During our audit, we noted that the duties performed under the contract were fulfilled by the contractor and the final revised bill of \$192,000 did not include a retainage amount. As such it was determined that no contract retainage should have been booked at June 30, 2013.

An adjustment to the City’s financial statements was recorded for \$225,000 to adjust this payable amount to zero.

**Recommendation**

We recommend that the Brockton Public School Department communicate to the City of Brockton Auditor’s Office in a timely manner the appropriate information relating to their contracts and the nature of the renegotiations.

**Management’s Response**

The Brockton School Department concurs with the finding.

Going forward, contracts are and will be monitored for retainage withheld by the City and analysis will be furnished to the City Auditor’s Office with appropriate back up support to substantiate any retainage amounts.

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**(3) Findings and Questioned Costs Relating to Federal Awards****Finding Reference:** 2013-004**Federal Agency:** US Department of Housing and Urban Development**Federal Program:** Lead Based Paint Hazard Control in Privately Owned Housing – 14.900**Requirements**

Per OMB Circular A-133, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

**Findings**

During our review of the City of Brockton's (the City) cash management procedures, we obtained and reviewed two reimbursement requests, including related support, made to the U.S. Department of Housing and Urban Development (U.S. HUD). Based on our review of the reimbursement request forms, expenditure detail from the City's accounting system, and the purchase orders, we noted the paid date for each expense amount was 9/6/2012 and 5/14/2013, while the requested reimbursement forms were signed and dated 8/22/2012 and 5/13/2013 respectively. Due to these differences, we were unable to determine whether the reimbursement was actually requested after disbursements had been made to the subrecipient for each expense.

**Recommendation**

We recommend that the City revise its existing procedures to ensure there are no discrepancies between the time the expense is actually paid and the date the reimbursement requests are submitted to the Federal agency.

**Related Noncompliance**

Based on the above, the City was not fully in compliance with the requirement above.

**Questioned Costs**

None.

**Views of Responsible Officials and Corrective Actions**

The City Auditor's Office concurs with the paid date expense of 9/6/2012 and requested reimbursement forms being signed and dated 8/22/2012 finding. The City Auditor's Office believes that this is an isolated and inadvertent event. It is the general practice of the City Auditor's Office to generate the requisition; authorize the purchase order; and authorize payment before the reimbursement request is made, as the reimbursement request is a multi-step process. After the payment is authorized, the reimbursement request is called in to HUD to obtain a confirmation code for processing of the reimbursement request with HUD by emailing the reimbursement request along with confirmation code with scanned copies of the submitted invoice costs. For reasons unknown, when the reimbursement receipt was received by the City, that action

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acted as a red flag to warn that the reimbursement receipt was resulting in available funds when the fund balance should have been at zero after receipt of the reimbursement. This resulted in the 9/6/2012 paid expenditure.

In the second situation, the City Auditor's Office does not concur with the paid date expense of 5/14/2013 and requested reimbursement forms being signed and dated 5/13/2013 finding. As stated above in the general practice of the City Auditor's Office, the City believes that it prepared the requisition late in the day on 5/13/2013 and authorized the purchase order but did not release it for payment (authorize for payment) until early the next business day when the purchase order was printed up and attached to the submitted invoices. The printing up of the purchase order authorizing payment is the date of payment posting in the City's general ledger. Although the reimbursement request was dated 5/13/2013, the reimbursement request would have been emailed with appropriate confirmation code and submitted invoices as well on the next day business day of 5/14/2014.

In any event, the City will be vigilant for premature requests for reimbursements

**Contact:** AnnMarie Raymond, Assistant City Auditor

**Implementation Date:** Has been in effect, the City believes that the findings are isolated and nonrecurring.

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**Finding Reference:** 2013-005  
**Federal Agency:** US Department of Housing and Urban Development  
**Federal Program:** Lead Based Paint Hazard Control in Privately Owned Housing – 14.900

**Requirements**

Per (2 CFR 215) State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Subpart C .300(b) of the circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. This requirement includes maintaining a system of internal controls over the sub-recipient monitoring requirements of federal programs.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for, at the time of the award, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; and name of the Federal awarding agency) and applicable compliance requirements. Further, the pass-through entity is responsible for monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Findings**

During fiscal year 2013, the City of Brockton (the City) did not monitor the subgrant awarded to Self Help, Inc. (SHI) and its supported activities, to gain assurance that the subrecipient maintained compliance with the applicable Federal requirements.

Based on our review of the agreement in place between the City and SHI, we noted that while the City included the name of the Federal awarding agency and the amount of the grant, it did not properly identify the grant by CFDA No. and title as is stipulated in the subrecipient monitoring award identification regulations.

Per the agreement, we note that SHI is responsible for all applicable reporting requirements under the grantee requirements set forth by the Office of Healthy Homes and Lead Hazard Control (OHHLHC) at the U.S. Department of Housing and Urban Development (U.S. HUD) and by 24 CFR part 92.502 and 92.509. This includes performance reports, final reports and all subrecipient A-133 audits. We note the City has no formal process in place to ensure that these reports are done accurately, completely or in a timely manner by SHI. Additionally, we noted that while the City obtained the A-133 report for SHI for the September 30, 2012 year-end, the City did not identify the fact that SHI had not included the Lead Based Paint Hazard Control (CFDA No. 14.900) in its Schedule of Expenditures and Federal Awards (SEFA). As such, the program was not initially audited as a major program by the SHI auditors. Subsequent to KPMG bringing

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this finding to the City's attention, the City requested and received an updated report from SHI which indicated that CFDA No. 14.900 was audited as a major program.

Finally, the Lead-Based Hazard Control Grant program contains a minimum of 10% local matching requirement. It was not clear during our review of the subrecipient monitoring procedures, that the City ensured this matching requirement was met and that local funding was used.

**Recommendation**

The City should institute effective monitoring controls over the subrecipient monitoring requirements of the Lead-Based Paint Hazard Control Grant program to ensure the policies and procedures are designed and implemented to ensure controls are in place and operating as intended and that the subrecipient is in compliance with program requirements.

**Related Noncompliance**

The City lacks an effective monitoring control for the Lead Based Paint Hazard Control Grant program. An effective monitoring control would ensure through the normal course of business that control activities designed to ensure compliance with program requirements were in place and operating as intended. The City's failure to effectively implement the internal controls over the subrecipient monitoring activities of the program, resulted in noncompliance with the subrecipient monitoring requirements.

**Questioned Costs**

Not determinable.

**Views of Responsible Officials and Corrective Actions**

The City Auditor's Office concurs with the finding.

Given the increasing complexities with OMB Circular A-133 compliance matters, the City finds itself stretched to its limits in specialized human resources availability. The City Auditor's is performing grant management tasks that are normally relegated to other departments. The City Auditor's Office was asked to assist with the grant draw down requests and the grant management tasks that are now being experienced by the City Auditor's Office is becoming grant management creep.

The subrecipient's OMB Circular A-133 was obtained for the fiscal year ending September 30, 2012. However, due to other normal City Auditor Office assignments, the subrecipient's OMB Circular A-133 report was filed away upon receipt. For the subrecipient's fiscal year ending September 30, 2013 OMB Circular A-133 report, the amounts reported on the subrecipient's schedule of federal expenditures of federal awards does not reflect pass-through expenditures from the City of Brockton. Those reported schedule of expenditures of federal awards amount passed through the City Brockton were compared with the City's MUNIS flexible history report. Further, where the subrecipient reissued their OMB Circular A-133 report with a revised Schedule of Expenditures of Federal Awards dated May 5, 2014 for the fiscal year ending September 30, 2012, the program was subjected to additional test work by the subrecipient's external auditor and no finding was found on the compliance requirement for matching, level of effort or earmarking in either the September 30, 2012 report or the September 30, 2013 report. The

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City of Brockton is relying on the subrecipient's OMB Circular A-133 report for both years for the matching requirement.

In any event, the City will monitor all subrecipients and compare reported pass through expenditure amounts with amounts expended to the subrecipient; review any findings found by the external auditor in the subrecipient's OMB Circular A-133 report; and require corrective action, if necessary going forward

**Contact:** AnnMarie Raymond, Assistant City Auditor

**Implementation Date:** Effective immediately

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Year ended June 30, 2013

**Finding Reference:** 2013-006  
**Federal Agency:** US Department of Education  
**Federal Program:** Special Education Cluster – 84.027, 84.173, 84.391

**Requirements**

OMB Circular A-87, Attachment B, Section 8(h)(3) stipulates that employees who work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Further, OMB Circular A-87, Attachment B, Section 8(h)(1), requires charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, to be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

**Findings**

During our audit of payroll costs, we selected 25 employees over several pay periods and noted for all employees the certification process was completed only once for the year. Additionally, we noted this process occurred in January 2014 (fiscal year 2014) for the school year 2012-2013 which does not appear timely. The Special Education Department's standard is to have this process completed only on an annual basis.

**Recommendation**

We recommend that the City establish procedures to ensure that certifications are completed at least semi-annually as prescribed by the Federal guidelines, and in a more timely manner

**Related Noncompliance**

Based on the above, the City was not fully in compliance with the requirement above.

**Questioned Costs**

None.

**Views of Responsible Officials and Corrective Actions**

The City of Brockton School Department concurs with the finding.

The City's records indicate that a review letter documenting certifications for the 2012-2013 school year was provided on March 13, 2013. Subsequently, a review of certifications for the 2013-2014 school year was provided in January 2014. The City has reviewed the federal guidelines for this grant and will ensure certifications are reviewed twice a year (October and March in the fiscal year).

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**Contact:** Laurie Mason, Special Education Director

**Implementation Date:** As soon as possible

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Year ended June 30, 2013

**Finding Reference:** 2013-007  
**Federal Agency:** US Department of Education  
**Federal Program:** Child Nutrition Cluster 10.553, 10.555, 10.559

**Requirements**

To receive reimbursement payments for meals (and milk served under the SMP), a school food authority, or sponsor must submit claims for reimbursement to its administering agency. At a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must be supported by accurate meal counts and records indicating the number of meals served by category and type.

**Findings**

Of the three monthly reimbursements selected for testing, we noted the following differences between the City’s school report submitted to the State and the meal counts submitted by individual schools:

- October 2012 – the City’s school reimbursement report listed 26 reduced price breakfasts and 130 paid breakfasts were served for the Trinity Catholic Academy. However, the monthly meal count from the school reported 24 reduced price breakfasts and 132 paid breakfasts were served. Reduced price breakfasts for severe need are reimbursed at a rate of \$1.55, thereby leading to an overstatement of \$3.10 for reimbursements. Paid breakfasts for severe need are reimbursed at a rate of \$0.27, thereby leading to an understatement of \$0.54.
- January 2013 – the City’s school reimbursement report listed 23 paid lunches were served for Independence Academy. However the monthly meal count from the school reported 25 lunches were served. Paid lunches are reimbursed at a rate of \$0.27, thereby leading to an understatement of \$0.54.

A similar finding was reported in the 2012 single audit report as finding 2012-001.

**Recommendation**

The Brockton Public School Department – Food Services Division should develop controls in which the school report is reviewed by someone other than the preparer prior to submission. The report should also be signed by the preparer certifying that the information being submitted is properly supported, is complete and is accurate.

**Related Noncompliance**

Based on the above, the City was not fully in compliance with the requirement above.

**Questioned Costs**

Net of \$2.29

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**Views of Responsible Officials and Corrective Actions**

The City of Brockton School Department concurs with the finding.

The Brockton Public School Department – Food Services Division will implement a control on the claim processing. The preparer will complete the claim. Once the claim is completed the report will be reviewed by another member of the management team for accuracy prior to being submitted. The Food Services Division will also review the school’s FP9 report for accuracy before starting the claim and will review all columns on the form to make sure that the columns are added correctly across and down prior to working on the monthly claim.

**Contact:** Aldo Petronio, Executive Director – Office of Financial Services and  
Thomas Burke, Chartwells Resident District Manager

**Implementation Date:** As soon as possible.

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Year ended June 30, 2013

**Finding Reference:** 2013-008

**Federal Agency:** US Department of Education

**Federal Program:** Child Nutrition Cluster 10.553, 10.555, 10.559

**Requirements**

By November 15th of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st. The LEA is also responsible for making the necessary changes to eligibility status for those found eligible to participate in the program.

**Findings**

Of the forty households selected for testing, we noted five for which verification information received was not appropriately processed, thereby leading to the incorrect eligibility status being recorded in the Visual B.O.S.S system.

For three households, students initially identified as being eligible for free or reduced lunch were denied such benefit, as it was recorded in the system that the appropriate wage information was not received. However, based on our review of the support, wage information was submitted within the required time frame and per the federal income eligibility guidelines, these students would have been eligible for free lunch.

For one household, the wage and income information received by the Department was not entered into the system. As such this student's eligibility status was not properly determined.

For one household, wage and income information received by the Department was incorrectly input into the Visual B.O.S.S system. The support indicated earnings were being received on a weekly basis, however, the system indicated bi-weekly earnings. As such, the student who was initially identified as being eligible for free lunch, should have been appropriately identified as being eligible for reduced lunch based on the income eligibility guidelines.

A similar finding was reported in the 2012 single audit report as finding 2012-002.

**Recommendation**

The Brockton Public School Department – Food Services Division should develop controls to ensure information received to verify eligibility status is properly maintained and input into the tracking system correctly.

**Related Noncompliance**

Based on the above, the City was not fully in compliance with the requirement above.

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**Questioned Costs**

Undeterminable

**Views of Responsible Officials and Corrective Actions**

The City of Brockton School Department concurs with the finding.

The Brockton Public School Department – Food Services Division will implement a new process to input applications. Applications will be inputted once and then reviewed by someone else for input accuracy. If upon review, an application is questioned, the Food Services Division will have a manager review the application for final processing

**Contact:** Aldo Petronio, Executive Director – Office of Financial Services and  
Thomas Burke, Chartwells Resident District Manager

**Implementation Date:** As soon as possible

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Year ended June 30, 2013

**Finding Reference:** 2013-009  
**Federal Agency:** US Department of Housing and Urban Development  
**Federal Program:** Community Development Block Grant: Section 108 Loan Guarantees 14.248

**Requirements**

Per OMB Circular A-133, the auditee is responsible for identifying, in its accounts, all Federal awards received and expended and the Federal programs under which they were received, and prepare appropriate financial statements including the Schedule of Expenditures and Federal Awards (SEFA) for the period covered by the auditee's financial statements.

**Findings**

During our testing of allowability over the City of Brockton's (the City) expenditures relating to the CDBG Section 108 Loan Guarantees program, we observed two invoices for which services were performed during June 2012. The first, amounting to \$7,758, covered design services performed from June 1, 2012 to June 30, 2012. The other invoice, amounting to \$41,400, was related to rehabilitation services performed from June to November 2012. A portion of the invoice, \$6,900, should have been attributed to FY2012, and the remainder to FY2013. Both items were improperly included in the FY2013 SEFA, when it would have been more appropriate to include the respective amounts on the FY2012 SEFA.

**Recommendation**

We recommend that the City revise its existing procedures to ensure that expenditures are properly accounted for in the period in which they are incurred, and that the SEFA is accurate and complete for the period under audit.

**Related Noncompliance**

Based on the above, the City was not fully in compliance with the requirement above.

**Questioned Costs**

\$14,658.

**Views of Responsible Officials and Corrective Actions**

The City Auditor's Office concurs with the first part of the finding regarding the covered design services performed from June 1, 2012 to June 30, 2012 which was paid in August 2012.

Due to end of the current year's bills payment processing and the subsequent year's bill payment processing compression period during the summer period, the City Auditor's Office sometimes has to draw upon reserve human resources availability from other departments for assistance in processing of those vendor bills during this time compressed period. These individuals do not work in the City Auditor's Office on a regular and recurring basis and they do not become strongly acquainted with the nuances of matching vendor bills to the proper fiscal year concept. The City Auditor's Office does stress the

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importance of matching the period of services or goods received with the proper fiscal periods by providing examples. However, because the City Auditor's Office's expectation for these temporary individuals is to process a great volume of multi-years payments, the City Auditor's Office does conduct cutoff testing of all vendor bills in excess of \$10,000 as a result.

The vendor bill paid of \$7,758 falls below the internal audit cutoff scope selection amount criteria. Amounts below the \$10,000 scope level are deemed by the City as being immaterial and are not selected for cutoff testing. The City accepts and acknowledges this risk that items below \$10,000 may be posted in the incorrect period based upon a cost benefit factor of materiality and the fact that that staff are counseled on the need to match the costs to the proper period regardless of dollar magnitude.

With regards to the second part of the finding, the City does not concur with the other invoice, amounting to \$41,400, which was related to rehabilitation services performed from June to November 2012. That vendor bill was not processed by the Brockton Parking Authority until December 17, 2012 which was well beyond the closing of the City's books and records for the fiscal year ending June 30, 2012 and the cutoff testing which normally occurs right up through the closing of the books and records. The closing of the books and records occurred on October 19, 2012. It has been and continues to be the City's policy for immaterial vendor expenditure amounts that straddle fiscal years that the preponderance of the service period controls the fiscal period to which the expenditure is to be charged. In this situation, had cutoff testing been still open and this item was made apparent, the City's policy would be that the preponderance of the service period occurred in the fiscal year ending June 30, 2013 and accordingly, the entire charge would be posted to that fiscal year. In any event, financial staff would have opined that the related allocable charge of \$6,900 is immaterial.

Further, the AICPA provides a practice aid that lends weight and credence to the cost benefit factor and the concept of materiality in its Audit Plan Supplement for the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 – (PART III); Part III: Procedures Related to Providing an In Relation To Opinion (AU section 551, Supplementary Information in Relation to the Financial Statements as a Whole and Chapter 7 of the AICPA Audit Guide, Governmental Auditing Standards and Circular A-133 Audits. Part III, Procedure 1. provides for the external auditor to obtain the current-year SEFA and perform the following procedures using the same materiality level (with emphasis added) used in the audit of the financial statements to determine whether the information is fairly stated, in all material respects, in relation to the financial statements as a whole (with emphasis added).

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In conclusion, the City Auditor's Office is of the opinion that these two items noted are immaterial; that only the first item noted should have been processed by the City Auditor's Office Accounts Payable Division as a fiscal year 2012 charge; and that the City Auditor's Office disagrees with the second item finding due to the post closing logistics and materiality concept.

**Contact:** AnnMarie Raymond, Assistant City Auditor

**Implementation Date:** The City will continue its matching policy by matching expenditures to the service periods that goods and services are received.