



**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, 2010

# CITY OF BROCKTON, MASSACHUSETTS

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KPMG LLP  
Two Financial Center  
60 South Street  
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Exhibit I

**Report on Compliance with Requirements That Could Have a Direct and Material Effect on Major Program, Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the City of Brockton, Massachusetts' (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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.



## Exhibit I

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated March 22, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

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

*KPMG LLP*

April 13, 2011 (except the schedule of expenditures of federal awards,  
which is as of March 22, 2011)

**CITY OF BROCKTON, MASSACHUSETTS**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

**Exhibit II**

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	\$ 392,996
School Breakfast Program (note 4)	10.553	1,454,138
National School Lunch Program (note 4)	10.555	4,459,611
Child and Adult Care Food Program	10.558	69,822
Special Summer Food Service Program for Children (note 4)	10.559	219,693
National School Lunch Equipment Assistance – ARRA	10.579	27,611
Total U.S. Department of Agriculture		<u>6,623,871</u>
U.S. Department of Defense:		
Direct Programs:		
US Army Junior ROTC	12.000	92,250
Total U.S. Department of Defense		<u>92,250</u>
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant – Entitlement Grants (note 4)	14.218	1,771,831
Community Development Block Grant – ARRA (note 4)	14.253	305,148
Homeless Prevention and Rapid Re-Housing Program Technical Assistance – ARRA	14.257	257,636
Total U.S. Department of Housing and Urban Development		<u>2,334,615</u>
U.S. Department of Justice:		
Direct programs:		
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	139,559
Community Policing Grants	16.710	306,896
Gang Resistance Education and Training	16.737	47,336
Total direct programs		<u>493,791</u>
Passed through State Executive Office of Public Safety and Security:		
Project Safe Neighborhoods	16.609	99,000
Community Capacity Development Office	16.738	45,000
Total pass-through State Office of Public Safety		<u>144,000</u>
Passed through State Division of Fire Services:		
Byrne Formula Grant Program	16.579	95,230
Community Capacity Development Office	16.595	3,471
Edward Byrne Memorial Justice Assistance Grant Program	16.738	68,076
Edward Byrne Memorial Justice Assistance Grant – ARRA	16.803	268,148
Total pass-through programs		<u>434,925</u>
Total U.S. Department of Justice		<u>1,072,716</u>
U.S. Department of Environmental Protection Agency:		
Direct Programs:		
Congressionally Mandated Projects	66.202	164,367
Total direct programs		<u>164,367</u>
Passed through Massachusetts Water Pollution Abatement Trust:		
ARRA – Capitalization Grants for Clean Water State Revolving Fund	66.458	1,290,190
Total pass-through programs		<u>1,290,190</u>
Total U.S. Department of Environmental Protection Agency		<u>1,454,557</u>
U.S. Department of Energy:		
Direct Programs:		
ARRA – Energy Efficiency and Conservation Block Grant Program	81.128	42,239
Total U.S. Department of Energy		<u>42,239</u>
U.S. Department of Labor:		
Direct program:		
Multiple Education Pathways Blueprint Grants (MEPB)	17.261	55,060
Total direct programs		<u>55,060</u>

## CITY OF BROCKTON, MASSACHUSETTS

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/passed-through grantor/program title	CFDA number	Federal expenditures
Passed through Brockton Area Private Industry Council:		
ARRA – WIA Adult Program (note 4)	17.258	\$ 5,386
ARRA – WIA Youth Activities (note 4)	17.259	4,881
ARRA – Dislocated Workers (note 4)	17.260	15,052
Total pass through programs		<u>25,319</u>
Total US Department of Labor		<u>80,379</u>
U.S. Department of Transportation:		
Passed through State Office of Public Safety:		
State and Community Highway Safety	20.600	20,436
Total US Department of Transportation		<u>20,436</u>
U.S. Department of Education:		
Direct programs:		
Fund for the Improvement of Education	84.215	132,268
Total direct programs		<u>132,268</u>
Passed through State Department of Elementary and Secondary Education:		
Adult Education – Basic Grants to States	84.002	2,607
Title I – Grants to Local Educational Agencies (note 4)	84.010	5,775,145
Special Education – Grants to States (note 4)	84.027	4,182,957
Vocational Education – Grants to States	84.048	127,555
Vocational Rehabilitation	84.126	5,483
Kindergarten Development (note 4)	84.173	14,929
Safe & Drug Free Schools and Communities – State Grants	84.186	83,885
Education for Homeless Children & Youth	84.196	65,669
Twenty-First Century Community Learning Centers	84.287	941,552
Technology Literacy Challenge Fund Grants	84.318	188,732
Reading First State Grants	84.357	34,449
English Language Acquisition Grants	84.365	704,053
Mathematics and Science Partnership Program	84.366	345,800
Improving Teach Quality State Grants	84.367	1,381,530
Statewide Data Systems	84.372	20,000
School Improvement Grants	84.377	5,074
ARRA – Education for Homeless Children & Youth	84.387	37,874
ARRA – Title I – Grants to Local Educational Agencies (note 4)	84.389	1,308,052
ARRA – Special Education – Grants to States (note 4)	84.391	2,559,417
ARRA – State Fiscal Stabilization Funds – Education (note 4)	84.394	6,594,518
ARRA – State Fiscal Stabilization Fund – Government Services (note 4)	84.397	150,641
Passed through Massachusetts Department of Early Childhood Education & Care:		
Early Childhood Allocation (note 4)	84.173	88,201
ARRA – Special Education – Preschool Grants (note 4)	84.392	88,222
Total pass-through programs		<u>24,706,345</u>
Total U.S. Department of Education		<u>24,838,613</u>
Corporation for National and Community Service:		
Passed through State Department of Education:		
Learn and Serve America School and Community Program	94.004	29,970
Total Corp. for National and Community Service		<u>29,970</u>
U.S. Department of Health and Human Services:		
Passed through State Department of Public Health:		
Public Health Emergency Preparedness	93.069	50,471
National Bioterrorism Hospital Preparedness Program	93.889	3,388
Total U.S. Department of Health and Human Services		<u>53,859</u>
U.S. Department of Homeland Security:		
Direct program:		
Disaster Grants – Public Assistance Grant	97.036	139,698
Total U.S. Department of Homeland Security		<u>139,698</u>
Total expenditures of federal awards		<u>\$ 36,783,203</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, 2010

**(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. 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 of Brockton, Massachusetts, 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 2010.

**(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 and the Homeless Prevention and Rapid Re-Housing Program Technical Assistance expenditures in the schedule of expenditures of federal awards represent funds paid by the City to Building a Better Brockton. Building a Better Brockton is a subrecipient of the City.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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>
<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	\$ 1,454,138
10.555	National School Lunch Program	4,459,611
10.559	Summer Food Service Program for Children	219,693
	<i>Child Nutrition Cluster Total</i>	<u>\$ 6,133,442</u>
<i>CDBG Entitlement Grants Cluster:</i>		
14.218	Community Development Block Grant	\$ 1,771,831
14.253	ARRA – Community Development Block Grant	305,148
	<i>CDBG Entitlement Grants Cluster Total</i>	<u>\$ 2,076,979</u>
<i>WIA Cluster:</i>		
17.258	WIA Adult Program	\$ 5,386
17.259	WIA Youth Activities	4,881
17.260	WIA Dislocated Workers	15,052
	<i>WIA Cluster Total</i>	<u>\$ 25,319</u>
<i>Title I, Part A Cluster:</i>		
84.010	Title I Grants to Local Educational Agencies	\$ 5,775,145
84.389	ARRA – Title I Grants to Local Educational Agencies	1,308,052
	<i>Title I, Part A Cluster</i>	<u>\$ 7,083,197</u>
<i>Special Education (IDEA) Cluster:</i>		
84.027	Special Education	\$ 4,182,957
84.173	Special Education – Preschool Grants	103,130
84.391	ARRA – Special Education	2,559,417
84.392	ARRA – Special Education – Preschool Grants	88,222
	<i>Special Education (IDEA) Cluster Total</i>	<u>\$ 6,933,726</u>
<i>State Fiscal Stabilization Fund Cluster:</i>		
84.397	State Fiscal Stabilization Fund – Governmental Services	\$ 150,641
84.394	State Fiscal Stabilization Fund – Educational Services	6,594,518
	<i>State Fiscal Stabilization Fund Cluster Total</i>	<u>\$ 6,745,159</u>



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Exhibit III

**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and other matters did not include the Brockton Retirement System. We have issued a separate report on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and other matters for this entity. The findings, if any, included in that report are not included herein.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and is described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency is a deficiency, or combination of



## Exhibit III

deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

KPMG LLP

March 22, 2011

CITY OF BROCKTON, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(1) Summary of Auditors' Results

*Financial Statements*

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

*Federal Awards*

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	<u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u>  x  </u> none reported

Type of auditors' report issued on compliance for major programs:

Child Nutrition Cluster	Unqualified
Special Education Cluster	Unqualified
ARRA – State Fiscal Stabilization Funds	Unqualified
Title I Cluster	Unqualified
Clean Water State Revolving Fund	Unqualified
Community Development Block Grant	Unqualified
Homeless Prevention and Rapid Re-Housing Program Technical Assistance	Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	yes	<u>  x  </u>	no
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CITY OF BROCKTON, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

*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
Title I Cluster:	
Title I – Grants to LEA’s	84.010
Title I – Grants to LEA’s, Recovery Act	84.389
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Early Childhood Grant	84.173
Special Education – Grants to States, Recovery Act	84.391
Special Education – Early Childhood Grant, Recovery Act	84.392
State Fiscal Stabilization Fund Cluster:	
ARRA – State Fiscal Stabilization Fund – Government Services	84.397
ARRA – State Fiscal Stabilization Fund – Education Services	84.394
Clean Water State Revolving Fund	66.458
CDBG Entitlement Grants Cluster:	
Community Development Block Grant – Entitlement Grants	14.218
Community Development Block Grant – ARRA	14.253
Homeless Prevention and Rapid Re-Housing Program Technical Assistance	14.257

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

\$1,103,496

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

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

**Finding: 2010-1**

In order to record expenses in the correct fiscal year, the City established a process whereby individuals processing payments make a determination as to when the goods or services were delivered to the City and then record that payment in the correct fiscal year.

During our audit, we noted that certain disbursements were recorded as fiscal year 2010 expenses that belong in fiscal year 2011. Upon investigation, we noted that the City was recording items as fiscal 2010 expenses if those expenditures were encumbered before year-end regardless if the goods or services were delivered before or after year-end. While this process results in proper statutory or budgetary accounting is

## CITY OF BROCKTON, MASSACHUSETTS

## Schedule of Findings and Questioned Costs

Year ended June 30, 2010

does not represent proper accounting under generally accepted accounting principles or GAAP financial reporting.

We recorded an adjustment in the City's financial statements for \$195,000 to reduce the City's GAAP accounts payable and related expenses for the Sewer fund.

*Recommendation:*

We recommend that the City re-visit their process for capturing accounts payable. This may include providing training for the personnel responsible for processing payments or implementing a second review of payments process after year-end to ensure that GAAP expenses are recorded in the proper fiscal year.

*Management's Response:*

The City Auditor's Office concurs with the above noted condition found by our External Auditors and proposes implementing the following policies and procedures to mitigate that condition.

1. Develop and institute a cut off procedures reference material for the City Auditor's Office Accounts Payable Team to refer to. The City Auditor's Office proposes developing potential invoice and purchase order processing scenarios and how the invoice payment should be charged to which fiscal year either the current or subsequent fiscal year. The City Auditor's Office may also circulate a less complex memo on the cut off policies and procedures to the various departments asking for their assistance by attempting to identify the proper fiscal year for which the invoice to be processed should be charged towards based upon the receipt of goods or services date prior to being sent to the City Auditor's Accounts Payable Team.
2. At or shortly after the end of the fiscal year, the City Auditor's Audit Department shall schedule an Accounts Payable Team Meeting to reaffirm the cut off policies and procedures and advise the Accounts Payable Team that they should seek consultation with the City Auditor's Financial Reporting Team when they are uncertain as to which fiscal year that the submitted invoice and purchase order should be charged towards.
3. A standard procedure that has been implemented for some years now is for the City Auditor's Internal Control and Financial Reporting team to perform cut off testing. The cut off testing's scope period shall be expanded further into the subsequent fiscal year than the current narrower two and a half month period after June 30th.

We firmly believe that implementation of the above noted procedures with follow up will reduce the likelihood of a recurrence of the condition that was found with the cut off procedures for the fiscal year ending June 30, 2010.

**(3) Findings and Questioned Costs Relating to Federal Awards**

None.