

**CITY OF NORTHAMPTON, MASSACHUSETTS**

**INDEPENDENT AUDITOR'S REPORTS PURSUANT  
TO GOVERNMENTAL AUDITING STANDARDS  
AND UNIFORM GUIDANCE**

**FOR THE YEAR ENDED JUNE 30, 2020**

**CITY OF NORTHAMPTON, MASSACHUSETTS**

**Independent Auditors' Reports Pursuant  
To Governmental Auditing Standards  
And Uniform Guidance**

**For the Year Ended June 30, 2020**

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**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor  
City of Northampton, 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 Northampton, Massachusetts, as of and for the year ended June 30, 2020, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City of Northampton, Massachusetts' basic financial statements, and have issued our report thereon dated February 19, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Northampton, 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 Northampton, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Northampton, 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 entity'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 Northampton, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 19, 2021

**INDEPENDENT AUDITOR’S 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**

To the Honorable Mayor  
City of Northampton, Massachusetts

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

We have audited the City of Northampton, 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 Northampton, Massachusetts’ major federal programs for the year ended June 30, 2020. The City of Northampton, 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 Northampton, 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 Northampton, 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 Northampton, Massachusetts’ compliance.

***Basis for Qualified Opinion on Coronavirus Relief Fund (CFDA No. 21.019)***

As described in the accompanying schedule of findings and questioned costs, the City of Northampton, Massachusetts, did not comply with requirements regarding CFDA No. 21.019, Coronavirus Relief Fund, as described in finding number 2020-001, for Allowable Cost/Cost Principles. Compliance with such requirement is necessary, in our opinion, for the City of Northampton, Massachusetts, to comply with the requirements applicable to that program.

### **Qualified Opinion on Coronavirus Relief Fund (CFDA No. 21.019)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Northampton, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended June 30, 2020.

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

In our opinion, the City of Northampton, Massachusetts, complied, in all material respects, with the types of compliance requirement referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

The City of Northampton, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Northampton, Massachusetts' 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 of Northampton, 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 Northampton, 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 the 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 Northampton, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

The City of Northampton, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Northampton, Massachusetts' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the year ended June 30, 2020, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City of Northampton, Massachusetts' basic financial statements. We issued our report thereon dated February 19, 2021, 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 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 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.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 19, 2021

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Agriculture</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
Northampton Public Schools:				
School Breakfast Program	10.553	08-210	\$ -	\$ 65,422
National School Lunch Program	10.555	08-210	-	215,323
Summer Food Service Program	10.559	08-210	-	6,371
Summer Food Service Program - COVID-19	10.559	08-210	-	101,241
Smith Vocational and Agricultural High School:				
School Breakfast Program	10.553	08-210A	-	18,882
School Breakfast Program - COVID-19	10.553	08-210A	-	8,767
National School Lunch Program	10.555	08-210A	-	64,252
National School Lunch Program - COVID-19	10.555	08-210A	-	13,868
Non-Cash Financial Assistance:				
Commodities - Northampton Public Schools	10.555		-	42,010
Commodities - Smith Vocational and Agricultural High School	10.555		-	21,743
Total Child Nutrition Cluster			-	557,879
<b>Total U. S. Department of Agriculture</b>			-	557,879
<b>U. S. Department of Housing and Urban Development</b>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants:				
Community Development Block Grant	14.218		309,919	809,490
Community Development Block Grant - COVID-19	14.218		1,750	21,750
Program Income	14.218		-	60,388
Total Community Development Block Grant - Entitlement Grants			311,669	891,628
<b>Total U. S. Department of Housing and Urban Development</b>			311,669	891,628
<b>U. S. Department of the Interior</b>				
Passed Through Commonwealth of Massachusetts				
Executive Office of Energy and Environmental Affairs:				
Norwottuck/Mass Central Rail Trail Project	15.916	25-00502	-	74,302
<b>Total U. S. Department of the Interior</b>			-	74,302
<b>TOTAL PAGE 1 OF 5</b>			\$ 311,669	\$ 1,523,809

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.



**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program Or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Justice</b>				
Direct Programs:				
Bureau of Justice Assistance				
Coronavirus Emergency Supplemental Funding	16.034		\$ -	\$ 38,454
High Risk Offenders	16.590		-	157,961
Improving Criminal Justice Responses Program	16.590		-	1,831
Bulletproof Vests Partnership Program	16.607		-	6,750
Passed Through Commonwealth of Massachusetts				
Northwest District Attorney:				
Anti-Crime Task Force	16.738		-	21,914
Passed Through Commonwealth of Massachusetts				
Department of Mental Health:				
Jail Diversion	16.745		-	736
<b>Total U. S. Department of Justice</b>			-	<b>227,646</b>
<b>U. S. Department of Transportation</b>				
Passed Through Commonwealth of Massachusetts				
Department of Transportation:				
Pioneer Valley Regional Bike Share Program	20.505	99986	-	139,816
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
State and Community Highway Safety:				
Traffic Enforcement	20.600		-	6,533
Pedestrian/Bike Safety	20.600		-	2,428
Total State and Community Highway Safety			-	8,961
<b>Total U. S. Department of Transportation</b>			-	<b>148,777</b>
<b>U. S. Department of the Treasury</b>				
Passed Through Commonwealth of Massachusetts				
Department of Revenue:				
Coronavirus Relief Fund	21.019		-	394,930
<b>Total U. S. Department of the Treasury</b>			-	<b>394,930</b>
<b>Institute for Museum and Library Services</b>				
Direct Program:				
Accelerating Promising Practices for Small Libraries				
Grant No. LG-27-19-0281-19	45.312		-	7,481
Passed Through Commonwealth of Massachusetts				
Board of Library Commissioners:				
Library Services and Technology Act:				
Civic Hub	45.310	LS-00-19-0022-19	-	1,000
Summer Learning	45.310	LS-00-19-0022-19	-	2,000
<b>Total Institute for Museum and Library Services</b>			-	<b>10,481</b>
<b>TOTAL PAGE 2 OF 5</b>			\$ -	<b>\$ 781,834</b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Education</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Title I Grants to Local Educational Agencies:				
Northampton Public Schools:				
Title I - 2019	84.010	305-209895-2019-0210	\$ -	\$ 23,971
Title I - 2020	84.010	305-291377-2020-0210	-	433,215
Turnaround Assistance - 2019	84.010	325-280633-2019-0210	-	958
Turnaround Assistance - 2020	84.010	325-368735-2020-0210	-	11,924
Smith Vocational and Agricultural High School:				
Title I - 2019	84.010	305-209245-2019-0406	-	28,112
Title I - 2020	84.010	305-292396-2020-0406	-	75,037
Total Title I Grants to Local Educational Agencies			-	573,217
Special Education Cluster:				
Northampton Public Schools:				
Special Education 94-142 Allocation - 2019	84.027	240-211077-2019-0210	-	246,117
Special Education 94-142 Allocation - 2020	84.027	240-344997-2020-0210	-	714,326
Special Education Early Childhood Allocation - 2020	84.173	262-345002-2020-0210	-	23,605
Smith Vocational and Agricultural High School:				
Special Education 94-142 Allocation - 2019	84.027	240-209152-2019-0406	-	48,616
Special Education 94-142 Allocation - 2020	84.027	240-291563-2020-0406	-	100,332
Total Special Education Cluster			-	1,132,996
Career and Technical Education - Basic Grants to States:				
Smith Vocational and Agricultural High School:				
Occupational Education-Vocational Skills - 2019	84.048	400-209311-2019-0406	-	15,272
Occupational Education-Vocational Skills - 2020	84.048	400-291823-2020-0406	-	90,985
Total Career and Technical Education - Basic Grants to States			-	106,257
<b>TOTAL PAGE 3 OF 5</b>			<b>\$ -</b>	<b>\$ 1,812,470</b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Education</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Improving Teacher Quality State Grants:				
Northampton Public Schools:				
Teacher Quality - 2019	84.367	140-209896-2019-0210	\$ -	\$ 12,859
Teacher Quality - 2020	84.367	140-291378-2020-0210	-	68,458
Smith Vocational and Agricultural High School:				
Teacher Quality - 2019	84.367	140-209313-2019-0406	-	5,861
Teacher Quality - 2020	84.367	140-292397-2020-0406	-	12,864
Total Improving Teacher Quality State Grants			-	100,042
Student Support and Academic Enrichment Program:				
Northampton Public Schools:				
Student Support and Academic Enrichment - 2019	84.424	309-209897-2019-0210	-	6,238
Student Support and Academic Enrichment - 2020	84.424	309-291564-2020-0210	-	32,629
Smith Vocational and Agricultural High School:				
Student Support and Academic Enrichment - 2019	84.424	309-209314-2019-0406	-	166
Student Support and Academic Enrichment - 2020	84.424	309-292398-2020-0406	-	3,647
Total Student Support and Academic Enrichment Program			-	42,680
<b>TOTAL PAGE 4 OF 5</b>			-	142,722
<b>TOTAL PAGE 3 OF 5</b>			-	1,812,470
<b>Total U. S. Department of Education</b>			\$ -	\$ 1,955,192

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Health and Human Services</b>				
Direct Programs:				
Substance Abuse and Mental Health Services Administration - Hampshire HOPE - Responding to the Opioid Crisis	93.243		\$ 130,651	\$ 391,427
Drug Free Communities Support Program Grants:				
Drug Free Communities - 2019	93.276		-	18,579
Drug Free Communities - 2020	93.276		-	64,756
Total Drug Free Communities Support Program Grants			-	83,335
Passed Through Commonwealth of Massachusetts				
Department of Public Health:				
Public Health Emergency Preparedness	93.069		-	88,966
Mass in Motion Program	93.757	INTF4200P01502925073	-	49,932
Opioid Abuse Prevention Collaborative	93.959	INTF2354M04301822075	-	83,875
Passed Through National Association of County and City Health Officials:				
Overdose Prevention and Response Mentorship Program	93.421		-	62,212
Passed Through Franklin Regional Council of Governments:				
Medical Reserve Corps	93.008		-	22,056
<b>Total U. S. Department of Health and Human Services</b>			<b>130,651</b>	<b>781,803</b>
<b>U. S. Department of Homeland Security</b>				
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Hazard Mitigation - Barrett Street Marsh	97.039		-	6,450
Emergency Management Performance Grants	97.042		-	6,000
Homeland Security Planning	97.067		-	19,465
<b>Total U. S. Department of Homeland Security</b>			<b>-</b>	<b>31,915</b>
<b>TOTAL PAGE 5 OF 5</b>			<b>130,651</b>	<b>813,718</b>
<b>TOTAL PAGE 4 OF 5</b>			<b>-</b>	<b>142,722</b>
<b>TOTAL PAGE 3 OF 5</b>			<b>-</b>	<b>1,812,470</b>
<b>TOTAL PAGE 2 OF 5</b>			<b>-</b>	<b>781,834</b>
<b>TOTAL PAGE 1 OF 5</b>			<b>311,669</b>	<b>1,523,809</b>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b>\$ 442,320</b>	<b>\$ 5,074,553</b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Northampton, Massachusetts, under programs of the federal government for the year ended June 30, 2020. 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 Northampton, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Northampton, Massachusetts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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.

**NOTE C – INDIRECT COSTS**

The City of Northampton, Massachusetts, did not use the de minimis cost rate. The City of Northampton, Massachusetts, has not charged any indirect costs to any of its federal awards.

**NOTE D – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_\_\_Yes      X  No

Noncompliance material to financial statements noted? \_\_\_\_\_Yes      X  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?   X  Yes    \_\_\_\_\_None Reported

Type of Auditor’s Report issued on compliance for major federal programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_Yes      X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	U.S. Department of Housing and Urban Development – Community Development Block Grants
21.019	U.S. Department of the Treasury – Coronavirus Relief Fund
84.010	U.S. Department of Education – Title I Grants to Local Educational Agencies
84.027, 84.173	U. S. Department of Education – Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_Yes      X  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Non-compliance and significant deficiency in internal control over compliance for Coronavirus Relief Fund is reported as finding 2020-001 following on page 15.

**SECTION IV – PRIOR YEAR FINDINGS**

None reported.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding 2020-001**

**Non-Compliance/Significant Deficiency in Internal Control Over Compliance – U.S. Department of the Treasury – Coronavirus Relief Fund – (CFDA No. 21.019) – Allowable Cost/Cost Principles – Hazard Pay for City Employees Not Related to COVID-19 Duties**

***Passed Through Commonwealth of Massachusetts Department of Revenue***

**Criteria:**

The Coronavirus Relief Fund is designed to provide ready funding to address unforeseen financial needs and risk created by the COVID-19 public health emergency. Governments must use the Fund payments to cover costs that are (1) necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) not accounted for in the government's most recently approved budget as of March 27, 2020; and (3) incurred during the period that begins on March 1, 2020 and ends on December 30, 2020 (extended to December 31, 2021).

The U.S. Department of the Treasury issued a *Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments*. The Guidance indicates that payroll and benefits of a substantially dedicated employee may be covered using payments from the Fund. Payroll includes certain hazard pay and overtime. Hazard pay may be covered using payments from the Fund if it is provided for performing hazardous duty or work involving physical hardship that in each case is related to COVID-19. That means that, whereas payroll and benefits of an employee who is substantially dedicated to mitigating or responding to the COVID-19 public health emergency may generally be covered in full using payments from the Fund, hazard pay specifically may only be covered to the extent it is related to COVID-19. Both hazard pay and overtime pay for employees that are not substantially dedicated may only be covered using the Fund if the hazard pay and overtime pay is for COVID-19 related duties.

**Condition:**

The City charged hazard pay for employees' hours worked on-site to the Coronavirus Relief Fund, even though their work was not specifically COVID-19 related duties.

**Cause:**

The Mayor signed a memorandum of agreement with three of the City's collective bargaining units that, during the period of the COVID-19 State of Emergency, when employees of the City would need to work on-site in order to continue the operations of the City, the City would compensate them at 1.5 times their regular straight time rate of pay for all hours actually worked on-site. This additional money was not included in the budget.

**Effect:**

The City charged to the Coronavirus Relief Fund hazard pay payroll that is not allowable under the Guidelines of the Coronavirus Relief Fund.

**Questioned Costs:**

The amount of \$197,669, which is the total hazard pay charged to the Coronavirus Relief Fund between March 17, 2020 and June 30, 2020 for employees not working on COVID-19 related duties, is questioned.

**Recommendation:**

The City should provide the additional hazard pay for work for duties not related to COVID-19 from local funding sources.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding 2020-001**

**Non-Compliance/Significant Deficiency in Internal Control Over Compliance – U.S. Department of the Treasury – Coronavirus Relief Fund – (CFDA No. 21.019) – Allowable Cost/Cost Principles – Hazard Pay for City Employees Not Related to COVID-19 Duties (continued)**

***Passed Through Commonwealth of Massachusetts Department of Revenue***

**Views of Responsible Officials and Planned Corrective Action:**

When the Governor declared a state of emergency for the COVID crisis in March of 2020, three of the city's collective bargaining units had language in their contracts that provided "hazard pay" if they had to come to on-site to work during a declared emergency.

Given the uncertainty around the transmissibility of the novel coronavirus, employees had concerns about being exposed and infected with the virus either from the public and/or from coworkers. Little was known about effective preventative strategies and offices had not yet been adapted for social distancing. With the advent of the CARES Act funding, costs the city incurred as a direct result of the coronavirus pandemic were considered eligible. During two on-line webinars, our Finance Director, specifically sought guidance from CARES Act administrators, as to whether "hazard pay" for regular employees who were required to come on site to work their regular jobs would be considered an eligible use of CARES funding. On those two occasions and in a subsequent email we were assured these were eligible costs **if** the collective bargaining agreements required such pay **prior** to the pandemic.

We specifically wish to emphasize that in the early months of the coronavirus pandemic there was a heightened sense of fear over contracting the virus. Locally, the City of Northampton had an early outbreak with almost a dozen employees spread over multiple departments who were sick with COVID in early March of 2020 including the Mayor and several command staff in the Fire Department. COVID was a very real concern among our employees and we specifically limited the number of employees that were asked to come on-site to keep the city operational. We feel strongly that this hazard pay should be deemed an eligible expense as it was 1) unbudgeted 2) part of existing collective bargaining agreements that pre-dated COVID and 3) necessary to keep the city operational. We also note that in early May we began collective bargaining with these unions to seek an end to hazard pay, once it became clear that the emergency situation was going to continue indefinitely. We were able to end the hazard pay in early June of 2020.

We are still in the process of working with CARES Act administrators to determine if all or some of this "hazard pay" can be considered eligible for reimbursement under CARES. However, we plan to bring an appropriation order to a City Council Meeting in February of 2021 to appropriate the amount of \$197,669 from Free Cash to cover ineligible CARES Act expenditures, should it be determined that all or some of this amount is not eligible. While we continue to maintain that this should be considered an eligible expense, we are prepared to deal with whatever decision is made.



**CITY OF NORTHAMPTON, MASSACHUSETTS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding No. 2020-001**

**Non-Compliance/Significant Deficiency in Internal Control Over Compliance – U.S. Department of the Treasury – Coronavirus Relief Fund – (CFDA No. 21.019) – Allowable Cost/Cost Principles**

**Name of Person Responsible:**

Susan Wright, City Finance Director

**Corrective Action Planned:**

We are still in the process of working with CARES Act administrators to determine if all or some of this “hazard pay” can be considered eligible for reimbursement under CARES. However, we plan to bring an appropriation order to a City Council Meeting in February of 2021 to appropriate the amount of \$197,669 from Free Cash to cover ineligible CARES Act expenditures, should it be determined that all or some of this amount is not eligible. While we continue to maintain that this should be considered an eligible expense, we are prepared to deal with whatever decision is made.

**Anticipated Completion Date:**

February 2021