

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2019



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**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION
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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board Members and Executive Director
The Boston Public Health Commission
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of The Boston Public Health Commission (the Commission), a component unit of the City of Boston, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the component unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2019, and the change in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2019, the Commission elected to change the measurement date of the liability reported under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Commission reported a restatement for the change in accounting principle (see Note 2). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain pension and other postemployment benefits information (located on pages 31 through 34) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenditures – budgetary basis (the supplementary information), located on page 35, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Board Members and Executive Director
The Boston Public Health Commission

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 23, 2019

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF NET POSITION
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

Assets:	
Current:	
Cash and Cash Equivalents (Note 3)	\$ 37,200
Accounts Receivable:	
Billed and Unbilled Receivables:	
EMS and Other Third-Party Billings (Note 4)	19,819
Grantors (Note 4)	10,669
Property and Other (Note 4)	6,348
Allowance for Uncollectible Amounts and Contractual Adjustments	(15,318)
Accounts Receivable, Net	<u>21,518</u>
Prepaid Expenses	463
Due from City of Boston	4,712
Total Current Assets	<u>63,893</u>
Noncurrent:	
Notes Receivable (Note 7)	44,332
Capital Assets (Note 8):	
Nondepreciable	11,793
Depreciable, Net	13,590
Total Noncurrent Assets	<u>69,715</u>
Total Assets	<u>133,608</u>
Deferred Outflows - Pension Related	40,824
Deferred Outflows - OPEB Related	6,995
Total Deferred Outflows	<u>47,819</u>
Liabilities:	
Current:	
Accounts Payable and Accrued Expenses	20,829
Due to City of Boston - Operations	203
Capital Leases (Note 9)	1,930
Unearned Revenue	1,974
Other	1,065
Total Current Liabilities	<u>26,001</u>
Noncurrent:	
Capital Leases (Note 9)	3,548
Net OPEB Liability (Note 10)	130,494
Net Pension Liability (Note 11)	146,140
Unearned Revenue	45,323
Other	1,575
Total Noncurrent Liabilities	<u>327,080</u>
Total Liabilities	<u>353,081</u>
Deferred Inflows - Pension Related	23,616
Deferred Inflows - OPEB Related	17,019
Total Deferred Inflows	<u>40,635</u>
Net Position:	
Net Investment in Capital Assets	19,905
Unrestricted (Deficit)	(232,194)
Total Net Position	<u>\$ (212,289)</u>

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

Operating Revenues:	
Grants	\$ 41,884
EMS Revenue, Net (Note 5)	34,231
Property Operations	2,682
Other	5,371
Total Operating Revenues	84,168
Operating Expenses:	
Public Health Programs	118,518
Property Operations	6,001
Public Health Service Centers	15,147
Administration	6,917
Other Postemployment Benefits (Note 10)	11,773
Pension (Note 11)	19,300
Depreciation	3,669
Total Operating Expenses	181,325
Operating Loss	(97,157)
Nonoperating Income (Expense):	
City Appropriation	88,759
Nonemployer Contribution (Pension)	546
Gain on Sale of Asset	17
Interest Income	508
Total Nonoperating Income, Net	89,830
Loss Before Capital Contributions	(7,327)
Capital Contributions	1,575
Decrease in Net Position	(5,752)
Net Position (Deficit), Beginning of Year (As Restated)	(206,537)
Net Position (Deficit), End of Year	\$ (212,289)

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

Cash Flows from Operating Activities:	\$	88,600
Receipts from Programs		
Payments to Vendors		(92,217)
Payments to Employees		(78,628)
Net Cash Used in Operating Activities		<u>(82,245)</u>
Cash Flows from Noncapital Financing Activities:		
Receipts from City Appropriation		<u>88,447</u>
Cash Flows from Capital and Related Financing Activities:		
Payments on Capital Lease Obligations		(1,904)
Capital Contributions		1,313
Purchases and Construction of Capital Assets		(4,866)
Net Cash Used in Capital and Related Financing Activities		<u>(5,457)</u>
Cash Flows from Investing Activities:		
Interest Income		508
Net Increase in Cash and Cash Equivalents		<u>1,253</u>
Cash and Cash Equivalents, Beginning of Year		35,947
Cash and Cash Equivalents, End of Year	\$	<u><u>37,200</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$	(97,157)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation		3,669
Change in Net OPEB Liability		15,532
Change in Net Pension Liability		30,694
Change in Deferred Outflows - Pension		(25,776)
Change in Deferred Outflows - OPEB		(6,995)
Change in Deferred Inflows - Pension		(9,152)
Change in Deferred Inflows - OPEB		2,142
Changes in Assets and Liabilities:		
Receivables, Net		6,089
Prepays		(277)
Accounts Payable and Accrued Expenses		(242)
Due to/from City of Boston		(788)
Unearned Revenue		(311)
Other		327
Net Cash Used in Operating Activities	\$	<u><u>(82,245)</u></u>

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 1 REPORTING ENTITY

The Boston Public Health Commission (Commission), a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts, was established by Chapter 147 of the Acts of 1995. The Commission was created to assume, and have transferred to, all rights and obligations of the Trustees of Health and Hospitals (THH) and the Department of Health and Hospitals of the City of Boston (DHH), which under separate charter, were abolished by the same Act, as part of the merger of the Boston City Hospital (BCH) with the Boston University Medical Center Hospital. The Commission is governed by a seven-member board, six of which are appointed by the Mayor of Boston and confirmed by the City Council and one of whom is the Chief Executive Officer of the Boston Medical Center (BMC). Some members of the board work with or for organizations that receive funding from the Commission.

The Commission is the Board of Health for the City of Boston (City) and is responsible for the implementation of public health programs in the City. Public service and access to quality health care are the cornerstones of the Commission's mission – to protect, preserve, and promote the health and well-being of all Boston residents, particularly those who are most vulnerable. The Commission's more than 40 programs are grouped into six bureaus: Child, Adolescent & Family Health; Community Health Initiatives; Homeless Services; Infectious Disease; Bureau of Recovery Services; and Emergency Medical Services, which offers a variety of specialized public health services such as operating a homeless shelter, public health nursing, substance abuse treatment and prevention programs and violence prevention efforts.

The Commission receives the majority of its funding from a City appropriation, EMS and other third-party billings, and federal and state grants. The Commission expects that the City will continue to provide support for the public health programs of the Commission.

In 2001, the BPHC Mattapan Development Corp., Inc. was created for benevolent, civic, or charitable purposes within the meaning of Section 4 of Chapter 180 of the Massachusetts General Laws, more specifically to assist in the development, redevelopment, financing, operation, and management related to the revitalization of the Boston Specialty and Rehabilitation Hospital Campus located in the Mattapan section of the City of Boston, Massachusetts. The activities of this corporation are presented as a blended component unit in the accompanying financial statements due to its financial dependency on the Commission.

In 2013, the BPHC Northampton Development Corp., Inc. was created for benevolent, civic, or charitable purposes within the meaning of Section 4 of Chapter 180 of the Massachusetts General Laws, more specifically to assist in the development, redevelopment, financing, operation, and management related to the revitalization of the Northampton Square complex located in the South End neighborhood of the City of Boston, Massachusetts. The activities of this corporation are presented as a blended component unit in the accompanying financial statements due to its financial dependency on the Commission.

For financial reporting purposes, the Commission is considered a component unit of the City of Boston and its financial statements are included as part of the City's financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Basis of Presentation

The Commission's financial statements are reported on an accrual basis of accounting as specified by the Governmental Accounting Standards Board (GASB) requirements for an enterprise fund. The accrual basis of accounting recognizes revenues when earned and recognizes expenses when the related liability is incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission considers the lease receipts, rent, grants, EMS program revenue, and other fees for services as operating revenues. Other revenues not meeting this definition are considered nonoperating items. Operating expenses are those expenses related to grants and City-funded expenses. Nonoperating expenses are those not meeting this definition.

Budget

Under the legislation of the Commonwealth of Massachusetts that established the Commission, the Commission's Board must adopt its public health services budget for the ensuing fiscal year by the second Wednesday in June.

Cash and Cash Equivalents

The Commission considers cash and cash equivalents to be cash on hand and investments with a maturity date of three months or less from the date of purchase.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets are defined by the Commission as assets with an initial, individual cost of 1) more than \$25 for buildings and building improvements or 2) more than \$5 for assets other than buildings and building improvements; and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

On July 1, 1996, the merger date, various capital assets of the former THH and the former DHH were transferred to the Commission at their depreciated values. These assets included the Boston Specialty and Rehabilitation Hospital (BSRH) and the Northampton Square complex. On July 1, 1996, title to the property, plant, and equipment of the former BCH was transferred to the Commission, which was in turn leased to the BMC.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Buildings and Leasehold Improvements	10 – 30
Furniture and Fixtures	10
Computers and Technology	3 – 5
Vehicles	3
Equipment	3

Net EMS Revenue

Net EMS revenue is recorded at standard billable rates from individuals (self-pay), third-party payers and others for services rendered. Contractual adjustments, which represent the difference between the standard billable rate and the allowable third-party payer rate, are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined and are reflected in the financial statements as a contra-revenue adjustment and an increase in the allowance for uncollectible accounts. A provision for uncollectible accounts is recorded to reflect accounts receivable at its estimated net realizable value and the corresponding contra-revenue is reflected as a reduction of gross revenue.

Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State-Boston Retirement System (SBRS) and additions to/deductions from SBRS's fiduciary net position have been determined on the same basis as they are reported by SBRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commission's plan and additions to/deductions from the Commissions' fiduciary net position have been determined on the same basis as they are reported by the City of Boston's OPEB Trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused vacation leave (subject to certain limitations) at their current rates of pay. Upon retirement, certain employees are compensated for varying portions of unused sick leave subject to certain limitations.

Net Position

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in the following categories:

Net investment in capital assets represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt (including capital leases) attributable to asset acquisitions, construction, and improvements.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Unrestricted represents the remaining net position not considered invested in capital assets or restricted.

Administration Expense

Revenue received from charging administration (indirect) costs to grants and other funding is used to offset administration costs.

Restatement

During the fiscal year ended June 30, 2019, the Commission changed the measurement date used in determining the net OPEB liability from the beginning of the fiscal year to the end of the fiscal year. As a result, the previously reported net deficit at June 30, 2018 of \$195,515 was restated to \$206,537.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 3 DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk.

At June 30, 2019, cash and cash equivalents with a carrying value of \$37,200 included bank, money market and cash portfolio deposits.

Bank deposits of \$7,294 and money market deposits of \$16 were covered by federal depository insurance of \$500. The remaining bank and money market deposits in excess of federal depository insurance were collateralized by United States government and agency obligations.

The Commission established a Massachusetts Municipal Depository Trust (MMDT) cash portfolio account in February of 2019. This MMDT account is a diversified portfolio of high-quality money market instruments that seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity. The MMDT cash portfolio account is an investment program under the auspices of the Commonwealth of Massachusetts that is offered only to public entities and is managed by Federated Investors, Inc. The Commission's investment in the Trust as of June 30, 2019 is \$30,385. An investment in the Cash portfolio is not a deposit of a bank and is neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any government agency.

Interest Rate Risk

As of June 30, 2019, the Commissions' short-term investment was in MMDT. The fair value of the MMDT investment at June 30, 2019 as \$30,385, and its average maturity is less than one year. The Commission does not have a policy for interest rate risk.

Credit Risk

As of June 30, 2019, the Commission's investment in the MMDT was not rated.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs use to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Because MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above. There are no unfunded commitments or withdrawal restrictions for the investments in MMDT.

**THE BOSTON PUBLIC HEALTH COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 4 ACCOUNTS RECEIVABLE

Emergency Medical Services

The Commission provides services primarily to the residents of the City of Boston. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experiences and a review of the current status of the existing receivables. The mix of receivables from patients and third-party payer's at June 30, 2019 is as follows:

Medicaid	\$ 7,462
Individuals	5,803
Medicare	4,282
Private Insurance	2,000
Other	272
Total EMS Receivables, Gross	<u>19,819</u>
Less: Allowance for Uncollectible Accounts and Contractual Adjustments	<u>(13,047)</u>
EMS Accounts Receivable, Net	<u><u>\$ 6,772</u></u>

Grants

The Commission receives grants from federal, state, city governments, and private parties. The types of grants include cost billable, federal LOC, and advance. The mix of receivables from grantors at June 30, 2019 is as follows:

Cost Billable Grants	\$ 5,065
LOC Grants	3,205
Unbilled Grants	2,211
State Fee for Service Grants	163
Advance Grants	25
Total Grant Accounts Receivable	<u>10,669</u>
Less: Allowance for Uncollectible Accounts	<u>(797)</u>
Grant Accounts Receivable, Net	<u><u>\$ 9,872</u></u>

**THE BOSTON PUBLIC HEALTH COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Property and Other Third Party

The Commission's other receivables which consists of other third-party billings and property operations is as follows:

Property	\$ 3,891
Third Party	1,409
Fee for Service	666
Income	382
Total Property and Other Third Party	<u>6,348</u>
Less: Allowance for Uncollectible Accounts	(1,474)
Property and Other Third Party Receivables, Net	<u><u>\$ 4,874</u></u>

NOTE 5 EMERGENCY MEDICAL SERVICES (EMS)

EMS revenue includes a provision for adjustments to reflect the differences between billed charges and amounts recovered.

Components of EMS revenue for the year ended June 30, 2019 is as follows:

Gross EMS Revenue:	
Medicaid	\$ 45,823
Medicare	36,599
Private Insurance	13,756
Individuals	11,586
Other Government	2,640
Less: Charity Care	(1,955)
Total Gross EMS Revenue	<u>108,449</u>
Contractual Adjustments	(56,787)
Provision for Uncollectibles	(17,431)
EMS Revenue, Net	<u><u>\$ 34,231</u></u>

**THE BOSTON PUBLIC HEALTH COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 6 LEASES (LESSOR)

BCH Campus

As part of the merger described in Note 1, the Commission retained title to all real property formerly held by THH and DHH, except for the Long Island Campus, which was transferred to the City's Public Facilities Department but continues to be operated by the Boston Public Health Commission. On July 1, 1996, the Commission leased the former BCH campus, except for certain identified sites, to BMC for an initial period of 50 years with four 10-year renewal options.

In accordance with the July 1, 1996 agreement, as amended, the payments received by the Commission under the lease were equal to (i) the debt service costs (principal and interest) on the note dated August 1, 2002 that secures the City's 2002 Special Obligation Refunding Bonds, Boston City Hospital issue (2002 Bonds), and (ii) the debt service on all City general obligation bonds allocable to BCH outstanding at June 30, 1996.

Effective May 1, 2012, the Commission and the Boston Medical Center Corporation amended the lease dated July 1, 1996, as amended, to reflect the City of Boston's issuance of the 2012 Series C General Obligation Bonds, the proceeds of which were used to refund the 2002 Bonds. Upon issuance of the 2012 Bonds, the Commission and the Boston Medical Center Corporation amended the existing lease to reflect the refunding of the 2002 Bonds. The amended lease dated May 1, 2012 stipulates that the rent payments to be made to the Commission will be equal to the debt service on the City's general obligation bonds allocable to BCH.

On or after July 1, 2016, the lease provided for the Commission and BMC to set lease payments at fair market value for the property for the remainder of the lease term.

The Commission and BMC are currently negotiating the applicable fair market value for the lease.

Mallory Building

On December 7, 2006, the Commission (lessor) entered into a lease agreement with the Boston Health Care for the Homeless Program, Inc. (lessee) which allowed the lessee to renovate the Mallory Building (located at 774 Albany Street) for the sole purpose of operating a health care facility for the homeless. The lease agreement provides for an initial term of 42 years with two (2) 24-year options. Base rent for the initial term is \$1.6 million payable in installments of \$160 upon execution, \$640 received in June 2008; and \$800 on the first anniversary of occupancy. Base rent for each option is \$1 per year. The Commission is accounting for the lease as an operating lease and is recognizing prepaid rental income over the lease term of 90 years at approximately \$18 per year. The cash received to date has been recorded as unearned revenue of \$1,376 of which \$18 is reflected as current.

**THE BOSTON PUBLIC HEALTH COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 6 LEASES (LESSOR) (CONTINUED)

Northampton Square (NHS)

On September 24, 2013, BPHC Northampton Development Corp. (lessor), a fully controlled nonprofit entity of the Commission, entered into a lease agreement with Trinity Northampton Phase I Limited Partnership (lessee) for the property located at 35 Northampton Street. The lease term is 98 years and will expire on December 31, 2111. The lease stipulates annual rent payments of \$1,014 for the term of the lease, payable quarterly in arrears in the amount of \$254. Furthermore, additional rent will be payable to cover any operating costs of the premises paid by the landlord. The Commission is accounting for the lease as an operating lease and recognizing income as earned.

On December 31, 2014, BPHC Northampton Development Corp. (lessor) entered into a lease agreement with Trinity Northampton Phase II Limited Partnership (lessee) for the property located at 860 Harrison Avenue. The lease term is 98 years and will expire on December 31, 2112. The lease stipulates annual rent payments of \$486 for the term of the lease, payable quarterly in arrears in the amount of \$121. Furthermore, additional rent will be payable to cover any operating costs of the premises paid by the landlord. The Commission is accounting for the lease as an operating lease and recognizing income as earned.

Future minimum lease payments to be received under the above operating leases are as follows:

	<u>NHS Phase 1</u>	<u>NHS Phase 2</u>	<u>Total</u>
2020	\$ 1,014	\$ 486	\$ 1,500
2021	1,014	486	1,500
2022	1,014	486	1,500
2023	1,014	486	1,500
2024	1,014	486	1,500
Thereafter	88,764	42,971	131,736
Total	<u>\$ 93,834</u>	<u>\$ 45,401</u>	<u>\$ 139,236</u>

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NOTE 7 NOTES RECEIVABLE

Mattapan Heights

Phase I

During fiscal year 2002, BPHC Mattapan Development Corp., a fully controlled nonprofit entity of the Commission, sold the Foley and E Buildings on the Mattapan Campus to a developer for \$2,955. BPHC Development Corp. holds two notes receivable for the entire purchase price of the buildings – \$2,805 at 5.5% compounded interest and \$150 at 0.01% simple interest. The principal of the notes and the accrued unpaid interest are payable in a balloon payment in fiscal 2042, which is secured by a mortgage on the property. The accrued unpaid interest is \$4,415 as of June 30, 2019.

Phase II

During fiscal year 2005, the Commission and the BPHC Mattapan Development Corp. completed Phase II by selling Mattapan buildings A, B, C, D, and I to Trinity Mattapan Heights Limited Partnership for \$582. The Commission holds a note receivable of \$162, with simple interest of 0.01% per annum. BPHC Mattapan Development Corp. holds a note receivable of \$420 with interest compounding annually at 5.21%. The principal of the notes and the accrued unpaid interest are payable in a balloon payment in fiscal 2045, which is secured by mortgages on the property. The accrued unpaid interest is \$475 as of June 30, 2019.

Phase III

During fiscal year 2007, the Commission and the BPHC Mattapan Development Corp. completed Phase III by selling Mattapan Building F to Trinity Mattapan Heights Three Limited Partnership for \$400. BPHC Mattapan Development Corp. holds a note receivable (Acquisition Loan) for \$400 with interest compounding annually at 5.5%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$385 as of June 30, 2019.

BPHC Mattapan Development Corp. also holds a note receivable (State Tax Credits and Development Fee) for \$3,494 from Trinity Mattapan Heights Three Limited Partnership, with interest compounding annually at 3.0%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$1,575 as of June 30, 2019.

In addition, BPHC Mattapan Development Corp. holds a note receivable for \$250 from Trinity Mattapan Heights Three Limited Partnership, with interest compounding annually at 3.0%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$241 as of June 30, 2019.

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NOTE 7 NOTES RECEIVABLE (CONTINUED)

Phase V

During fiscal year 2012, the Commission and the BPHC Mattapan Development Corp. completed Phase V by selling Land Parcel G to Trinity Mattapan Heights Five Limited Partnership for \$9,724, a State Tax Credit Loan (Note). BPHC Mattapan Development Corp. holds a note receivable (State Tax Credit Loan) for \$9,724, without interest. The principal is payable in fiscal 2053, which is secured by a mortgage on the property.

Northampton Square (NHS)

Phase I

During fiscal year 2014, BPHC Northampton Development Corp. leased the property located at 35 Northampton Street on NHS to the developer and provided a loan in the amount of \$11,252 for the development of the property. BPHC Northampton Development Corp. holds a note receivable in the amount of \$11,252 with interest compounding annually at 1.0%. The principal of the note and the accrued unpaid interest are payable in a balloon payment in fiscal 2044, which is secured by a mortgage on the property. The accrued unpaid interest is \$499 as of June 30, 2019.

Phase II

During fiscal year 2015, BPHC Northampton Development Corp. leased the property located at 860 Harrison Avenue on NHS to the developer and provided a loan in the amount of \$7,726 for the development of the property. BPHC Northampton Development Corp. holds a note receivable in the amount of \$7,726 with interest compounding annually at 1.0%. The principal of the notes and the accrued unpaid interest are payable in fiscal 2065, which is secured by a mortgage on the property. The accrued unpaid interest is \$235 as of June 30, 2019.

Because of the structure of the Mattapan Heights and NHS transactions, the Commission has deferred gains until certain criteria for income recognition are met.

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NOTE 8 CAPITAL ASSETS

The following is a summary of the activity in capital assets for the year ended June 30, 2019:

	Balance, June 30, 2018	Additions	Disposals	Balance, June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 11,741	\$ -	\$ -	\$ 11,741
Construction In Progress	14	52	(14)	52
Total Capital Assets Not Being Depreciated	<u>11,755</u>	<u>52</u>	<u>(14)</u>	<u>11,793</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	41,040	717	-	41,757
Leasehold Improvements	9,495	-	-	9,495
Vehicles	22,997	2,375	(660)	24,712
Computers and Technology	6,668	1,846	-	8,514
Equipment	4,344	341	-	4,685
Furniture and Fixtures	482	-	-	482
Total Capital Assets Being Depreciated	<u>85,026</u>	<u>5,279</u>	<u>(660)</u>	<u>89,645</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	36,068	1,023	-	37,091
Leasehold Improvements	9,355	119	-	9,474
Vehicles	16,950	2,019	(660)	18,309
Computers and Technology	6,298	139	-	6,437
Equipment	3,953	361	-	4,314
Furniture and Fixtures	422	8	-	430
Total Accumulated Depreciation	<u>73,046</u>	<u>3,669</u>	<u>(660)</u>	<u>76,055</u>
Total Capital Assets Being Depreciated, Net	<u>11,980</u>	<u>1,610</u>	<u>-</u>	<u>13,590</u>
Total Capital Assets, Net	<u>\$ 23,735</u>	<u>\$ 1,662</u>	<u>\$ (14)</u>	<u>\$ 25,383</u>

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NOTE 9 LEASES (LESSEE)

Operating Leases

The Commission leases building space to house its operations as a tenant at will. The Commission also has lease commitments with various vendors to lease real estate and equipment used in its operations. These leases are treated as operating leases with related rents charged to operations as incurred. The lease between the City of Boston and the Commission for the space at 1010 Massachusetts Avenue expired on December 31, 2009. Both parties continue to honor the expired agreement.

Total rent expense for the year ended June 30, 2018 was approximately \$1,819 and \$441 for real estate and equipment, respectively.

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2019:

	Real Estate
2020	\$ 399
2021	365
Totals	<u>\$ 764</u>

Capital Leases

The Commission has entered into various capital lease agreements to finance the purchase of ambulances. Capital assets acquired through capital leases has a cost and net book value of \$10,527 and \$5,478, respectively. The following is a schedule, by year, of future minimum lease payments under capital leases as of June 30, 2019:

2020	\$ 2,060
2021	1,841
2022	1,060
2023	597
2024	193
Sub-Total	<u>5,751</u>
Less Amounts Representing Interest	<u>(273)</u>
Total	<u>\$ 5,478</u>

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

General Information about the Postemployment Benefit Plan

In addition to the pension benefits described in Note 11, the Commission provides postemployment health care and life insurance benefits, in accordance with State statute and City ordinance, to participating retirees and their beneficiaries under the City of Boston's health insurance plan. As of June 30, 2017, the valuation date, approximately 251 retired members, beneficiaries, and dependents, and 904 active members meet the eligibility requirements as put forth in Chapter 32B the Massachusetts General Laws (MGL). The Commission participates in an agent multi-employer defined benefit OPEB plan (Plan) sponsored by the City of Boston.

The Plan is administered by the City and issues a standalone financial report which can be obtained from www.boston.gov/departments/auditing.

Benefits Provided by the Plan

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Neighborhood Health Plan. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan. The City of Boston also pays 50% of the retiree life insurance premium and reimburses retirees 50% of their Medicare Part B premium. The Plan provides lifetime coverage to eligible retirees and offers medical and prescription drug benefits to dependents that are payable to a spouse for their lifetime, regardless of when the retiree dies.

For members hired before April 2, 2012, Groups 1 and 2 retirees (including teachers) with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees are eligible at age 55, or at any age with at least 20 years of creditable service. For members hired after April 2, 2012, Groups 1 retirees (including teachers) with at least 10 years of creditable service are eligible at age 60, while Group 2 retirees with at least 10 years of creditable service are eligible at age 55. Group 4 retirees are eligible at age 55, or at age 50 with at least 10 years of creditable service.

Retirees on accidental (job-related) disability retirement are eligible at any age while ordinary (non-job related) disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The Commission provides health insurance to its employees under the City's health insurance plans. The City currently funds the Plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. The Commission also contributed \$2.25 million to the OPEB trust for the year ended June 30, 2019. For the fiscal year ended June 30, 2019, the Commission's total contributions reported in the trust totaled \$4,652.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, for which update procedures were performed to roll forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. A schedule of changes in the Net OPEB liability is provided below:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 135,568	\$ 20,606	\$ 114,962
Changes for the year:			
Service Cost	7,583	-	7,583
Interest	6,941	-	6,941
Differences Between Expected and Actual and Actual Experience	(610)	-	(610)
Changes in Assumptions	7,630	-	7,630
Contributions - Employer	-	4,652	(4,652)
Net Investment Income	-	1,359	(1,359)
Benefit Payments	(2,402)	(2,402)	-
Administrative Expenses	-	1	(1)
Net Changes	19,142	3,610	15,532
Balance at June 30, 2019	\$ 154,710	\$ 24,216	\$ 130,494

Notes to Schedule:

1. **Changes in Assumptions:** The discount rate was decreased from 4.90% as of June 30, 2018 to 4.58% as of June 30, 2019.
2. **Changes in Plan Provisions:** None

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Inflows/Outflows of Resources

For the year ended June 30, 2019, the Commission recognized OPEB expense of \$11,773. Furthermore, as of June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 6,995	\$ 16,180
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	141
Difference between Expected and Actual Experience	-	698
Total	<u>\$ 6,995</u>	<u>\$ 17,019</u>

All amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,284)
2021	(1,284)
2022	(1,122)
2023	(1,154)
2024	(1,176)
Thereafter	<u>(4,004)</u>
Total	<u>\$ (10,024)</u>

Actuarial Assumptions:

The total OPEB liability as of June 30, 2019 was measured by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation – 3.25%
- Salary increases – 4.0% per year for Group 1 employees and 4.5% per year for Group 4 employees
- Discount Rate – 4.58%
- Investment Rate of Return – 6.75%

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

•Health Care Trend Rates:

- Medical and Prescription Drug: 7.0% decreasing by 0.5% for 5 years to an ultimate level of 4.5%
- Medicare Part B Premium: 4.5%
- Contributions: Retiree contributions are expected to increase with medical trend

• Mortality rates were as follows:

- Pre-Retirement: RP-2014 Blue Collar Employee Table projected generationally with Scale MP-2017 set forward 1 year for females
- Healthy: RP-2014 Blue Collar Annuitant Mortality Table projected generationally with Scale MP-2017 set forward 1 year for female
- Disabled: RP-2014 Blue Collar Annuitant Mortality Table projected generationally with Scale MP-2017 set forward 1 year

Long-Term Expected Rate of Return

The long-term expected rate of return for OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2019 and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.16%
International Developed Markets Equity	12%	6.69%
International Emerging Markets Equity	3%	9.47%
Core Fixed Income	33%	1.89%
Hedge Fund, GTAA, Risk Parity	22%	3.68%
Totals	<u>100%</u>	

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 was 4.58%. The discount rate was selected using a blend of the Municipal Bond Index Rate (3.50% at June 30, 2019) for unfunded periods and the Investment Rate of Return for funded periods.

The following table presents the Commission's net OPEB liability as of June 30, 2019, calculated using the discount rate of 4.58%, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.58%) or 1-percentage-point higher (5.58%) than the current rate:

	1% Decrease (3.58%)	Current Discount Rate (4.58%)	1% Increase (5.58%)
Net OPEB Liability	\$ 158,273	\$ 130,494	\$ 108,341

Healthcare Cost Trend Rates

The following table presents the Commission's net OPEB liability as of June 30, 2019, calculated using the current trend rates, as well as what the Commission's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability	\$ 102,393	\$ 130,494	\$ 167,647

NOTE 11 PENSION PLANS

General Information about the Pension Plan

Plan description. Pensions are provided to eligible Commission employees through the State-Boston Retirement System (SBRS or System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Massachusetts General Law (MGL). The Board of Trustees is primarily responsible for the administration of the System and, consists of five members as follows: the City Auditor (who serves as an ex officio member), a second member appointed by the Mayor, a third and fourth member elected by active or retired members, and a fifth member chosen by the other four members (or appointed by the Mayor if the other four members do not agree on a selection within 30 days of a vacancy). Participation in the SBRS is mandatory for all permanent, full-time, and certain part-time employees immediately upon the commencement of employment.

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NOTE 11 PENSION PLANS (CONTINUED)

Benefits provided. MGL establishes uniform benefit and contribution requirements for all contributory Public Employees' Retirement Systems (PERS). Employees with 10 or more years of serving having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 20 years of service. The Plan provides for retirement allowance benefits up to a maximum of 80% of a participants highest three-year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2012). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification.

Participants become vested after 10 years of creditable service. Effective July 1, 1998, Chapter 32 of the MGL assigned the authority to establish and amend benefit provisions and grant cost-of-living increases for the Plan to the Boston Retirement Board (BRB).

Participants who resign from employment or are receiving workers' compensation benefits and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants who resign voluntarily with less than 10 years of service are entitled to receive 3% per year interest; all others receive interest that has accrued on their cumulative deductions at the regular interest rate (0.10% at December 31, 2018).

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive retirement allowance benefits, either in a lump sum or in the form of an annuity, based on the length of service, contributions, and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits.

Accidental disability is provided to members with incapacitation resulting from a work-related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation a member earned while an active employee on date of injury or average annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work-related and has attained 10 years of creditable service. Such benefits are provided as if the member had attained the age of 55 (or actual age if over 55) based on the amount of creditable service actually earned. Limits are placed on how much a disability employee can earn from other sources while collecting a disability retirement pension.

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NOTE 11 PENSION PLANS (CONTINUED)

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the Plan. Active plan members contribute between 5 and 11% of their gross regular compensation. The contribution rate is based on the date plan membership commences. As a condition of participation, employees are required to contribute 5% of their salary if hired prior to January 1, 1975; 7% if hired after January 1, 1975, and before January 1, 1984, and before July 1, 1996; and 9% if hired after July 1, 1996. Employees hired after January 1, 1979, contribute an additional 2% of earnings in excess of \$30 per year. Additionally, teachers who became members of the System after June 30, 2001, or other teachers who elect this option, are required by law to contribute 11% of their salary. Overtime and certain additional earnings are not subject to these assessments and are not considered in the determination of final average salary. The Commission is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. Contributions to the System from the Commission were \$20,436 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Although the System administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contributions rates by group for the participating employers of the Plan excluding the Sheriff of Suffolk County (Group A), the Sheriff of Suffolk County (Group B) and the Commonwealth of Massachusetts (Group C). The measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, excluding that attributable to employer-paid member contributions are determined separately for each group. The commission is included in Group A and therefore the following disclosures pertain only to those attributable to that group.

At June 30, 2019, the Commission reported a liability of \$146,140 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the valuation date and the measurement date. The Commission's proportion of the net pension liability is based on actual contributions. At December 31, 2018, the Commission's proportion was 7.3165%, which compared to a proportion of 7.5164% at December 31, 2017.

For the fiscal year ended June 30, 2019, the Commission recognized its proportionate share of pension expense of \$19,215. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources as follows:

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NOTE 11 PENSION PLANS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 29,225	\$ -
Difference between Actual and Expected Experience	-	11,983
Changes in Assumptions	10,258	2,241
Changes in Proportion	1,341	9,392
Total	<u>\$ 40,824</u>	<u>\$ 23,616</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 5,637
2021	1,801
2022	1,918
2023	9,653
2024	(1,801)
Total	<u>\$ 17,208</u>

Actuarial assumptions. The total pension liability was determined by performing update procedures to roll the liability forward from the January 1, 2018 actuarial valuation to the December 31, 2018 measurement date. The following actuarial assumptions, applied to all periods included in the measurement:

- Inflation – 3.25%
- Salary increases are based on analyses of past experience but range from 4.0% to 4.5% depending on group and length of service
- Investment Rate of Return (net of investment expenses, including inflation) – 7.50%
- Cost of Living Adjustments – 3% of first \$14,000
- Mortality rates were as follows:
 - Healthy: RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward 1 year for female participants projected generationally using Scale MP-2017
 - Disabled: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017.

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NOTE 11 PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	23%	6.16%
International Developed Markets Equity	17%	6.69%
Emerging Markets Equity	8%	9.47%
Core Fixed Income	16%	1.89%
High Yield Fixed Income	10%	4.00%
Real Estate	10%	4.58%
Hedge Fund, GTAA, Risk Parity	9%	3.68%
Private Equity	7%	10.00%
Totals	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2018.

Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate. The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

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NOTE 11 PENSION PLANS (CONTINUED)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commission's Proportionate Share of the Net Pension Liability	\$ 202,126	\$ 146,140	\$ 98,778

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued SBRS financial report.

Defined Contribution Retirement Plan

The Commission has a closed defined contribution retirement plan. Employer contributions are 4% of the gross wages of participating employees. Employees may make additional voluntary contributions. Payments made by the Commission under this plan amounted to \$86 during the year ended June 30, 2019.

NOTE 12 RELATED PARTY TRANSACTIONS

Leases

The Commission leases office space (tenant-at-will) from the City to house its operations at 1010 Massachusetts Avenue. Rent expense for fiscal year 2019 totaled \$810 and management services expenses paid to the City were \$283 for this location.

During fiscal years 2015, 2016, 2017, 2018, and 2019, the Commission purchased ambulances for which the costs were subsequently reimbursed by the City. The Commission subsequently entered into capital leases with the City for repayment. Total lease payments made for fiscal year 2019 totaled \$2,050.

Grant Administration Agreement

Under the terms of an agreement with BMC, the Commission assumed responsibility for all fiscal, grant management and management operations of the Commission, including Boston EMS. The agreement calls for BMC to continue to provide certain services to the Commission regarding the TB clinic, School Based Health Centers, Occupational Health Services, certain professional staffing provided through Boston University's Faculty Practice Foundation, utilities to the Woods Mullen, Finland and 727 Massachusetts Avenue properties and pharmaceutical supplies and services to Boston EMS. The Commission reimburses the BMC for the actual cost of goods and services provided under the terms of the agreement. Reimbursements for fiscal 2019 totaled \$1,100.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

NOTE 13 RISK MANAGEMENT

The Commission receives management services from the City for health insurance and workers' compensation. Although the City pays for these claims on behalf of the Commission, the City charges back the Commission for these costs. Therefore, the claims cost ultimately resides with the Commission. However, the liability associated with these claims is recorded in full by the City. The Commission provides its own legal defense for legal claims.

The Commission makes available life insurance to its employees and utilizes an outside agency for cost control measures regarding unemployment insurance claims, and is under a self-insured arrangement with the Commonwealth of Massachusetts.

NOTE 14 LONG ISLAND CAMPUS

During 2015, the City closed the Long Island Bridge and, as a result, the Commission has closed all programming on the Long Island Campus. The Commission continues to maintain staff on the Island to provide building upkeep, maintenance, and security.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Various federal and state programs and research activities administered by the Commission are subject to post-performance review and adjustment. The Commission currently records adjustments to reflect costs incurred in excess of grant funds available and differences between provisional and final indirect cost reimbursement rate. Other adjustments resulting from grantor reviews are recorded during the period in which they occur.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

**PENSION PLAN – SCHEDULE OF THE COMMISSION’S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (1) (2)**

	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	7.3165%	7.5164%	7.8753%	7.7151%	7.7130%
Commission's proportionate share of the net pension liability	\$ 146,140	\$ 115,992	\$ 140,757	\$ 150,750	\$ 132,868
Commission's covered payroll	\$ 68,591	\$ 67,183	\$ 67,624	\$ 64,891	\$ 67,274
Commission's proportionate share of the net pension liability as a as a percentage of its covered payroll	213.06%	172.65%	208.15%	232.31%	197.50%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	62.73%	58.44%	55.76%	59.59%

(1) Amounts presented were determined as of December 31st six months prior, the measurement date.

(2) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

PENSION PLAN – SCHEDULE OF COMMISSION CONTRIBUTIONS (1)

	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 20,436	\$ 19,021	\$ 18,263	\$ 16,583	\$ 15,364
Contributions in Relation to the Actuarially Required Contribution	(20,436)	(19,264)	(18,263)	(16,583)	(15,364)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (243)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll	\$ 73,215	\$ 68,512	\$ 68,207	\$ 66,274	\$ 64,704
Contributions as a Percentage of Covered Payroll	27.91%	28.12%	26.78%	25.02%	23.75%

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

**OPEB PLAN – SCHEDULE OF CHANGES IN THE COMMISSIONS NET OPEB LIABILITY
AND RELATED RATIOS (1)**

	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 7,583	\$ 7,831	\$ 9,111
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	6,941	6,324	5,565
Differences between Expected and Actual Experience	(610)	(137)	(34)
Change in Assumptions	7,630	(5,475)	(15,490)
Benefit Payments	(2,402)	(2,376)	(2,326)
Net Change in OPEB Liability	19,142	6,167	(3,174)
Total OPEB Liability - Beginning of Period	135,568	129,401	132,575
Total OPEB Liability - End of Period	154,710	135,568	129,401
Plan Fiduciary Net Position			
Employer Contributions to Trust	4,652	4,626	4,576
Net Investment Income	1,359	1,081	1,779
Benefit Payments	(2,402)	(2,376)	(2,326)
Administrative Expenses	1	(1)	-
Net Change in Plan Fiduciary Net Position	3,610	3,330	4,029
Plan Fiduciary Net Position - Beginning of Period	20,606	17,276	13,247
Plan Fiduciary Net Position - End of Period	24,216	20,606	17,276
Net OPEB Liability	\$ 130,494	\$ 114,962	\$ 112,125
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	15.65%	15.20%	13.35%
Covered-Employee Payroll	\$ 81,350	\$ 76,124	\$ 75,785
Net OPEB Liability as a Percentage of Covered-Employee Payroll	160.41%	151.02%	147.95%

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

OPEB PLAN – SCHEDULE OF COMMISSION CONTRIBUTIONS (1)

	2019	2018	2017
Actuarially Determined Contribution	\$ 9,033	\$ 8,610	\$ 10,624
Contributions in Relation to the Actuarially Determined Contribution	(4,652)	(4,626)	(4,576)
Contribution Deficiency (Excess)	<u>\$ 4,381</u>	<u>\$ 3,984</u>	<u>\$ 6,048</u>
Commission's Covered-Employee Payroll	\$ 81,350	\$ 76,124	\$ 75,785
Contributions as a Percentage of Covered-Employee Payroll	5.72%	6.08%	14.02%

(1) Data is being accumulated annually to present 10 years of the reported information.

***Notes to Schedule:**

Methods and assumptions used to establish the actuarially determined contribution:

Assumption	Description
Valuation date:	Actuarially determined contribution for fiscal year ending June 30, 2019 was determined with the June 30, 2017 actuarial valuation.
Actuarial cost method:	Entry Age Normal
Asset valuation method:	Market value
Investment rate of return:	6.75%
Payroll growth:	3.25%
Health care cost trend rates:	Non-Medicare Plans: 7.0% decreasing by 0.5% for 4 years to an ultimate level of 5.0% Medicare Plans: 8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% Contributions: Retiree contributions are expected to increase with medical trend
Mortality rates:	Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 set forward one year for females Healthy: RP-2014 Blue Collar Annuitant Mortality Tables projected generationally with Scale MP-2017 set forward one year for females Disabled: RP-2014 Blue Collar Annuitant Mortality Table projected generationally with Scale BB2D from 2015

See accompanying independent auditors' report.

**THE BOSTON PUBLIC HEALTH COMMISSION
(A COMPONENT UNIT OF THE CITY OF BOSTON)
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019
(DOLLARS IN THOUSANDS)**

	Original Budget	Supplemental and Reallocations	Final Budget	Actual	Variance Favorable (Unfavorable) to Final Budget
Revenues:					
Leases and Rent	\$ 2,324	\$ -	\$ 2,324	\$ 2,664	\$ 340
Interest	-	-	-	508	508
City appropriation	84,977	3,782	88,759	88,759	-
EMS and Other	37,524	-	37,524	34,608	(2,916)
Total Revenues	<u>124,825</u>	<u>3,782</u>	<u>128,607</u>	<u>126,539</u>	<u>(2,068)</u>
Expenditures:					
Administration	10,156	170	10,326	11,191	(865)
Public Health Programs	91,969	3,394	95,363	93,358	2,005
Property Operations	6,146	40	6,186	6,115	71
Public Health Service Centers	14,304	178	14,482	14,482	-
OPEB Expense	2,250	-	2,250	2,250	-
Total Expenditures	<u>124,825</u>	<u>3,782</u>	<u>128,607</u>	<u>127,396</u>	<u>1,211</u>
Excess Revenue Over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (857)</u>	<u>\$ (857)</u>

**BOSTON PUBLIC HEALTH COMMISSION
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2019**



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CONSULTING

BOSTON PUBLIC HEALTH COMMISSION
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2019

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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

Board Members and Executive Director
Boston Public Health Commission

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 Boston Public Health Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boston Public Health Commission'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 Boston Public Health Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boston Public Health Commission's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boston Public Health Commission'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*.

Boston Public Health Commission's Response to Findings

The Boston Public Health Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Boston Public Health Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 23, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board Members and Executive Director
Boston Public Health Commission

Report on Compliance for Each Major Federal Program

We have audited the Boston Public Health Commission's 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 Boston Public Health Commission's major federal programs for the year ended June 30, 2019. The Boston Public Health Commission'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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Boston Public Health Commission'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 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 Boston Public Health Commission'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Boston Public Health Commission's compliance.

Basis for Qualified Opinions on Block Grants for Prevention of Substance Abuse and Healthy Start Initiative

As described in the accompanying schedule of findings and questioned costs, the Boston Public Health Commission did not comply with requirements regarding CFDA 93.959 Block Grants for Prevention of Substance Abuse and CFDA 93.926 Healthy Start Initiative as described in finding number 2019-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the Boston Public Health Commission to comply with the requirements applicable to that program.

Qualified Opinions on Block Grants for Prevention of Substance Abuse and Healthy Start Initiative

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Boston Public Health Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Block Grants for Prevention of Substance Abuse and Healthy Start Initiative for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Boston Public Health Commission 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, and 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The Boston Public Health Commission's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Boston Public Health Commission'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 Boston Public Health Commission 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 Boston Public Health Commission'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 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 Boston Public Health Commission'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 have not been identified. However, as discussed below, we did identify 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 a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a material weakness.

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 2019-003, 2019-004, and 2019-005 to be significant deficiencies.

The Boston Public Health Commission's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Boston Public Health Commission'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the Boston Public Health Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Boston Public Health Commission's basic financial statements. We issued our report thereon dated December 23, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.



CliftonLarsonAllen LLP

Boston, Massachusetts

March 31, 2020 except for the schedule of expenditures of federal awards,
which is dated December 23, 2019

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ <u>Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Provided to Subrecipient
Department of Housing and Urban Development				
<u>Passed-through the Commonwealth of Massachusetts:</u>				
Emergency Solutions Grant	14.231	OCD800016FMESG62203B	\$ 182,120	\$ -
<u>Passed-through the City of Boston:</u>				
Housing Opportunities for Persons with AIDS	14.241	C-043129	37,857	-
<u>Passed-through The Pine Street Inn</u>				
Continuum of Care Program	14.267	C-44356-18	284,083	-
Continuum of Care Program	14.267	C-48426-19	484,203	-
Sub-Total - CFDA 14.267			<u>768,286</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>988,263</u>	<u>-</u>
U.S. Department of Justice				
<u>Direct Awards:</u>				
Byrne Criminal Justice Innovation Program	16.817	N/A	11,983	8,002
<u>Passed-through the Casa Myrna Vasquez, Inc.</u>				
Teen Dating Violence Project	16.888	2015-CY-AX-0005	33,808	-
Total U.S. Department of Justice			<u>45,791</u>	<u>8,002</u>
U.S. Department of Labor				
<u>Passed-through the Economic Development & Industrial Corporation of Boston:</u>				
H-1B Job Skills Training	17.268	MOA 08142018	35,176	-
Total U.S. Department of Labor			<u>35,176</u>	<u>-</u>
U.S. Department of Transportation				
<u>Passed-through the Commonwealth of Massachusetts:</u>				
State Traffic Safety Information System Improvement Grants	20.610	2018BPHCTR2018XXXXX2	105,946	-
Total U.S. Department of Transportation			<u>105,946</u>	<u>-</u>
U.S. Department of Health and Human Services				
<u>Direct Awards:</u>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	1,168,684	673,376
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	1,272,028	437,631
Boston Empowered Communities Projects	93.137	N/A	130,482	42,986
PPHF: Racial and Ethnic Approaches to Community Health Program	93.738	N/A	276,481	174,206
HIV Emergency Relief Project Grants	93.914	N/A	15,361,951	11,492,883
Healthy Start Initiative	93.926	N/A	1,568,177	801,146
<u>Passed-through the Commonwealth of Massachusetts:</u>				
Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	INTF6208PP1161326144	980,869	122,269
Welcome Family	93.110	INTF3617M03170620067	75,726	-
Welcome Family	93.110	INTF3617M03170620114	33,851	-
Sub-Total - CFDA 93.110			<u>109,577</u>	<u>-</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	INTF2354M04W50091121	82,651	25,000
Opioid STR	93.788	INTF2330MM3W19025140	71,097	-
Opioid STR	93.788	INTF2330M03183819124	113,370	-
Sub-Total - CFDA 93.788			<u>184,467</u>	<u>-</u>
Hospital Preparedness: Health and Medical Coordinating Coalition	93.817	INTF6208PP1161326144	420,332	70,777
National Bioterrorism and Hospital Preparedness Program (HPP)	93.889	INTF6208PP1161326144	326,956	40,756
HIV Care Formula Grants	93.917	INTF4944MM3181926008	309,163	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TRANSUPPORTSERVICES-002	1,958,182	54,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354M04160222100	706,849	407,417
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2307MM3W18070012	215,657	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354M04301822057	200,591	97,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2304M03171125248	883,796	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2348MM3300221030	10,888	4,500
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF4944MM3181926008	168,396	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2323M03191319071	65,693	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	AMBULATORYSVCSMM3000	224	-
Sub-Total - CFDA 93.959			<u>4,210,276</u>	<u>563,417</u>
Material and Child Health Services: Lead Poisoning Prevention Services	93.994	INTF7900M03180627587	200,092	-

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Provided to Subrecipient
<u>Passed-through National Association of County and City Health Officials:</u>				
Category A: Local Health Departments	93.421	2019-011501	\$ 15,865	\$ -
Building Capacity of the Public Health Sys: Million Hearts ® in Municipalities	93.524	2019-032702	9,216	-
<u>Passed-through the University of Massachusetts:</u>				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	6 U77HP03016	89,313	-
<u>Passed-through Massachusetts General Hospital:</u>				
Hospital Preparedness: MA/Region 1 Regional Health Disaster Response	93.817	233381	26,330	-
<u>Passed-through Northeastern University:</u>				
Child Health and Human Development Extramural Research	93.865	5R21HD083587-02	37,534	-
<u>Passed-through ABCD:</u>				
Family Planning Services	93.217	FPHPA016204	122	-
ABCD Family Planning	93.217	6 FPHPA006304-01-01	17,482	-
Title X Family Planning Project	93.217	1 FPHPA006419-01-00	9,134	-
Sub-Total - CFDA 93.217			<u>26,738</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>26,807,182</u>	<u>14,444,447</u>
Department of Homeland Security				
<u>Passed through City of Boston Mayor's Office of</u>				
<u>Emergency Management:</u>				
Homeland Security Grant Program	97.067	C-44398	36,338	-
Homeland Security Grant Program	97.067	C-44751	61,156	-
Homeland Security Grant Program	97.067	C-44917	18,300	-
Homeland Security Grant Program	97.067	C-44918	42,939	-
Homeland Security Grant Program	97.067	C-45544	253,886	-
Homeland Security Grant Program	97.067	C-46321	60,000	-
Homeland Security Grant Program	97.067	C-47863	28,728	-
Urban Search & Rescue - Medical Specialist Team	97.067	C-45523	109,275	-
First Responder Pharmaceuticals	97.067	C-45543	90,060	-
Sub-Total - CFDA 97.067			<u>700,682</u>	<u>-</u>
Total Department of Homeland Security			<u>700,682</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 28,683,040</u>	<u>\$ 14,452,449</u>

The accompanying notes are an integral part of this schedule.

**BOSTON PUBLIC HEALTH COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Boston Public Health Commission under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 Boston Public Health Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Boston Public Health Commission.

NOTE 2 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Boston Public Health Commission did not elect to use the 10-percent de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ x _____ yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ x _____ yes _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ x _____ yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs:
- | | |
|--|------------|
| HIV Emergency Relief Project | Unmodified |
| Grants for the Prevention of Substance Abuse | Qualified |
| Healthy Start Initiative | Qualified |
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ x _____ yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

93.914
93.926
93.959

Name of Federal Program or Cluster

HIV Emergency Relief Project
Healthy Start Initiative
Block Grants for the Prevention of Substance Abuse

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

\$ 860,491

Auditee qualified as low-risk auditee?

_____ x _____ yes _____ no

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001 *Program Accounts Receivable and Related Revenue Reconciliations*

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The Commission does not perform monthly/quarterly reconciliations over program accounts receivable and related revenue balances.

Criteria: Management is responsible for establishing and maintaining internal controls over accounting principles generally accepted in the United States of America financial reporting.

Context: As communicated in the prior year, the Commission lacks controls surrounding the formal monthly/quarterly reconciliations of the program accounts receivable and related revenue balances. As a result, we received late reconciliations and adjustments to properly report the various account balances.

Effect: The current process creates delays in the financial reporting and audit process. Furthermore, lack of monthly/quarterly reconciliation process inhibits the production of accurate financial information throughout the year and, consequently, could negatively impact management and executive financial decisions.

Cause: Procedures are not in place to perform monthly/quarterly reconciliations of program accounts receivable and related revenue balances.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2018-001.

Recommendation: We recommend management implement a formal monthly/quarterly reconciliation process over program accounts receivable and related revenue balances.

Views of Responsible Officials: There is no disagreement with this audit finding.

Action taken in response to finding: In fiscal year 2020, BPHC has worked hard to run monthly GL closes and prepare monthly bank account reconciliations. We also strive to produce quarterly financial statements and quarterly balance sheet account reconciliations. A/R is now reconciled no less than monthly, and in some cases biweekly. We have made great strides since fiscal year 2019.

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

2019 – 002

Federal Agency: Department of Health and Human Services

Federal Programs: Block Grants for the Prevention and Treatment of Substance Abuse
Healthy Start Initiative

CFDA Numbers: 93.959
93.926

Pass-Through Agency: Commonwealth of Massachusetts (93.959 Only)

Pass-Through Number(s): Various (93.959 Only)

Award Period: July 1, 2018 – June 30, 2019

Type of Finding: Material Weakness in Internal Control over Compliance
Material Noncompliance (Modified Opinion)

Criteria or specific requirement: 2 CFR, Part 200, 200.303 requires an auditee to establish and maintain effective internal control over federal awards to ensure compliance with federal statutes, regulations and the terms and conditions of the federal award. 2 CFR Part 200.403 (g) states that costs must be adequately documented to be allowable under federal awards.

Condition: We identified that the Commission's internal controls were not designed to ensure proper documentation of the time charged to the grant is maintained.

Questioned Costs: \$10,594 (CFDA 93.959), and \$6,238 (CFDA 93.926). Furthermore, management identified additional individuals and periods impacted by the lack of time and effort documentation totaling approximately \$530,000 (CFDA 93.959) and \$58,000 (CFDA 93.926). These identified costs along with the projection of additional likely questioned costs over the unsampled population resulted in likely questioned costs exceeding program materiality.

Context: 29 out of the 80 payroll records tested did not have documentation supporting the time and effort to substantiate payroll charges to the grants. The sample was a statistically valid sample.

Cause: Procedures were not in place to ensure the proper documentation of the time and effort for related payroll charged to the grant was maintained.

Effect: The salaries charged are subject to disallowance and are considered questioned costs.

Recommendation: We recommend management review their policies and procedures in place to ensure salaries charged to grants are appropriate and necessary supporting documentation of time and effort is maintained.

Views of responsible officials: There is no disagreement with the audit finding.

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 003

Federal Agency: Department of Health and Human Services
Federal Programs: HIV Emergency Relief Project
CFDA Numbers: 93.914
Award Period: July 1, 2018 – June 30, 2019
Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: 2 CFR, Part 200, 200.303 requires an auditee to establish and maintain effective internal control over federal awards to ensure compliance with federal statutes, regulations and the terms and conditions of the federal award. 2 CFR Part 200.403 (g) states that costs must be adequately documented to be allowable under federal awards.

Condition: We identified that the Commission's internal controls were not designed to ensure proper documentation of the time charged to the grant is maintained.

Questioned Costs: \$6,099

Context: 7 out of the 40 payroll records tested did not have documentation supporting the time and effort to substantiate payroll charges to the grants. The samples were statistically valid samples.

Cause: Procedures were not in place to ensure the proper documentation of the time and effort for related payroll charged to the grants was maintained.

Effect: The salaries charged are subject to disallowance and are considered questioned costs.

Recommendation: We recommend management review their policies and procedures in place to ensure salaries charged to grants are appropriate and necessary supporting documentation of time and effort is maintained.

Views of responsible officials: There is no disagreement with the audit finding.

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 004

Federal Agency: Department of Health and Human Services
Federal Program: Healthy Start Initiative
CFDA Number: 93.926
Award Period: July 1, 2018 – June 30, 2019
Type of Finding: Significant Deficiency in Internal Control over Compliance
Other Matters

Criteria or specific requirement: The individual state/local government/Indian tribe departments or agencies (also known as operating agencies) are responsible for the performance or administration of Federal Awards. In order to receive cost reimbursement under Federal Awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR part 200, subpart E. The indirect cost rate proposal (ICRP) provides the documentation prepared by a state/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate.

Condition: The Commission did not have controls in place to ensure the indirect charges to the grant were within the approved indirect cost rate.

Questioned Costs: Under the reportable limit

Context: For two of the four grants tested, the charged indirect costs exceeded the approved indirect cost rate.

Cause: There are inadequate controls in place to ensure the amount of indirect costs charged the grant do not exceed the approved cost rate.

Effect: Excess indirect costs charged to the grant are not allowable.

Recommendation: We recommend management review their policies and procedures and make changes where necessary to ensure indirect costs are properly calculated and charged to the grant.

Views of responsible officials: There is no disagreement with the audit finding.

**BOSTON PUBLIC HEALTH COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2019 – 005

Federal Agency: Department of Health and Human Services
Federal Program: Block Grants for the Prevention and Treatment of Substance Abuse
CFDA Number: 93.959
Pass-Through Agency: Commonwealth of Massachusetts
Pass-Through Number(s): Various
Award Period: July 1, 2018 – June 30, 2019
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of subrecipient monitoring. The Commission should have internal controls designed to ensure compliance with those provisions.

The Code of Federal Regulations (CFR) Title 2, part 180.220 states that “non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., sub-awards to sub-recipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.”

Condition: There was no documentation supporting suspension and debarment checks were performed prior to contracting with vendors.

Questioned Costs: None

Context: Two of the five subrecipients tested did not have the documentation supporting that the vendor was not on the suspended or debarred vendor list, as maintained by the General Services Administration, before the contract was signed. The sample was a statistically valid sample.

Cause: Controls were not in place to ensure documentation of suspension and debarment checks are maintained for all vendors.

Effect: No instances of noncompliance were noted with the provisions of procurement, suspension and debarment, however the lack of supporting documentation inhibits compliance with the requirements.

Repeat Finding: The finding is a repeat of a finding in the immediate prior year. Prior year finding number was 2018-004.

Recommendation: We recommend procedures be implemented to maintain documentation supporting contractors are not suspended or debarred.

Views of responsible officials: There is no disagreement with the audit finding.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Boston Public Health Commission respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Audit period: July 1, 2018 - June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2018 – 001 Reporting and Reconciliation Process

Condition: The Commission does not perform all-inclusive monthly/quarterly account reconciliations or quarterly financial.

Status: See current year finding 2019-001.

Reason for finding's recurrence: Progress was made during fiscal year 2019 to correct the issues identified however not all areas were able to be addressed by the end of the fiscal year.

Corrective Action: In fiscal year 2020, BPHC has worked hard to run monthly GL closes and prepare monthly bank account reconciliations. We also strive to produce quarterly financial statements and quarterly balance sheet account reconciliations. A/R is now reconciled no less than monthly, and in some cases biweekly. We have made great strides since fiscal year 2019.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2018 – 002 Suspension and Debarment - CFDA 93.104

Condition: There was no documentation supporting suspension and debarment checks were performed prior to contracting vendors.

Status: Corrected.



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2018- 003 Period of Performance - CFDA 93.959

Condition: Expenditures were charged to the grant outside of the period of performance.

Status: Corrected.

2018- 004 Suspension and Debarment - CFDA 93.959

Condition: There was no documentation supporting suspension and debarment checks were performed prior to contracting vendors.

Status: See current year finding 2019-005

Reason for finding's recurrence: Contract was entered into prior the implementation of the new policy developed as a result of the prior year finding.

Corrective Action Plan: To ensure the Boston Public Health Commission is not contracting or releasing funds to vendors who are debarred, suspended, proposed for debarment, excluded or disqualified from receiving City, State, Federal, and Private funds, assistance, or benefits in any amount, the procurement office has developed an internal policy and procedure. The policy requires that a System for Award Management (SAM) report be generated prior to awarding a contract to any vendor. The policy and procedures outline instructive details on the actions regarding how the Boston Public Health Commission will manage a contract with a vendor who is, or proposed, for debarment, exclusion or disqualification.

2018- 005 Period of Performance - CFDA 93.926

Condition: Expenditures were charged to the grant outside of the period of performance.

Status: Corrected.

2018- 006 Suspension and Debarment - CFDA 93.926

Condition: There was no documentation supporting suspension and debarment checks were performed prior to contracting vendors.

Status: Corrected.



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2018- 007 Suspension and Debarment - CFDA 93.243

Condition: There was no documentation supporting suspension and debarment checks were performed prior to contracting vendors.

Status: Not Corrected. During our follow up CLA noted that 1 out of the 4 subrecipients tested for suspension and debarment did not have the required documentation that a check was performed prior to contract execution.

Reason for finding's recurrence: Contract was entered into prior the implementation of the new policy developed as a result of the prior year finding.

Corrective Action Plan: To ensure the Boston Public Health Commission is not contracting or releasing funds to vendors who are debarred, suspended, proposed for debarment, excluded or disqualified from receiving City, State, Federal, and Private funds, assistance, or benefits in any amount, the procurement office has developed an internal policy and procedure. The policy requires that a System for Award Management (SAM) report be generated prior to awarding a contract to any vendor. The policy and procedures outline instructive details on the actions regarding how the Boston Public Health Commission will manage a contract with a vendor who is, or proposed, for debarment, exclusion or disqualification.

If the oversight agencies have any questions regarding this schedule, please call Christa Gonsalves at 617-534-7189.



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The Boston Public Health Commission respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 – June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 Significant Deficiency in Internal Control over Financial Reporting

Recommendation: We recommend management implement a formal monthly/quarterly reconciliation process over program accounts receivable and related revenue balances.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Corrective Action Plan included in Schedule of Findings and Questioned Costs.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2019-002 Substance Abuse Block Grants - CFDA No. 93.959

Healthy Start Initiative - CFDA No. 93.926

Recommendation: We recommend management review their policies and procedures in place to ensure salaries charged to the grant are appropriate and necessary supporting documentation of time and effort is maintained.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: BPHC's finance team will review and update its current policies and procedures as they relate to Time and Effort Certifications with the goal of tightening internal controls. Training sessions will be held for all financial and programmatic staff responsible for the allocation of grant salary expenditures, to ensure all staff understand the necessity to correctly document salary expenses with proper records.



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Name(s) of the contact person(s) responsible for corrective action: Christa Gonsalves, Director of Post-Award Grant Accounting

Planned completion date for corrective action plan: This update and training on policies and procedures as they relate to Time and Effort Certifications will commence April of 2020 and will be made available for all BPHC bureaus and departments. Fiscal year 2020 Time and Effort Certifications will be reviewed against the new policy and corrected retroactively, if necessary.

2019-003 HIV Emergency Relief Project - CFDA No. 93.914

Recommendation: We recommend management review their policies and procedures in place to ensure salaries charged to the grant are appropriate and necessary supporting documentation of time and effort is maintained.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: BPHC's finance team will review and update its current policies and procedures as they relate to Time and Effort Certifications with the goal of tightening internal controls. Training sessions will be held for all financial and programmatic staff responsible for the allocation of grant salary expenditures, to ensure all staff understand the necessity to correctly document salary expenses with proper records.

Name(s) of the contact person(s) responsible for corrective action: Christa Gonsalves, Director of Post-Award Grant Accounting.

Planned completion date for corrective action plan: This update and training on policies and procedures as they relate to Time and Effort Certifications will commence April of 2020 and will be made available for all BPHC bureaus and departments. Fiscal year 2020 Time and Effort Certifications will be reviewed against the new policy and corrected retroactively, if necessary.

2019-004 Healthy Start Initiative - CFDA No. 93.926

Recommendation: We recommend management review their policies and procedures and make changes where necessary to ensure indirect costs are properly calculated and charged to the grant.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: BPHC's finance team will review and update its current policies and procedures as they relate to indirect costs with the goal of tightening up internal controls and improve the communication between the Accounting and the Post Award Grant Accounting departments.



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Name(s) of the contact person(s) responsible for corrective action: Christa Gonsalves, Director of Post-Award Grant Accounting and Duncan Silayo, Director of Accounting.

Planned completion date for corrective action plan: This update on policies and procedures as they relate to indirect costs will commence April of 2020 and will be made available for all BPHC bureaus and departments.

2019-005 Substance Abuse Block Grants - CFDA No. 93.959

Recommendation: We recommend procedures be implemented to maintain documentation supporting contractors are not suspended or debarred.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: To ensure the Boston Public Health Commission is not contracting or releasing funds to vendors who are debarred, suspended, proposed for debarment, excluded or disqualified from receiving City, State, Federal, and Private funds, assistance, or benefits in any amount, the procurement office has developed an internal policy and procedure. The policy requires that a System for Award Management (SAM) report be generated prior to awarding a contract to any vendor. The policy and procedures outline instructive details on the actions regarding how the Boston Public Health Commission will manage a contract with a vendor who is, or proposed, for debarment, exclusion or disqualification.

Name(s) of the contact person(s) responsible for corrective action: Christa Gonsalves, Director of Post-Award Grant Accounting and Maria Santos, P2P Director.

Planned completion date for corrective action plan: The policy and procedures were implemented in May of 2018 and are available for all BPHC bureaus and departments as a best business practice when procuring goods and services. The Policy will be reviewed again in April of 2020 in ensure Post Award Grant's involvement.



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