

Committee Members

John L. Foley, Chairman  
Molly O. McCullough, Vice-Chairman  
Donna M. Colorio

Administrative  
Representatives  
Brian Allen

OFFICE OF THE  
CLERK OF THE SCHOOL COMMITTEE  
WORCESTER PUBLIC SCHOOLS  
20 IRVING STREET  
WORCESTER, MA 01609

AGENDA #2

The Standing Committee on FINANCE AND OPERATIONS will hold a meeting:

on: Monday, May 9, 2016  
at: 4:00 p.m.  
in: Room 410, Durkin Administration Building

**ORDER OF BUSINESS**

gb #5-172 - Mr. Foley/Mr. O'Connell/Mr. Monfredo/Ms. Novick/Miss Biancheria  
(June 22, 2015)

To review the status of the FY16 Budget and make appropriate transfers as required.

gb #5-178 - Administration (June 26, 2015)

To review the Report on Applying Agreed-Upon Procedures for Student Activity Fund Testing for the 2014 and 2015 fiscal years, as prepared by CliftonLarsonAllen LLP.

gb #6-75 - Mr. Monfredo/Mr. O'Connell/Miss McCullough (February 2, 2016)

To consider the suggestions made by the Worcester Chamber of Commerce for possible inclusion in the FY17 Budget of the Worcester Public Schools.

gb #6-100 - Miss Biancheria (February 24, 2016)

To discuss the proposed School/Program Relocation Plan.

gb #6-151 - Administration (April 13, 2016)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting firm of CliftonLarsenAllen, LLP for the year ended June 30, 2015 which include the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2015, prepared by Robert C. Alario, CPA, P.C.

**STANDING COMMITTEE: FINANCE AND OPERATIONS**

DATE OF MEETING: Monday, May 9, 2016

ITEM: Mr. Foley/Mr. O’Connell/Mr. Monfredo/Ms. Novick/Miss Biancheria  
(June 22, 2015)

To review the status of the FY16 Budget and make appropriate transfers as required.

PRIOR ACTION:

- 7-23-15 - Referred to the Standing Committee on Finance and Operations.
- 11-16-15 - **STANDING COMMITTEE ON FINANCE AND OPERATIONS**  
Ms. Novick and Mr. Foley made the following motion:  
Request that the Administration ask the City Manager for assistance with the \$500,000 deficit caused by the Charter School reimbursement reduction, recognizing fully the financial issues that the City is facing.  
On a voice vote, the motion was approved.  
Ms. Novick made the following motion:  
Request that the Joint Committee of the Standing Committee on Finance and Operations and the City Council’s Standing Committee on Education discuss the need for more than a total of \$500,000 for all capital projects in the Worcester Public Schools.  
On a voice vote, the motion was approved.  
It was moved to approve the following transfers:

<u>Amount</u>	<u>From Account</u>	<u>From Title</u>	<u>To Account</u>	<u>To Title</u>
\$700,000	500-91119	Instructional Assistant Salaries	500130-92000	Personal Services
\$188,000	500-91120	Maintenance Salaries	540103-92000	Transportation OM
\$322,000	500-91111	Teacher Salaries	500129-96000	Workers Compensation
\$185,000	500-91111	Teacher Salaries	500137-96000	Unemployment Compensation

On a roll call of 3-0, the motion was approved.  
HOLD.

BACKUP:

- Annex A (2 pages) contains a copy of the FY16 Budget Status Third Quarter Report.
- Annex B (1 page) contains a copy of the FY16 Budget Account Summary Third Quarter Report.

PRIOR ACTION (continued)

11-19-15 - SCHOOL COMMITTEE MEETING - The School Committee approved the action sheet as amended.

Ms. Novick and Mr. Foley made the following motion:

Request that the Administration ask the City Manager for assistance with the \$500,000 deficit caused by the Charter School reimbursement reduction, recognizing fully the financial issues that the City is facing.

On a voice vote, the motion was approved.

Ms. Novick made the following motion:

Request that the Joint Committee of the Standing Committee on Finance and Operations and the City Council's Standing Committee on Education discuss the need for more than a total of \$500,000 for all capital projects in the Worcester Public Schools.

On a voice vote, the motion was approved.

It was moved to approve the following transfers:

Amount	From Account	From Title	To Account	To Title
\$700,000	500-91119	Instructional Assistant Salaries	500130-92000	Personal Services
\$188,000	500-91120	Maintenance Salaries	540103-92000	Transportation OM
\$322,000	500-91111	Teacher Salaries	500129-96000	Workers Compensation
\$185,000	500-91111	Teacher Salaries	500137-96000	Unemployment Compensation

On a roll call of 7-0, the motion was approved.

HOLD.

2-29-16 - STANDING COMMITTEE ON FINANCE AND OPERATIONS

It was moved to approve the following transfers to balance deficit accounts through the Second Quarter of the fiscal year and provide funding for the recommended spending:

Amount	From Account	Account Title	To Account	Account Title
\$700,000	500-91111	Teacher Salaries	500-92204	Instructional Materials
\$93,000	500-91111	Teacher Salaries	500136SS-92000	Misc Ed. OM - School Safety
\$10,000	500-91111	Teacher Salaries	500136SN-92000	Misc Ed OM - School Nurse
\$300,000	500-91111	Teacher Salaries	500152-92000	Facilities OM
\$220,000	500-91119	Custodial Salaries	500-97203	Custodial Overtime
\$40,000	500-91123	Non-Instructional Salaries	500-97204	Maintenance Overtime
\$100,000	500-91123	Non-Instructional Salaries	540103-97201	Transport Overtime

On a roll call of 3-0, the motion was approved.

PRIOR ACTION (continued)

3-3-16 - SCHOOL COMMITTEE MEETING - The School Committee approved the action sheet as amended. It was moved to approve the following transfers to balance deficit accounts through the Second Quarter of the fiscal year and provide funding for the recommended spending:

<u>Amount</u>	<u>From Account</u>	<u>Account Title</u>	<u>To Account</u>	<u>Account Title</u>
\$700,000	500-91111	Teacher Salaries	500-92204	Instructional Materials
\$93,000	500-91111	Teacher Salaries	500I 36SS-92000	Misc Ed. OM - School Safety
\$10,000	500-91111	Teacher Salaries	500I36SN-92000	Misc Ed OM - School Nurse
\$300,000	500-91111	Teacher Salaries	500I52-92000	Facilities OM
\$220,000	500-91119	Custodial Salaries	500-97203	Custodial Overtime
\$40,000	500-911123	Non-Instructional Salaries	500-97204	Maintenance Overtime
\$100,000	500-91123	Non-Instructional Salaries	540103-97201	Transport Overtime

On a roll call of 7-0, the motion was approved.

**FY16  
 BUDGET STATUS  
 Third Quarter Report**

The status of all Salary and Ordinary Maintenance accounts as of March 31, 2016 is shown on Annex B. Presented for each account is the amount budgeted for the current fiscal year, the amount expended and committed as of March 31<sup>st</sup>, and the projected balance at the closing on June 30, 2016. Salary and Ordinary Maintenance Account totals are:

<b><u>Budget Title</u></b>	<b><u>Budget Amount</u></b>	<b><u>Expended 03/31/16</u></b>	<b><u>Projected Balance 06/30/16</u></b>
Salaries	\$206,482,810	\$126,555,994	\$203,538
Ordinary Maintenance	\$111,809,183	\$87,714,741	-\$194,559
<b>Total General Fund</b>	<b>\$318,291,993</b>	<b>\$214,270,735</b>	<b>\$8,979</b>

At this point in the fiscal year, a total of \$214,270,735 (67%) has been expended or committed. A description of the projected balances is as follows:

**Accounts with Projected Balances:**

**Utilities (\$386,191):** Due to the relatively mild winter, natural gas expenditures through the end of March are approximately 19% lower than the FY16 budget amount. The projected balance also includes savings from #2 fuel oil based on the average price per gallon and volume consumption. The projected savings in that line item is approximately 50% of the FY16 budget.

**Health Insurance (\$247,563):** The projected savings in the account is due to vacant positions through the third quarter, as well as the continual employee migration to less expensive plans available through the City.

**Personal Services (\$226,872):** The savings in this account is the result of the waived elevator fines that were assessed by the Department of Public Safety and ultimately successfully appealed by the city's Law Department and Finance and Operations staff.

**Transportation Salaries (\$214,844):** This projected amount represents six vacant positions annualized for the remainder of the year. There are offsetting increased costs associated with these routes contracted by our transportation vendor, Durham School Services.

**Vehicle Maintenance (\$109,323):** The district fuels all fleet vehicles (Transportation & Facilities) utilizing the contract price for the City of Worcester. Due to variable rate of the contract and the current gasoline prices, this account reflects the projected savings through the remainder of the fiscal year.

**Accounts with Projected Budget Deficits:**

**Athletic Ordinary Maintenance (-\$361,921):** The current budget reflects the utilization of revenue collected through the state's school choice program to partially fund the FY16 athletic programs. Due to upcoming fiscal year closing procedures, the Administration recommends utilizing the school choice funds to purchase textbooks directly from the school choice account. This change was highlighted in the Second Quarter Budget Status Report.

**Special Education Tuition (-\$343,933):** The tuition account reflects the recently approved DESE fiscal responsibility for several students at residential facilities through the end of the school year.

**Transportation (-\$154,901):** The projected deficit includes the increase of McKinney-Vento expenditures through the last of school day in June, as well as an additional mid-day preschool wheelchair route recently implemented to transport student. The projected deficit also includes an increase with the special education out of district placements.

**Nurses (-\$141,417):** The projected deficit reflects year to date and projected usage in the number of substitutes used to cover absences and locations during the school year. This projected deficit also includes contractual retirement benefits and salary in accordance with the collective bargaining agreement.

**Supplemental Supports (-\$120,697):** The majority of the projected deficit reflects the increase of district employees that provide translation services through the third quarter, as well as the impending summer school expenditures. The amount projected in this deficit includes the last week of summer school in June.

**Miscellaneous Education OM (-\$119,027):** The projected deficit is primarily due to the school safety and assessment review that was previously completed within the district, as well as the prior year invoice for New England Association of Schools and Colleges.

The Administration recommends the following transfers to balance deficit accounts through the Third Quarter of the fiscal year and provide funding for the recommended spending.

<u>Amount</u>	<u>From Account</u>	<u>Account Title</u>	<u>To Account</u>	<u>Account Title</u>
\$100,000	500-91119	Custodial Salaries	500-97203	Custodial Overtime
\$100,000	500141-92000	Vehicle Maintenance	500152-92000	Facilities OM
\$200,000	540-91117	Transportation Salaries	540103-92000	Transportation

**WORCESTER PUBLIC SCHOOLS  
2015-2016 BUDGET  
ACCOUNT SUMMARY  
THIRD QUARTER REPORT**

Account	Account Title	Adopted		Budget	Expended	Balance
		Budget	Transfers		03/31/16	06/30/16
500-91110	Administration Salaries	\$11,847,977		\$11,847,977	\$9,088,011	\$45,364
500-91111	Teacher Salaries	\$157,271,088	-\$2,111,120	\$155,159,968	\$89,954,582	-\$57,795
500-91112	School Committee Salaries	\$87,000		\$87,000	\$54,986	\$13,278
500-91114	Day by Day Substitutes Salaries	\$871,200		\$871,200	\$717,789	-\$136,489
500-91115	Instructional Assistants Salaries	\$10,399,903	-\$700,000	\$9,699,903	\$6,007,891	\$889
500-91116	Coach Salaries	\$524,362		\$524,362	\$388,648	\$8,138
540-91117	Transportation Salaries	\$2,675,672		\$2,675,672	\$1,812,748	\$214,844
500-91118	Supplemental Program Salaries	\$1,379,683		\$1,379,683	\$1,020,467	-\$120,697
500-91119	Custodial Salaries	\$6,664,307	-\$220,000	\$6,444,307	\$4,789,939	\$105,448
500-91120	Maintenance Service Salaries	\$2,060,151	-\$188,000	\$1,872,151	\$1,290,347	\$110,573
500-91121	Administrative Clerical Salaries	\$3,158,078		\$3,158,078	\$2,410,961	\$95,283
500-91122	School Clerical Salaries	\$2,090,585		\$2,090,585	\$1,360,386	\$57,516
500-91123	Non Instructional Salaries	\$1,853,047	-\$140,000	\$1,713,047	\$1,724,791	-\$63,554
540-91124	Crossing Guard Salaries	\$543,346		\$543,346	\$338,696	\$45,194
500-91133	School Nurse Salaries	\$3,752,868		\$3,752,868	\$2,280,493	-\$141,417
500-91134	Educational Support Salaries	\$2,562,428		\$2,562,428	\$1,656,508	\$178,431
540-97201	Transportation Overtime Salaries	\$473,736	\$100,000	\$573,736	\$398,243	-\$16,402
500-97203	Custodial Overtime Salaries	\$1,046,865	\$220,000	\$1,266,865	\$1,046,324	-\$116,101
500-97204	Maintenance Overtime Salaries	\$150,797	\$40,000	\$190,797	\$146,456	-\$6,153
500-97205	Support Overtime Salaries	\$68,837		\$68,837	\$67,728	-\$12,812
	Salary Total	\$209,481,930	-\$2,999,120	\$206,482,810	\$126,555,994	\$203,538
500101-96000	Retirement	\$15,848,677		\$15,848,677	\$15,807,112	-\$11,592
540103-92000	Transportation	\$13,807,942	\$188,000	\$13,995,942	\$13,436,483	-\$154,901
500105-92000	Out-of-State Travel	\$5,000		\$5,000	\$1,807	\$3,193
500122-92000	Athletic Ordinary Maintenance	\$92,434		\$92,434	\$377,443	-\$361,921
500123-96000	Health Insurance	\$42,517,179		\$42,517,179	\$22,112,434	\$247,563
500125-92000	Other Insurance Programs	\$53,538		\$53,538	\$52,826	\$713
500129-96000	Workers Compensation	\$1,352,305	\$322,000	\$1,674,305	\$1,287,460	-\$127,229
500130-92000	Personal Services	\$2,842,008	\$700,000	\$3,542,008	\$2,902,757	\$226,872
500132-92000	Special Education Tuition	\$15,695,619		\$15,695,619	\$16,562,400	-\$343,933
500133-92000	Printing & Postage	\$207,531		\$207,531	\$216,518	-\$21,830
500-92204	Instructional Materials	\$3,248,386	\$700,000	\$3,948,386	\$2,566,378	\$0
500136-92000	Miscellaneous Educational OM	\$3,675,765	\$103,000	\$3,778,765	\$2,696,754	-\$119,027
500137-96000	Unemployment Compensation	\$186,058	\$185,000	\$371,058	\$314,519	\$22,988
500138-92000	In-State Travel	\$62,500		\$62,500	\$37,699	-\$16,177
500141-92000	Vehicle Maintenance	\$548,952		\$548,952	\$416,849	\$109,323
500146-92000	Building Utilities	\$6,497,166		\$6,497,166	\$6,338,237	\$386,191
500152-92000	Facilities Ordinary Maintenance	\$2,670,125	\$300,000	\$2,970,125	\$2,587,065	-\$34,792
	Non Salary Total	\$109,311,185	\$2,498,000	\$111,809,183	\$87,714,741	-\$194,559
	<b>Total General Fund Budget</b>	<b>\$318,793,113</b>	<b>-\$501,120</b>	<b>\$318,291,993</b>	<b>\$214,270,735</b>	<b>\$8,979</b>

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Monday, May 9, 2016

ITEM: Administration (June 26, 2015)

To review the Report on Applying Agreed-Upon Procedures for Student Activity Fund Testing for the 2014 and 2015 fiscal years, as prepared by CliftonLarsonAllen LLP.

PRIOR ACTION:

- 7-23-15 - Referred to the Standing Committee on Finance and Operations.
- 8-18-15 - STANDING COMMITTEE ON FINANCE AND OPERATIONS  
Mr. Hunt from CliftonLarsonAllen, LLP presented a review of the report on Applying Agreed-Upon Procedures for Student Activity Fund Testing for the 2014 fiscal year.  
HOLD.
- 8-20-15 - SCHOOL COMMITTEE MEETING - The School Committee approved the action of the Standing Committee as amended.  
Mr. O'Connell requested that the Standing Committee on Finance and Operations fashion a policy for the School Committee to consider with regard to student activity accounts and the appropriate disposition of proceeds set aside for a particular class after graduation.  
Mr. Allen stated that a class graduation gift policy has been in place for the past 7-10 years and that the Administration will forward it to the independent auditors.  
Mr. O'Connell made the following motion:  
Request that the class graduation gift policy be forwarded to the independent auditors and to the members of the School Committee.  
On a voice vote, the motion was approved.

BACKUP:

Annex A (23 pages) contains a copy of the City of Worcester, Massachusetts Report on Applying Agreed-Upon Procedures Student Activity Fund Testing for the Fiscal Year Ending June 30, 2015.

**CITY OF WORCESTER, MASSACHUSETTS**  
**REPORT ON APPLYING AGREED-UPON PROCEDURES**  
**STUDENT ACTIVITY FUND TESTING**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CITY OF WORCESTER, MASSACHUSETTS  
REPORT ON APPLYING AGREED-UPON PROCEDURES  
STUDENT ACTIVITY FUND TESTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable School Committee  
Worcester Public Schools  
City of Worcester, Massachusetts

We have performed the procedures, as listed in the attached Schedule of Student Activity Funds Testing Results and Recommendations, which were agreed to by the Worcester Public Schools (WPS) solely to assist the WPS determine whether the student activity funds are being administered in accordance with the Massachusetts Student Activity Law (Massachusetts General Law (MGL) Chapter 71, Section 47) for the period July 1, 2014 through June 30, 2015. The WPS is responsible for the administration of its student activity funds in accordance with the Massachusetts Student Activity Law. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The results of our procedures are identified in the attached Schedule of Student Activity Funds Testing Results and Recommendations.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the WPS' administration of its student activity funds in accordance with the Massachusetts Student Activity Law. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the WPS and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
February 29, 2016

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Burncoat Middle School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception:  1 out of the 6 reconciliations selected for testing was not completed within 30 days of month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$27,830 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exceptions:  1 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.  1 out of the 10 transactions selected for testing was charged to the incorrect student activity account.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement and to ensure that the correct student activity funds are charged for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Burncoat High School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$19,339 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Claremont Academy</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception:  None of the reconciliations selected for testing were dated by the preparer or the reviewer.	We recommend procedures be implemented to have the preparer and reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Due to the fact that all reconciliations selected were not dated by the preparer, we could not determine if the reconciliations were completed no later than 30 days after month end.	See recommendation in step 3.a. above
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$4,750 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception:  4 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation. 1 out of the 10 transactions selected for testing identified a fund on the supporting documentation that was different than the fund the expense was charged to.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement. We also recommend procedures be implemented to ensure that the appropriate student activity account is charged.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Doherty High School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School	The procedures were performed with the following exceptions:  We identified fund balances for the Classes of 1999 through 2013. Based on the MASBO's SAAG, funds related to graduated classes should be closed out.	It is our understanding that the WPS has policies and procedures for graduated class balances. We recommend the High School follow these policies and procedures related to all graduated class balances still outstanding.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception:  2 out of the 6 Checking Account reconciliations selected were not signed by the reviewer.	We recommend procedures be implemented to have the preparer and reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$39,466 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Forest Grove Middle School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception:  1 out of the 6 reconciliations selected for testing was not completed within 30 days of month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$19,270 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>North High School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School	The procedures were performed with the following exceptions:  We identified fund balances for the Class of 2014. Based on the MASBO's SAAG, funds related to graduated classes should be closed out.	It is our understanding that the WPS has policies and procedures for graduated class balances. We recommend the High School follow these policies and procedures related to all graduated class balances still outstanding.

**CITY OF WORCESTER MASSACHUSETTS  
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exceptions:  None of the reconciliations selected for testing were dated by the preparer.  2 out of the 6 reconciliations selected for testing were not signed by the preparer or reviewer.	We recommend procedures be implemented to have the preparer and reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Due to the fact that none of the reconciliations were dated by the preparer, we could not determine if the reconciliations were completed no later than 30 days after month end.	See recommendation in step 3.a. above
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$23,377 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>South High School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School	The procedures were performed with the following exceptions:  We identified fund balances for the Classes of 2011 and 2013. Based on the MASBO's SAAG, funds relating to graduated classes should be closed out.	It is our understanding that the WPS has policies and procedures for graduated class balances. We recommend the High School follow these policies and procedures related to all graduated class balances still outstanding.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception:  2 out of the 6 reconciliations selected for testing were not completed within 30 days after month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$215 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The transaction selected for testing was a bank service fee charged to a student activity account.	We recommend procedures be implemented to only charge student activity accounts for expenses directly related to the activities of the fund.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Sullivan Middle School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	Procedure performed with the following exceptions:  1 out of the 6 reconciliations selected for testing were not signed or dated by the reviewer.	We recommend procedures be implemented to have the preparer and reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$4,569 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception:  4 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to document the student activity account that should be charged.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Worcester East Middle School</b>		
1. Determine that the banking and accounting		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed with the following exception:  3 out of the 6 reconciliations selected for testing were not completed within 30 days after month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$102 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
<b>Worcester Technical High School</b>		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS  
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2014 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception:  There is a \$100,332 variance between the bank reconciliations to the detailed balances of the individual student activity funds.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception:  4 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to document the student activity account that should be charged on the supporting documentation.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

ITEM: gb #6-75

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Monday, May 9, 2016

ITEM: Mr. Monfredo/Mr. O'Connell/Miss McCullough (February 2, 2016)

To consider the suggestions made by the Worcester Chamber of Commerce for possible inclusion in the FY17 Budget of the Worcester Public Schools.

PRIOR ACTION:

2-25-16 - Referred to the Standing Committee on Finance and Operations.  
Mr. Monfredo requested that a representative from the Chamber of Commerce be invited to the meeting when the item is discussed.  
Mr. O'Connell requested that the Administration notify the Chamber of Commerce of the dates of the Budget hearings.

BACKUP:

Annex A (2 pages) contains a copy of a letter from the Chamber of Commerce dated February 1, 2016.

WORCESTER REGIONAL

*Chamber of Commerce*



**Recruit | Retain | Incubate**

February 1, 2016

Interim Superintendent Marco Rodrigues  
Durkin Administration Building  
20 Irving Street  
Worcester, MA 01609

Dear Superintendent Rodrigues:

Over the past month there have been several articles in the *Telegram & Gazette* about the Worcester Public School Department's student enrollment levels and budget. The article that appeared in the January 12, 2016 edition of the *Telegram & Gazette* included projections from the Worcester Public Schools (WPS) that student enrollment levels for the fiscal year 2017 budget will likely remain at current levels. Additionally, it is expected that the state's Chapter 70 funding for the fiscal year 2017 budget will likely receive a modest increase from 2016 levels.

A subsequent *Telegram & Gazette* article on January 15 reported that, as a result of the likely level funding of Chapter 70, static student enrollment, and the City of Worcester's adherence to the state's minimum contribution funding requirement, the preliminary WPS 2017 fiscal budget would likely have an operational deficit of approximately \$5 million. It is important to note that the state funding formula does not include contributions made by the city to the Worcester Public Schools in the capital budget.

While these projected fiscal year 2017 figures are preliminary and the state budgetary process has just begun, the Worcester Regional Chamber of Commerce would make the following suggestions to the school committee and interim superintendent so as to minimize budgetary impacts to the classroom. Many of our member businesses are active boosters of the Worcester Public Schools both in terms of financial resources and volunteer support. We would ask that the school administration and school committee review and consider the implementation of the following suggestions as budget discussions get under way this week at Thursday's school committee meeting.

1. Seek to have WPS personnel pay the same co-pays as municipal employees of the City of Worcester that were negotiated by City Manager Augustus in 2014. This alone would result in an estimated minimum annual savings of \$1.5 million.

**AFFILIATE CHAMBERS OF COMMERCE**

WORCESTER REGIONAL

*Chamber of Commerce*



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2. The Worcester Public Schools should immediately implement the process to access the net metering program which is estimated to be a \$1.7 million annual savings. The City of Worcester has realized significant savings through this program.
3. Review existing contracts and procedures that drive up school and athletic field maintenance costs.
4. Consider advertising request for proposals for the landscape and maintenance of the outside of all WPS school buildings and athletic fields.
5. Coordinate and streamline field and facility permitting with the city parks department for youth and athletic organizations to facilitate a true, one-stop permitting process.
6. Consider the creation of a budget taskforce of business, higher education, and health care chief financial officers to review the WPS budget to seek out possible savings or efficiencies.

Sincerely,

W. Stuart Loosemore

Director of Government Affairs and Public Policy

CC: Joseph M. Petty, Mayor

Worcester School Committee Members

Edward M. Augustus, City Manager

**AFFILIATE CHAMBERS OF COMMERCE**

Auburn | Blackstone Valley | Central Mass South Chamber | Wachusett Area | Webster Dudley Oxford

446 Main St., Suite 200 • Worcester, MA 01608 • T: 508.753.2924 • F: 508.754.8560 • [www.worcesterchamber.org](http://www.worcesterchamber.org)

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Monday, May 9, 2016

ITEM:

To discuss the proposed School/Program Relocation Plan.

PRIOR ACTION:

3-3-16 - Referred to the Standing Committee on Finance and Operations.  
Mr. Foley made the following motion:  
Request that he be recused from discussion of this item due to a conflict of interest since he is a member on the Board for the YMCA.  
On a roll call of 6-0-1 (absent- Mr. Foley), the motion was approved.  
Mr. Foley left the meeting from 7:13 p.m. to 7:53 p.m.  
Dr. Rodrigues made a presentation regarding the item as contained in Annex A of the backup.  
The following individuals addressed the School Committee regarding their support of the proposed relocation plan:  
Jessica Boss, Principal, Chandler Elementary School  
Steve Alzamora, Principal, Dr. James A. Caradonio New Citizen Center  
Lisa Houlihan, Principal, Burncoat Middle School

BACKUP:

The Administration recommends that the item be filed.



## CITY OF WORCESTER, MASSACHUSETTS

### Auditing Department

**Robert V. Stearns, CPA**  
City Auditor

April 26, 2016

Honorable members of the City Council  
City of Worcester, Massachusetts

Dear Councilors:

Enclosed is the report of the audit of federal awards from the outside auditor for the fiscal year ended June 30, 2015. This report has been filed with the Federal Clearinghouse, grantors and other interested parties. It will be posted on the City Auditor's website. The City had \$59 million of federal awards including \$35 million for education and child nutrition, \$10 million for housing and urban development, \$9 million for public health, and \$4 million for workforce and jobs.

Findings related mostly to administrative functions and several were repeat findings. Of the 12 reported findings, the City had 2 findings WPS had 7 findings and there were 3 findings related to indirect cost rates that were attributable to both.

The City resolved three findings from 2014 as it related to subrecipient monitoring and reporting and partially resolved another. Both the City and WPS had separate findings related to procurement and vendor debarment. This was a repeat finding for WPS who after the fiscal 2014 finding implemented new procedures in the middle of fiscal 2015. They are expecting it to be resolved in FY16 after a full-year of implementation of the new procedures. This was also a repeat finding for the City who also implemented new processes after the 2014 finding but which needed further refinement to cover prior year contract payments.

WPS action plans seem adequate to resolve the findings related to child nutrition eligibility, cash management, missing signatures on individualized education plans, missing waiver to minimum special needs counts in Head Start, and missing elements to a Title I school accountability plan.

#### Indirect Costs

There are findings on three federal educational grants related to indirect costs where the City assessed an indirect cost rate of 3% and WPS budgeted for 1%. These federal grants are passed-through the state's Department of Elementary and Secondary Education (ESE) and there have been repeat findings since fiscal 2010. Questioned costs totaled \$489,986 in fiscal 2015 bringing the total cumulative questioned costs over the past six fiscal years to \$2.5 million. Fiscal 2016 will likely have similar findings as the City is assessing 2.5% while WPS has budgeted 1.0%. Questioned costs are subject to repayment.

The corrective action plans as reported by the two parties are similar to those from prior audits and may not resolve the finding. WPS has stated it will continue to apply for a 1% rate which is the maximum rate approved by the School Committee. The City is seeking an opinion from the OMB on its authority to charge the rate per

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Monday, May 9, 2016

ITEM: Administration (April 13, 2016)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting firm of CliftonLarsenAllen, LLP for the year ended June 30, 2015 which include the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2015, prepared by Robert C. Alario, CPA, P.C.

PRIOR ACTION:

- 4-28-16 - Referred to the Standing Committee on Finance and Operations.  
Mr. O'Connell made the following motion:  
Request that the Administration provide copies of the reports mentioned in the item prior to any discussion by the Standing Committee on Finance and Operations.  
On a voice vote, the motion was approved.

BACKUP:

- Annex A (36 pages) contains a copy of the GAO and OMB A-133 Reports for the Fiscal Year Ended June 30, 2015.  
Annex B (14 pages) contains a copy of the City of Worcester, Massachusetts Management Letter, June 30, 2015.  
Annex C (12 pages) contains a copy of the Independent Accountants' Report on Applying Agreed-Upon Procedures for the Year Ended June 30, 2015.

its federally approved agreement. It is not clear whether the OMB will issue a written opinion or whether its opinion would ultimately resolve the matter. The City has recently reached out to the OMB as a follow-up to the 2013 request for an opinion.

The OMB regulation requires all federal agencies to accept a negotiated rate but exceptions are provided when required by federal statute. One such exception is the US Department of Education (ED) delegation to states, including ESE, the authority to compute indirect cost rates for its grants. The delegation agreement states it is the sole basis to be used when charging indirect costs on these grants. The current rate ESE computed for WPS for the grants in question is 2.83%. The City's share, based on its allowed indirect costs by ESE, is a rate of approximately 1.6%. The new OMB regulation 2 CFR 200 requires pass-through entities to provide an indirect cost rate and include information of a federally approved negotiated rate. I have requested clarification from the OMB on the implementation of these two paragraphs.

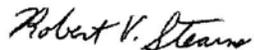
In addition to which rate should be used, is the question of the local option as ESE makes the use of indirect costs optional. WPS, in applying for the grant, has opted to use a rate less than either the rate of the approved indirect cost agreement or that of the rate computed by ESE. WPS, as referenced in the report, cites state law as the basis for using a lower rate.

The Office of the Inspector General (OIG) of ED has conducted a recent audit of ESE and issued its report dated January 25, 2016 (not included). The purpose of the audit was to determine if ESE provided effective oversight in correcting single audit findings. The City of Worcester's unresolved findings relating to indirect costs was cited in the report. The return of questioned costs was listed as a possibility by ESE if its position was upheld upon a ruling by the OMB. The OIG did not think the OMB was the appropriate agency and that ESE had the authority to resolve the matter.

*As the oversight entity charged with issuing management decisions for LEA audit findings associated with its pass-through grants, ESE has the legal authority to determine the appropriate actions needed to resolve those audit findings. Additionally, the Department delegates authority to SEAs to develop and approve indirect cost rates for their LEAs. Thus, ESE had the authority to decide the appropriate indirect cost rate that the city could charge and resolve the finding. ESE should have contacted the Department's Indirect Cost Group if it desired guidance or technical assistance related to the finding. OMB was not the correct authority to decide the Final Report matter. Additionally, according to a Worcester Public Schools' official, as of November 30, 2015, OMB had not responded to the City of Worcester's 2013 request that it render an opinion on the finding. From page 16 of the OIG's report.*

The OIG office has listed on its 2016 work plan, follow-up work with ESE to ensure LEAs timely resolve single audit findings. It isn't known how the repeat finding from the fiscal 2015 A-133 audit will impact any actions the grantor and pass-through agency may take in this matter. However, a voluntary resolution of the matter by the City and WPS, in the current year 2016, may help in avoiding the repayment of questioned costs in the future as a result of continued findings.

Respectfully submitted,



Robert V. Stearns, City Auditor

**CITY OF WORCESTER, MASSACHUSETTS**  
**GAO AND OMB A-133 REPORTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CITY OF WORCESTER, MASSACHUSETTS  
GAO AND OMB A-133 REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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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**

To the Honorable Mayor and City Council  
City of Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the year ended June 30, 2015 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements, and have issued our report thereon dated December 10, 2015. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2014) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2015). Our audit described below, did not include operations of those entities because those entities engaged for their own separate audit in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 10, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and City Council  
City of Worcester, Massachusetts

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

We have audited the City of Worcester, Massachusetts' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Worcester, Massachusetts' major federal programs for the fiscal year ended June 30, 2015. The City of Worcester, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Redevelopment Authority, which received \$254,884 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2015. Our audit, described below, did not include the operations of the Worcester Redevelopment Authority because they engaged for a separate audit and their audit did not meet the requirements of OMB Circular A-133.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the City of Worcester, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Worcester, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Opinion on Each Major Federal Program*

In our opinion, the City of Worcester, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

#### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-003, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011 and 2015-012. Our opinion on the major federal programs is not modified with respect to these matters.

The City of Worcester, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Worcester, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

#### **Report on Internal Control over Compliance**

Management of the City of Worcester, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Worcester, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Worcester, Massachusetts' internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-004 to be material weaknesses.

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 2015-001, 2015-003, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011 and 2015-012 to be significant deficiencies.

The City of Worcester, Massachusetts' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Worcester, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2014) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2015). The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 18, 2016, except for the schedule of federal awards  
which is dated December 10, 2015

CITY OF WORCESTER, MASSACHUSETTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	14-348	\$ 7,742,899
National School Lunch Program - Cash Assistance	10.555	14-348	3,175,158
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	769,816
Subtotal Child Nutrition Cluster			<u>11,687,873</u>
Fruit and Vegetable Program	10.582	14-348	320,003
Total U.S. Department of Agriculture			<u>12,007,876</u>
<b>U.S. Department of Commerce</b>			
<u>Direct programs:</u>			
Economic Development Support for Planning Organizations	11.302	Not Applicable	32,745
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct programs:</u>			
Community Development Block Grant	14.218	Not Applicable	5,690,482
Emergency Shelter Grants Program	14.231	Not Applicable	379,262
Supportive Housing Program	14.235	Not Applicable	104,871
Shelter Plus Care	14.238	Not Applicable	102,272
HOME Investment Partnerships Program	14.239	Not Applicable	1,358,320
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	495,908
Continuum of Care Program	14.267	Not Applicable	167,740
Community Challenge Planning Grant Program	14.704	Not Applicable	169,589
<u>Passed through the State Department of Housing and Community Development:</u>			
Lead-Based Paint Hazard Control Grant	14.900	SCOD542065605160000	1,152,954
Total U.S. Department of Housing and Urban Development			<u>9,621,398</u>
<b>U.S. Department of the Interior</b>			
<u>Passed through the Massachusetts Executive Office Of Public Safety and Security</u>			
STOP Grant	15.587	2012-WF-AF-0039	17,731
<b>U.S. Department of Justice</b>			
<u>Direct programs:</u>			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Not Applicable	84,521
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	100,356
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	189,168
<u>Passed through the Executive Office of Public Safety and Security</u>			
Violence Against Women Formula Grants	16.588	2014-WF-AX-0011	27,171
Total U.S. Department of Justice			<u>401,216</u>
<b>U.S. Department of Labor</b>			
<u>Passed through the State Department of Career Services:</u>			
Employment Service/Wagner-Peyser Funded Unemployment Insurance	17.207	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCWP	346,357
Emergency Unemployment Compensation	17.225	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCNEGREA	131,600
Reemployment & Eligibility Assessment	17.225	CT EOL 3250 10OSCC01WORC02 000000	1
Trade Adjustment Assistance	17.245	CT EOL 3250 10OSCC01WORC02	8,344
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCWIA	1,244,340
WIA Youth Activities	17.259	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCWIA	1,158,276
WIA Dislocated Workers	17.278	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCWIA	1,092,660
WIA Adult (fiscal year 2013)	17.278	CT EOL 3250 10OSCC01WORC02 000000	1
Subtotal WIA Cluster			<u>3,495,277</u>

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grants/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
WIA National Emergency Grants	17.277	CT EOL 3250 100SCCPIWORC02/CT EOL 14CCWORCNEGREA	63,884
Workforce Innovation	17.283	CT EOL 15CCWORCNEGREA	2,745
Disabled Veterans' Outreach Program	17.801	CT EOL 3250 100SCC01WORC02	47,116
<b>Total U.S. Department of Labor</b>			<b>4,095,324</b>
<b>U.S. Department of Transportation</b>			
<u>Passed through the State Office of Emergency Management:</u>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	CDA FFY13HMEPWORCESTER	6,658
<b>Environmental Protection Agency</b>			
<u>Direct Programs:</u>			
Environmental Policy and Innovation Grants	66.811	Not Applicable	351,349
<b>U.S. Department of Education</b>			
<u>Passed through the State Department of Early Education and Care:</u>			
<u>Adult Education:</u>			
Community Adult Learning Centers	84.002	340-079-5-0348-P	267
Career Paths	84.002A	540-004-5-1512-P	3,600
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<u>Title I, Part A Cluster</u>			
Title I Distribution (fiscal year 2015)	84.010	0305-09989-2015-0348	8,093,619
Title I Distribution (fiscal year 2014)	84.010	305-028728-2014-0348	1,794,233
Title I School Support (fiscal year 2015)	84.010	320-122-5-0348-P	42,103
Title I School Support (fiscal year 2014)	84.010	320-036-2-0348-M	29,353
Title I School Support	84.010	323-026-5-0348-P	880
Title I School Support	84.010	323-006-5-0348-P	333
<b>Subtotal Title I, Part A Cluster</b>			<b>9,960,521</b>
<u>Special Education Cluster</u>			
SPED 94-142 Allocation (fiscal year 2015)	84.027	240-205-5-0348-P	7,234,060
SPED 94-142 Allocation (fiscal year 2014)	84.027	240-289-4-0348-O	154,670
SPED Program Improvement (fiscal year 2015)	84.027	274-241-5-0348-A	25,141
SPED Program Improvement (fiscal year 2014)	84.027	274-202-4-0348-O	65,527
SPED Mass Urban (fiscal year 2015)	84.027	240-377-5-0348-F	26,323
SPED Mass Urban (fiscal year 2014)	84.027	240-337-4-0348-O	12,578
SPED Best Practices in Transition Assessment or Student Self-Determination	84.027	243-059-4-0348-O	5,997
SPED Early Childhood Program Improvement	84.173	298-573-5-0348-P	131
<u>Passed through the State Department of Early Education and Care:</u>			
<u>Special Education Cluster (continued)</u>			
SPED Early Childhood Allocation (fiscal year 2015)	84.173	26215 Worcester Public	267,892
<b>Subtotal Special Education Cluster</b>			<b>7,792,319</b>
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<u>Career and Technical Education (fiscal year 2014)</u>			
Career and Technical Education (fiscal year 2014)	84.048	400-048-0-0348-K	559,815
<u>Education of Homeless Children and Youth Cluster</u>			
Education for Homeless Children & Youth (fiscal year 2015)	84.196	310-018-5-0348-O	33,356
Education for Homeless Children & Youth (fiscal year 2014)	84.196	310-015-4-0348-O	28,778
<b>Subtotal Education of Homeless Children and Youth Cluster</b>			<b>62,134</b>
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-188-5-0348-P	1,690
Massachusetts 21st Century CLC - Program Continuation Grants, Sullivan Middle	84.287	647-147-5-0348-P	90,348
Massachusetts 21st Century CLC - Out-of-School Time	84.287	647-049-5-0348-P	28,917
Massachusetts 21st Century CLC - Program Continuation Grants-Summer	84.287	647-042-5-0348-P	32,813
21st Century CLC (fiscal year 2014)	84.287	647-026-4-0348-O	6,662
21st Century CLC (fiscal year 2015)	84.287	647-084-4-0348-O	11,250
High School Graduation Initiative (fiscal year 2015)	84.360	12CRJC3	17,330

CITY OF WORCESTER, MASSACHUSETTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
High School Graduation Initiative (fiscal year 2014)	84.360	12CRJC3	14,255
Title III - English Language Acquisition (ELA) (fiscal year 2015)	84.365	180-317-5-0348-P	959,459
Title III - ELA (fiscal year 2014)	84.365	180-024-4-0348-O	180,985
Title III - ELA - Summer (fiscal year 2015)	84.365	184-207-5-0348-P	48,373
Title III - ELA Carryover (fiscal year 2013)	84.365	180-119-3-0348-N	38,819
Title III - ELA Carryover (fiscal year 2014)	84.365	180-109-5-0348-P	64,521
Title III - ELA (fiscal year 2015)	84.365	186-056-5-0348-P	73,294
Title II A - Improving Teacher Quality (ITQ) (fiscal year 2015)	84.367	0140-008701-2015-0348	1,652,489
Title II A - ITQ (fiscal year 2014)	84.367	140-031850-2014-0348	69,908
Title IIB - Mathematics and Science Partnerships (fiscal year 2015)	84.366	150-171-5-0348-P	13,079
Title IIB - Mathematics and Science Partnerships (fiscal year 2014)	84.366	150-007-4-0348-O	25,468
School Improvement Grants (fiscal year 2015)	84.377	511-029-5-0348-O	335,923
School Improvement Grants (fiscal year 2014)	84.377	511-024-4-0348-N	51,815
<i>School Improvement Grants Cluster</i>			
ARRA - School Improvement Program (fiscal year 2014)	84.388	767-005-4-0348-O	142,030
<i>State Fiscal Stabilization Fund - Race to the Top Incentive Grants</i>			
ARRA - Race to the Top (fiscal year 2015)	84.395	201-026815-2015-0348	638,691
ARRA - Race to the Top (fiscal year 2015)	84.395	133-040-5-0348	20,018
ARRA - Race to the Top (fiscal year 2015)	84.395	213-020-5-0348	19,947
ARRA - Race to the Top (fiscal year 2015)	84.395	159-004-5-0348	75,000
ARRA - Race to the Top (fiscal year 2014)	84.395	201-015704-2014-0348	246,200
ARRA - Race to the Top (fiscal year 2014)	84.395	202-005-4-0348-O	11,219
ARRA - Race to the Top (fiscal year 2014)	84.395	211-014-4-0348-O	20,000
ARRA - Race to the Top - STEM (fiscal year 2014)	84.395	208-003-4-0348-O	20,122
Subtotal - Race to the Top Incentive Grants			<u>1,051,197</u>
Total U.S. Department of Education			<u>23,289,281</u>
<b>U.S. Department of Health and Human Services</b>			
<u>Direct Programs:</u>			
<i>Head Start Cluster</i>			
Head Start Program	93.600	Not Applicable	5,920,007
<u>Passed through the State Department of Public Health:</u>			
Public Health and Social Services Emergency Fund	93.003	INTF6207P01W11311282	678
Medical Reserve Corps Grant	93.008	4516-1010	108,535
Public Health Emergency Preparedness Partnership for the Enhancement of the Regional Preparedness	93.069	4512-9068	15,576
Early Childhood Mental Health	93.074	4510-0404	598,356
Substance Abuse and Mental Health Services Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.104	4512-9069	36,874
Opioid Grants	93.243	W30816	117,306
NACCHO accreditation support	93.283	4512-9069	11,559
The Patient Protection and Affordable Care Act	93.450	4512-9068	13,632
National Bioterrorism Hospital Preparedness	93.524	4512-9068	14,048
Block Grants for Prevention and Treatment of Substance Abuse	93.541	INTF1100P01203816181	45,903
Maternal and Child Health Services	93.889	4510-0404	198,555
	93.959	4512-9068, 4512-9069 and 200218	277,552
	93.994	4512-9069	42,300
<u>Passed through the State Department of Health and Human Services:</u>			
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	CT ORI 0100 12 TAG000002	113,543
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	CT ORI 0100 15 TAG000003	71,334
School-Based Medicaid Reimbursement Program	93.778	1950622	<u>1,098,709</u>
Total U.S. Department of Health and Human Services			<u>8,684,467</u>

CITY OF WORCESTER, MASSACHUSETTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
<u>Direct Programs:</u>			
Staffing for Adequate Fire and Emergency Response	97.083	Not Applicable	241,758
<u>Passed through the State Office of Emergency Management:</u>			
Emergency Management Performance Grants	97.042	CT CDA FY 15EMPG1000000WORC	17,789
Emergency Management Performance Grants	97.042	CT CDA FY 14EMPG1000000WORC	14,637
<u>Passed through the State Executive Office of Public Safety &amp; Homeland Security:</u>			
Homeland Security Grant Program	97.067	80004700	<u>135,562</u>
Total U. S. Department of Homeland Security			<u>409,746</u>
Total			<u>\$ 58,917,791</u>
			(concluded)

CITY OF WORCESTER, MASSACHUSETTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Worcester, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 - U.S. Department of Agriculture**

The amount reported for the National School Lunch Program - Non-Cash Assistance (Commodities) Program represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program, National School Lunch Program - Cash Assistance, and Fruit and Vegetable Program represent cash receipts from federal reimbursements.

**Note 3 - U.S. Department of Transportation**

The amount reported for the Interagency Hazardous Materials Public Sector Training and Planning Grants program represents federal cash receipts.

**Note 4 - U.S. Department of Health and Human Services**

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements for the Administrative Activity Claims.

**Note 5 - U.S. Department of Homeland Security**

The amount reported for the Emergency Management Performance Grants represents federal cash receipts.

CITY OF WORCESTER, MASSACHUSETTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Note 6 - Sub-recipients**

The City of Worcester, Massachusetts provided the following awards to sub-recipients for the fiscal year ended June 30, 2015:

Program Description	CFDA Number	Amount
Community Development Block Grant	14.218	\$ 1,427,020
Emergency Shelter Grants Program	14.231	352,345
Supportive Housing Program	14.235	101,173
Shelter Plus Care	14.238	99,202
HOME Program	14.239	1,235,433
Housing Opportunities for Persons with AIDS	14.241	480,508
Continuum of Care Program	14.267	162,708
Community Challenge Planning Grant Program	14.704	150,273
Lead-Based Paint Hazard Control Grant	14.900	135,278
STOP Grant	15.587	16,955
Violence Against Women Formula Grants	16.588	26,783
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	30,810
WIA Youth Activities	17.259	827,489
Environmental Policy and Innovation Grants	66.811	323,205
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	171,581
<b>Total</b>		<b>\$ 5,540,763</b>

CITY OF WORCESTER, MASSACHUSETTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**A. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

- Material weakness(es) identified?                      Yes           X           No
- Significant deficiency(ies) identified?                      Yes           X           None reported

Noncompliance material to the financial statements noted?                      Yes           X           No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?           X           Yes                      No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?           X           Yes                      None reported

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

Were any findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?           X           Yes                      No

**Identification of Major Programs:**

10.553 and 10.555	Child Nutrition Cluster
14.218	CDBG - Entitlement Grants Cluster
84.010	Title I, Part A Cluster
84.027 and 84.173	Special Education Cluster
84.395	SFSF - Race to the Top Incentive Grants
93.600	Head Start Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,767,534

Auditee qualified as a low-risk auditee?                      Yes           X           No

**B. Findings - Financial Statement Audit**

None

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**DEPARTMENT OF AGRICULTURE**

2015-001 Child Nutrition Cluster - CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

Compliance Requirement: Eligibility

*Criteria:* The Code of Federal Regulations (CFR) Title 7, part 245.6c states that school officials must determine household eligibility for free or reduced price meals through either direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year.

*Condition/Context:* One (1) of the 60 student files tested included an income eligibility determination which was incorrect based upon the income guidelines.

*Effect:* The lunch status for the applicable student was incorrectly claimed for by the City.

*Cause:* Procedures were not in place to properly determine the eligible lunch status for all applicants.

*Questioned Costs:* \$37 (calculated as the average daily reimbursement rate multiplied by 89 lunches and 6 breakfasts served for the one student identified in this finding)

*Auditors' Recommendation:* Procedures must be implemented to properly determine the eligible lunch status for all applicants.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

*Actions planned in response to finding:* Worcester Public Schools initiated participation in the Community Eligibility Provision eliminating the need for student income applications FY16

*Responsible Party:* Worcester Public Schools Department of Child Nutrition Programs

*Planned completion date for corrective action plan:* Not Applicable with Community Eligibility Provision

*Plan to monitor completion of corrective action plan:* Continuation of Community Eligibility Provision

*Corrective Action Plan:* Implementation of Community Eligibility Provision eliminating the need for student income applications as meal qualification criteria

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2015-002 Child Nutrition Cluster - CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2015

*Material Weakness in Internal Control Over Major Programs*

**Compliance Requirement: Procurement and Suspension and Debarment**

*Criteria:* 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 non-procurement 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 non-procurement 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:* The City did not obtain a debarment certification or check the *System for Award Management* website for the vendors contracted with in excess of \$25,000 related to the grant program.

*Context:* All six (6) vendors contracted with in excess of \$25,000.

*Effect:* Noncompliance with the federal award program's procurement and suspension and debarment compliance requirements could occur and not be detected and corrected timely.

*Cause:* Procedures are not in place to verify that vendors contracted with in excess of \$25,000 related to the grant program are not suspended, debarred or otherwise excluded from doing business.

*Questioned Costs:* None. The vendors contracted with in excess of \$25,000 were not suspended or debarred.

*Auditors' Recommendation:* Procedures must be implemented to ensure that all vendors contracted with have not been suspended, debarred, or otherwise excluded from doing business, prior to procuring their services. In order to verify this, program management should either obtain debarment certifications from the vendors or check the *System for Award Management* website. Procedures must also be implemented to maintain documentation supporting the debarment checks performed.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* Upon notification of finding during FY15 corrective action plan of "verifying the eligibility of vendors' status from the Excluded Party List System" was initiated going forward.

*Actions planned in response to finding:* The Worcester Public Schools is verifying eligibility of vendors prior to the requisition process

*Responsible Party:* Department of Child Nutrition: Director and Financial Analyst

*Planned completion date for corrective action plan:* Response to finding FY15 forward

*Plan to monitor completion of corrective action plan:* Documentation supporting debarment check from the Excluded Party List System will be kept on file as requisitions are being initiated.

*Corrective Action Plan:* Maintain above procedures

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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2015-003 Child Nutrition Cluster - CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

**Compliance Requirement: Reporting**

*Criteria:* At a minimum, a claim for reimbursement of meals served must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).

*Condition/Context:* Two (2) of the 60 claims for reimbursement tested were accompanied by daily meal counts that did not reconcile to meals claimed by type.

*Effect:* The applicable claims were not supported by meal count records.

*Cause:* Procedures were not in place to ensure claims for reimbursement were appropriately supported by and reconciled to accurate meal count records.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to ensure claims for reimbursement are reviewed and reconciled to accurate meal count reports prior to submission of the claim.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

*Actions planned in response to finding:* A confirmation and reconciliation of data entry accuracy into the Massachusetts Department of Elementary and Secondary Education (DESE) Portal *Claim for Reimbursement* will be conducted prior to formal submission of each claim

*Responsible Party:* Department of Child Nutrition Programs: Director and Financial Analyst

*Planned completion date for corrective action plan:* FY16

*Plan to monitor completion of corrective action plan:* Initial draft of School Meal Report from DESE portal will be printed and kept on file with daily meal counts

*Corrective Action Plan:* Initial draft of School Meal Report from DESE portal will be printed and reconciled with daily meal counts prior to submission for each claim for reimbursement

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2015-004 CDBG - Entitlement Grants Cluster - CFDA No.'s 14.218; Fiscal year ended June 30, 2015

*Material Weakness in Internal Control Over Major Programs*

Compliance Requirement: Procurement and Suspension and Debarment

*Criteria:* 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 non-procurement 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 non-procurement transactions entered into by a recipient, irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215."

*Condition:* The City did not obtain a debarment certification or check the *System for Award Management* website for a vendor contracted with in excess of \$25,000 related to the grant program.

*Context:* One (1) of three (3) vendors tested with a contract with in excess of \$25,000.

*Effect:* Noncompliance with the federal award program's procurement and suspension and debarment compliance requirements could occur and not be detected and corrected timely.

*Cause:* Procedures are not in place to verify that vendors contracted with in excess of \$25,000 related to the grant program are not suspended, debarred or otherwise excluded from doing business.

*Questioned Costs:* None. The vendor tested was not suspended or debarred.

*Auditors' Recommendation:* Procedures must be implemented to ensure that all vendors contracted with have not been suspended, debarred, or otherwise excluded from doing business, prior to procuring their services. In order to verify this, program management should either obtain debarment certifications from the vendors or check the *System for Award Management* website. Procedures must also be implemented to maintain documentation supporting the debarment checks performed.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

*Actions planned in response to finding:* As reported with the FY2014 Single Audit (Finding 2014-04), the City implemented procedures whereby all sub recipients (sub awardees) would have debarment inquiries verified prior to executed contracts (or processing payments in the case of a prior year contract). This procedure did not capture this prior year contract payment. Procedures have been implemented whereby besides the review from the Executive Office of Economic Development, the Budget Office-Finance Division shall also verify debarment of prior year contract payments.

*Responsible Party:* Executive Office of Economic Development and Budget Office-Grants Division

*Planned completion date for corrective action plan:* Already implemented

*Corrective Action Plan:* Already implemented

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2015-005 CDBG - Entitlement Grants Cluster - CFDA No.'s 14.218; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

**Compliance Requirement: Sub-recipient Monitoring**

*Criteria:* Federal guidelines require pass-through entities, during the award period, conduct monitoring of the sub-recipients and ensure that the sub-recipients expending more than \$500,000 of federal awards in the fiscal year have met the OMB Circular A-133 audit requirements.

*Condition/Context:* Two (2) of the six (6) sub-recipient files tested did not contain contracts with the federal CFDA number and the DUNS number of the sub-recipient.

*Effect:* There was noncompliance with, and a significant deficiency in internal control over, the federal award program's sub-recipient monitoring requirements.

*Cause:* Procedures were not in place to perform and/or document all required monitoring of sub-recipients.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to ensure that contracts with sub-recipients contain all required information.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

*Actions planned in response to finding:* Standard contracts with sub-recipients will incorporate federal CFDA numbers and the Duns number of the sub-recipient.

*Responsible Party:* Executive Office of Economic Development

*Planned completion date for corrective action plan:* Contracts for the CDBG - Year 42

*Corrective Action Plan:* The City will incorporate federal CFDA and Duns numbers into standard contract documents funded by the Community Development Block Grant.

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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DEPARTMENT OF EDUCATION

2015-006 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

Compliance Requirement: Allowable Costs/Cost Principles

*Criteria:* In order to be in compliance with all grant program requirements, grantees are required to adhere to the terms and budgets included in the approved grant contracts from the awarding agencies, as well all Federal guidelines stated in the OMB A-133 Compliance Supplement.

*Condition:* An indirect cost rate of 3% (as approved by HUD) of total receipts was used to charge indirect costs to the grant program. However, the indirect cost rate identified in the approved grant contracts for the program was 1% of total receipts. Therefore, a discrepancy existed between the indirect cost rate identified in the approved grant contract and the actual indirect cost rate charged to the grant program.

*Context:* All grant indirect costs

*Effect:* The actual indirect costs charged to the grants (at a rate of 3%) in excess of the indirect costs identified in the approved grant contracts (at a rate of 1%) are subject to disallowance and considered questioned costs.

*Cause:* Procedures were not in place to submit an original contract or a contract amendment with the granting agency that identified the actual indirect cost rate used to charge indirect costs to the grant program.

*Questioned Costs:* \$290,270 (indirect costs charged to the grant in excess of the rate in the approved grant contracts)

*Auditors' Recommendation:* Procedures must be implemented to ensure that original contracts or contract amendments are filed with the granting agency that specify the actual indirect cost rate used to charge indirect costs to the grant program.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester School Committee holds that under MGL Chapter 44-53A, 71-26C, and 71-34A, all grant spending must be authorized by the School Committee, and has authorized a 1% indirect cost rate on grant awards. The Massachusetts Department of Elementary and Secondary Education (DESE) has issued a legal opinion supporting the position of the Worcester School Committee and noting that education funds received through the DESE are subgrants, with the indirect cost rate subject to approval by DESE and the U.S. Department of Education. Contracts submitted by the school department and approved by the awarding agency reflect a 1% indirect cost rate. Neither the Worcester School Committee nor the DESE has authorized the higher amount withheld by the City Finance Office.

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**City Administration and Finance**

In Fiscal Year 2010, the City obtained a revised Administrative Cost Allocation plan from its cognizant agent increasing the indirect cost rate reimbursement from 1% to 3%. Consistent with federal regulations, Circular A-87 and subsequent promulgations, said indirect rate is applicable to awards directly to the City as well as awards in which the City is a sub-awardee, as is the case with pass through grants in which the City (inclusive of the Worcester Public Schools) is a grant sub-awardee of funds from the Commonwealth.

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools will continue to budget 1% as long as this is the maximum amount authorized by the Worcester School Committee.

**City Administration and Finance**

The City will request a definitive opinion from the federal Office of Management and Budget (OMB), which had previously been sought, as to the applicability of the indirect cost rate as prescribed by Circular A-87 as well as the subsequent regulations promulgated.

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools grants department as part of the Finance and Operations Division will continue to follow the directives of the School Committee as well as grantor limits on indirect costs.

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Any change to the maximum indirect cost rate will be implemented as soon as directed by the Worcester School Committee, or as required by the responsible grantor agency.

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Grant budgets are monitored by the Administration of the Worcester Public Schools, as well as the Worcester School Committee, which accepts grant funds.

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

Should the Worcester School Committee adjust the maximum indirect cost rate allowed to be charged on grants, future grant budgets will reflect the new rate(s).

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2015-007 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

**Compliance Requirement: Special Tests and Provisions**

*Criteria:* Federal guidelines require that schools participating under a schoolwide program meet the elements of 34 CFR. The schoolwide programs must include the following components: (1) schoolwide reform strategies (section 200.28(a)), (2) instruction by highly qualified professional staff (section 200.28(b)), (3) strategies to increase parental involvement (section 200.28(c)), (4) additional support to students experiencing difficulty (section 200.28(d)), (5) transition plans for assisting preschool children in the successful transition to the schoolwide program (section 200.28(e)) and (6) coordination and integration of federal, state and local services and programs.

*Condition/Context:* One (1) of the four (4) schoolwide plans tested did not include coordination and integration of federal, state and local services and programs.

*Effect:* There was noncompliance with, and a significant deficiency in internal control over, the federal award program's special tests and provisions requirements.

*Cause:* Procedures were not in place to include all required components in all schoolwide program plans.

*Questioned Costs:* None.

*Auditors' Recommendation:* Procedures must be implemented to include all required components in all schoolwide program plans.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* Although coordination and integration may not be stated as such in the School Accountability Plan for that particular school, evidence of this exists in the plan. This includes grant funded positions and the fact that Title 1 Schoolwide Plan components are integrated within the Schoolwide Accountability Plan specifically for the purpose of coordinating federal, state, and local services and programs. The district recently completed a Coordinated Program Review by the Massachusetts Department of Elementary and Secondary Education without findings in this area.

*Actions planned in response to finding:* The district will revise its procedures regarding elements required in School Accountability Plans to include references to coordination and integration of services and programs.

*Responsible Party:* The Worcester Public Schools Office of Research and Accountability and Quadrant Office will work with the Instructional Leadership Teams at individual schools to ensure appropriate language is included in School Accountability Plans.

*Planned completion date for corrective action plan:* Plans are currently being revised with an anticipated completion date of June 30, 2016.

*Plan to monitor completion of corrective action plan:* The Worcester Public Schools Office of Research and Accountability will review plans annually for inclusion of required elements.

CITY OF WORCESTER, MASSACHUSETTS  
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*Corrective Action Plan:* Title 1 Schoolwide Plan components will continue to be integrated within Schoolwide Accountability Plans to ensure coordination of federal, state, and local services and programs. As School Accountability Plans are updated annually, they will be reviewed by the Worcester Public Schools Office of Research and Accountability for inclusion of required language.

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2015-008 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

Compliance Requirement: Allowable Costs/Cost Principles

*Criteria:* In order to be in compliance with all grant program requirements, grantees are required to adhere to the terms and budgets included in the approved grant contracts from the awarding agencies, as well all Federal guidelines stated in the OMB A-133 Compliance Supplement.

*Condition:* An indirect cost rate of 3% (as approved by HUD) of total receipts was used to charge indirect costs to the grant program. However, the indirect cost rate identified in the approved grant contracts for the program was 1.01% of total receipts. Therefore, a discrepancy existed between the indirect cost rate identified in the approved grant contract and the actual indirect cost rate charged to the grant program.

*Context:* All grant indirect costs

*Effect:* The actual indirect costs charged to the grants (at a rate of 3%) in excess of the indirect costs identified in the approved grant contracts (at a rate of 1.01%) are subject to disallowance and considered questioned costs.

*Cause:* Procedures were not in place to submit an original contract or a contract amendment with the granting agency that identified the actual indirect cost rate used to charge indirect costs to the grant program.

*Questioned Costs:* \$169,860 (indirect costs charged to the grant in excess of the rate in the approved grant contracts)

*Auditors' Recommendation:* Procedures must be implemented to ensure that original contracts or contract amendments are filed with the granting agency that specify the actual indirect cost rate used to charge indirect costs to the grant program.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester School Committee holds that under MGL Chapter 44-53A, 71-26C, and 71-34A, all grant spending must be authorized by the School Committee, and has authorized a 1% indirect cost rate on grant awards. The Massachusetts Department of Elementary and Secondary Education (DESE) has issued a legal opinion supporting the position of the Worcester School Committee and noting that education funds received through the DESE are subgrants, with the indirect cost rate subject to approval by DESE and the U.S. Department of Education. Contracts submitted by the school department and approved by the awarding agency reflect a 1% indirect cost rate. Neither the Worcester School Committee nor the DESE has authorized the higher amount withheld by the City Finance Office.

CITY OF WORCESTER, MASSACHUSETTS  
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**City Administration and Finance**

In Fiscal Year 2010, the City obtained a revised Administrative Cost Allocation plan from its cognizant agent increasing the indirect cost rate reimbursement from 1% to 3%. Consistent with federal regulations, Circular A-87 and subsequent promulgations, said indirect rate is applicable to awards directly to the City as well as awards in which the City is a sub-awardee, as is the case with pass through grants in which the City (inclusive of the Worcester Public Schools) is a grant sub-awardee of funds from the Commonwealth.

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools will continue to budget 1% as long as this is the maximum amount authorized by the Worcester School Committee.

**City Administration and Finance**

The City will request a definitive opinion from the federal Office of Management and Budget (OMB), which had previously been sought, as to the applicability of the indirect cost rate as prescribed by Circular A-87 as well as the subsequent regulations promulgated.

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools grants department as part of the Finance and Operations Division will continue to follow the directives of the School Committee as well as grantor limits on indirect costs

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Any change to the maximum indirect cost rate will be implemented as soon as directed by the Worcester School Committee, or as required by the responsible grantor agency

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Grant budgets are monitored by the Administration of the Worcester Public Schools, as well as the Worcester School Committee, which accepts grant funds.

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

Should the Worcester School Committee adjust the maximum indirect cost rate allowed to be charged on grants, future grant budgets will reflect the new rate(s)

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2015-009 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

Compliance Requirement: Cash Management

*Criteria:* Federal guidelines require grant receipts to minimize the time elapsing between the receipt and disbursement of grant funds received from the Federal agency or pass-through entity.

*Condition:* The City did not file all Requests for Funds (RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

*Context:* One (1) of the three (3) RF-1's tested.

*Effect:* There was noncompliance with, and a significant deficiency in internal control over, the federal award program's cash management requirement.

*Cause:* Procedures were not in place to expend grant payments received from the pass-through entity within 30 days of their receipt.

*Questioned Costs:* Not determined

*Auditor's Recommendation:* Procedures must be implemented to ensure that all RF-1s submitted are for expenditures that have already been paid or will be paid within 30 days of the receipt of grant funds.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* Grant funds are drawn in anticipation of monthly needs. In this case an invoice was expected but not received and paid until after the end of the month in question.

*Actions planned in response to finding:* Worcester Public Schools Grants Management is revising its procedures on requesting funds to further minimize the time between receipt and expenditure of funds. This is within a framework where accounts are not allowed to go into deficit for payments on purchase orders.

*Responsible Party:* The Financial Director of Grants will implement revised procedures including verification with Accounts Payable staff of the amount and timing of bills outstanding.

*Planned completion date for corrective action plan:* Revised procedures will be in place by the end of January 2016

*Plan to monitor completion of corrective action plan:* Before the end of each month Worcester Public Schools Grants Management will check the balances on all grants for which cash was requested to ensure that anticipated payments were processed

*Corrective Action Plan:* The Worcester Public Schools Financial Director of Grants and Financial Analyst will perform additional checks to verify that payment of bills is required prior to requesting funds for a given month.

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2015-010 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

**Compliance Requirement: Reporting**

*Criteria:* The individualized education plans (IEP's) of special education pupils are required to be signed by a knowledgeable City official who has reviewed the IEP and deemed services to be provided to be appropriate. The reviewer should be in attendance at the annual IEP team meeting to provide feedback on the services to be provided. In addition, the IEP's must be approved and signed by the parents of the students.

*Condition/Context:* Three (3) of the 40 IEP's tested did not include authorizing signatures from a City official as evidence of their review and approval of the education plan.

*Effect:* Special education services were provided that did not contain documentation supporting the review and approval of such services by a knowledgeable City official.

*Cause:* Procedures were not in place to ensure that all IEP's included an authorizing signature by a knowledgeable City official.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to ensure all annual IEP updates are reviewed, approved and signed by a knowledgeable City official and the parents prior to the start of special education services.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* IEPs normally include the signature of the Evaluation Team Chair (ETC). These do appear to have been missing from three of the IEPs reviewed.

*Actions planned in response to finding:* We will review our procedures for obtaining needed signatures on IEPs. These procedures will be communicated to the appropriate staff.

*Responsible Party:* The Assistant Director of Special Education will take the lead in communicating to ETCs and support staff the need to obtain all necessary signatures.

*Planned completion date for corrective action plan:* Review and communication of procedures will be complete by February 1, 2016

*Plan to monitor completion of corrective action plan:* Special education staff will review IEP files during the course of the year to ascertain that all necessary signatures are being obtained

*Corrective Action Plan:* The Assistant Director of Special Education will remind ETCs and Special Education secretaries to check all IEPs for signatures prior to being mailed out to families, as well as oversee periodic reviews of records to verify that all IEPs do in fact have sufficient evidence of review and approval

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2015-011 ARRA - Race to the Top Incentive Grants Program - CFDA No. 84.395; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

**Compliance Requirement: Allowable Costs/Cost Principles**

*Criteria:* In order to be in compliance with all grant program requirements, grantees are required to adhere to the terms and budgets included in the approved grant contracts from the awarding agencies, as well all Federal guidelines stated in the OMB A-133 Compliance Supplement.

*Condition:* An indirect cost rate of 3% (as approved by HUD) of total receipts was used to charge indirect costs to the grant program. However, the indirect cost rate identified in the approved grant contracts for the program was 1.01% of total receipts. Therefore, a discrepancy existed between the indirect cost rate identified in the approved grant contract and the actual indirect cost rate charged to the grant program.

*Context:* All grant indirect costs

*Effect:* The actual indirect costs charged to the grants (at a rate of 3%) in excess of the indirect costs identified in the approved grant contracts (at a rate of 1.01%) are subject to disallowance and considered questioned costs.

*Cause:* Procedures were not in place to submit an original contract or a contract amendment with the granting agency that identified the actual indirect cost rate used to charge indirect costs to the grant program.

*Questioned Costs:* \$29,856 (indirect costs charged to the grant in excess of the rate in the approved grant contracts)

*Auditors' Recommendation:* Procedures must be implemented to ensure that original contracts or contract amendments are filed with the granting agency that specify the actual indirect cost rate used to charge indirect costs to the grant program.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester School Committee holds that under MGL Chapter 44-53A, 71-26C, and 71-34A, all grant spending must be authorized by the School Committee, and has authorized a 1% indirect cost rate on grant awards. The Massachusetts Department of Elementary and Secondary Education (DESE) has issued a legal opinion supporting the position of the Worcester School Committee and noting that education funds received through the DESE are subgrants, with the indirect cost rate subject to approval by DESE and the U.S. Department of Education. Contracts submitted by the school department and approved by the awarding agency reflect a 1% indirect cost rate. Neither the Worcester School Committee nor the DESE has authorized the higher amount withheld by the City Finance Office.

CITY OF WORCESTER, MASSACHUSETTS  
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**City Administration and Finance**

In Fiscal Year 2010, the City obtained a revised Administrative Cost Allocation plan from its cognizant agent increasing the indirect cost rate reimbursement from 1% to 3%. Consistent with federal regulations, Circular A-87 and subsequent promulgations, said indirect rate is applicable to awards directly to the City as well as awards in which the City is a sub-awardee, as is the case with pass through grants in which the City (inclusive of the Worcester Public Schools) is a grant sub-awardee of funds from the Commonwealth.

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools will continue to budget 1% as long as this is the maximum amount authorized by the Worcester School Committee.

**City Administration and Finance**

The City will request a definitive opinion from the federal Office of Management and Budget (OMB), which had previously been sought, as to the applicability of the indirect cost rate as prescribed by Circular A-87 as well as the subsequent regulations promulgated.

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

The Worcester Public Schools grants department as part of the Finance and Operations Division will continue to follow the directives of the School Committee as well as grantor limits on indirect costs

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Any change to the maximum indirect cost rate will be implemented as soon as directed by the Worcester School Committee, or as required by the responsible grantor agency

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

Grant budgets are monitored by the Administration of the Worcester Public Schools, as well as the Worcester School Committee, which accepts grant funds.

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

Should the Worcester School Committee adjust the maximum indirect cost rate allowed to be charged on grants, future grant budgets will reflect the new rate(s)

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

2015-012 Head Start Grant Program - CFDA No. 93.600; Fiscal year ended June 30, 2015

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

Compliance Requirement: Earmarking

*Criteria:* Federal guidelines, as outlined in the A-133 Compliance Supplement, require not less than 10% of the total number of children enrolled by each Head Start Agency and each delegate agency be children with disabilities determined to be eligible for special education and related services unless a waiver has been approved by ACF.

*Condition/Context:* All four (4) of the Head Start agencies tested did not meet the 10% requirement and did not obtain a waiver from ACF.

*Effect:* There was noncompliance with, and a significant deficiency in internal control over, the federal award program's earmarking requirements.

*Cause:* For instances in which the 10% requirement was not met, procedures were not in place to obtain a waiver of the 10% requirement.

*Questioned Costs:* None.

*Auditors' Recommendation:* We recommend in instances in which efforts have been made to meet the 10% requirement, but the requirement is not met, procedures be implemented to obtain a waiver of the 10% requirement.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* The Worcester Child Development Head Start program works to meet the 10% requirement as stated in the Head Start performance standards, and it is a priority of our program to recruit and enroll these children. This was the first time our program fell below this requirement.

*Actions planned in response to finding:* Currently our program has twenty-two (22) children on Individualized Educational Plans (IEPs), six (6) children in referral and one hundred (100) children in the Response to Intervention (RTI) process awaiting progression out of the program or referral. Based on these numbers, and the past school year's enrollment not meeting the 10% requirement, we are applying to obtain a waiver of this requirement from the Head Start Regional Office for 2015-2016.

*Responsible Party:* The Head Start Director will oversee an outreach process designed to be inclusive of children with special needs, as well as contact the federal Head Start Regional Office if it is not likely that the 10% threshold will be met. The Head Start Disabilities Coordinator will continue to participate in the Preschool Arena process along with the Worcester Public Schools Special Education Assistant Director for Special Projects, and will work with the Worcester Public Schools to ensure parents understand their roles and responsibilities in the referral process.

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*Planned completion date for corrective action plan:* The Worcester Child Development Head Start Program will continue to work with the Worcester Public Schools Special Education office to ensure Head Start Children, who are found eligible for Special Education services, receive services and supports in the Head Start setting. On November 3, 2015, the program submitted a Disabilities Waiver Request and is currently awaiting response from the federal regional office.

*Plan to monitor completion of corrective action plan:* Once the regional office approves the Disabilities Waiver Request, a copy will be shared with all interested stakeholders.

*Corrective Action Plan:* In an effort to locate eligible children, the Worcester Child Development Head Start Program will conduct outreach to area early childhood programs, hospitals, clinics, shelters, disability agencies, mental health agencies and pediatricians. We will advertise through the media such as radio, television and newspapers, and send brochures to public schools for distribution.

The Worcester Child Development Head Start Program and the Worcester Public Schools will develop the programs' annual Memorandum of Understanding outlining the roles and responsibilities of both Worcester Child Development Head Start and the Worcester Public Schools in August for the upcoming school year. If data shows that early in the program year, the 10% disabilities requirement is not likely to be met, the Worcester Child Development Head Start program will submit a Disabilities Waiver Request within the timeline required by the federal Head Start Regional Office.

**D. Summary of Prior Audit Findings**

**MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Department of Agriculture**

*Noncompliance and Significant Deficiency in the Internal Control over Major Programs*

2014-001 Child Nutrition Cluster – CFDA No.’s 10.553 and 10.555; Fiscal year ended June 30, 2014

Compliance Requirement: Eligibility

*Condition:* The City did not comply with eligibility compliance requirements.

*Current Status:* The status remains unchanged. Please see current year finding 2015-001.

*Material Weakness in Internal Control over Major Programs*

2014-002 Child Nutrition Cluster – CFDA No.’s 10.553 and 10.555; Fiscal year ended June 30, 2014

Compliance Requirement: Procurement and Suspension and Debarment

*Condition:* The City did not have procedures in place to document compliance with the procurement and suspension and debarment compliance requirements.

*Current Status:* The status remains unchanged. Please see current year finding 2015-002.

**Department of Housing and Urban Development**

*Material Noncompliance and Material Weaknesses in the Internal Control over Major Programs*

2014-003 CDBG - Entitlement Grants Cluster – CFDA No.’s 14.218; Fiscal year ended June 30, 2014

Compliance Requirement: Sub-recipient Monitoring

*Condition:* One (1) of the three (3) sub-recipient files tested did not contain documentation of monitoring activities performed. Two (2) of the three (3) sub-recipient files tested did not contain evidence of the sub-recipients A-133 audit reports and/or evidence that the sub-recipients were not required to receive A-133 audits. All three (3) sub-recipient files tested did not contain contracts with the federal CFDA number identified in the contract.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2015, this finding has been partially resolved. Of the conditions identified above and in the prior year, the condition related to contracts without the federal CFDA number remains unchanged. In addition, we identified contracts without the DUNS number of the sub-recipient. Please see current year finding 2015-005.

CITY OF WORCESTER, MASSACHUSETTS  
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*Material Weakness in Internal Control Over Major Programs*

2014-004 CDBG - Entitlement Grants Cluster - CFDA No.'s 14.218; Fiscal year ended June 30, 2014

Compliance Requirement: Procurement and Suspension and Debarment

*Condition:* The City did not have procedures in place to document compliance with the procurement and suspension and debarment compliance requirements.

*Current Status:* The status remains unchanged. Please see current year finding 2015-004.

*Significant Deficiency in Internal Control Over Major Programs*

2014-005 CDBG - Entitlement Grants Cluster - CFDA No.'s 14.218; Fiscal year ended June 30, 2014

Compliance Requirement: Reporting

*Condition:* There was no evidence to support that supervisory personnel reviewed quarterly SF-425 reports prior to submission to HUD.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2015, this finding has been resolved.

**Department of Education**

*Noncompliance and Significant Deficiencies in the Internal Control over Major Programs*

2014-006 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2014

Compliance Requirement: Allowable Costs/Cost Principles (Indirect Costs)

*Condition:* The City did not comply with the allowable costs/cost principles compliance requirements related to indirect costs.

*Current Status:* The status remains unchanged. Please see current year finding 2015-006.

2014-007 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2014

Compliance Requirement: Allowable Costs/Cost Principles (Indirect Costs)

*Condition:* The City did not comply with the allowable costs/cost principles compliance requirements related to indirect costs.

*Current Status:* The status remains unchanged. Please see current year finding 2015-008.

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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*Material Weakness in Internal Control Over Major Programs*

2014-008 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2014

Compliance Requirement: Special Tests and Provisions

*Condition:* The City did not comply with the special tests and provisions compliance requirements.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2015, this finding has been resolved.

*Noncompliance and Significant Deficiency in Internal Control Over Major Programs*

2014-009 ARRA - Race to the Top Incentive Grants Program - CFDA No. 84.395; Fiscal year ended June 30, 2014

Compliance Requirement: Allowable Costs/Cost Principles (Indirect Costs)

*Condition:* The City did not comply with the allowable costs/cost principles compliance requirements related to indirect costs.

*Current Status:* The status remains unchanged. Please see current year finding 2015-011.

*Material Noncompliance and Material Weakness in Internal Control Over Major Programs*

2013-004 HOME Investment Partnerships Program - CFDA No. 14.239; Fiscal year ended June 30, 2013

Compliance Requirement: Sub-recipient Monitoring

*Condition:* The City did not comply with the sub-recipient compliance requirements.

*Current Status:* While this program did not meet the criteria of a major program in fiscal year 2015, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, this finding has been resolved.

*Significant Deficiency in Internal Control Over Major Programs*

2013-007 HOME Investment Partnerships Program - CFDA No. 14.239; Fiscal year ended June 30, 2013

Compliance Requirement: Procurement and Suspension and Debarment

*Condition:* The City did not have procedures in place to document compliance with the procurement and suspension and debarment compliance requirements.

*Current Status:* While this program did not meet the criteria of a major program in fiscal year 2015, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, this finding has been resolved.



# CITY OF WORCESTER, MASSACHUSETTS

## Auditing Department

**Robert V. Stearns, CPA**  
City Auditor

April 26, 2016

Honorable members of the City Council  
City of Worcester, Massachusetts

Dear Councilors:

Enclosed is the Management Letter for the year ended June 30, 2015 issued by the outside audit firm of CliftonLarsonAllen, LLP. The report includes findings related to internal controls and procedures with recommendations on improvement. Most often the findings are corrected in the next fiscal year and do not repeat. The only repeat finding from FY14 is partial of information technology. The Audit Department will continue to work with the Treasurer's office on the matters of payroll withholding reconciliations and bank reconciliations. The reconciliations started in fiscal 2014 and were part of a planned project in fiscal 2015 to complete but were delayed to the current fiscal year as a result of personnel turnover.

As part of the annual audit engagement, three special projects are selected with an agreement of the audit scope. This includes the audit of departments or systems that might not otherwise be subject to the basic audit because of materiality. Historically, the special projects have been an important tool of the Audit Department in auditing departments. This year the special projects included parking receipts, trust expenditures and capital projects with audit objectives to see if necessary procedures were documents and in place. With respect to areas of parking receipts, the Audit Department plans to follow up at year-end with onsite testing.

Respectfully submitted,

Robert V. Stearns, City Auditor

**CITY OF WORCESTER, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2015**



To Management  
City of Worcester, Massachusetts

In planning and performing our audit of the financial statements of the City of Worcester, Massachusetts (City) as of and for the year ended June 30, 2015 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2014), 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, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized in the memorandum that accompanies this letter. This letter does not affect our report dated December 10, 2015, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Mayor, the City Council and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Boston, MA  
April 13, 2016

CITY OF WORCESTER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2015

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## Comments and Recommendations

### Off-Street Parking

#### Comment

We evaluated certain internal controls surrounding the City's off-street parking operations and identified the following:

- One of the specific areas we evaluated related to new automated parking pay stations implemented by the City in September 2014. Our evaluation of pay stations identified the following:
  - Per inquiries, it is our understanding that some features of the pay stations (such as "pay by cell" and foreign languages) have yet to be implemented. Implementation of these features could potentially enhance the value provided by the pay stations.
  - The City maintains a procedure manual for collections of parking meters. We identified the following as it relates to the portions of the manual pertaining to pay stations:
    - The manual was completed in May 2015, several months after the pay stations were implemented. Best practice is to document policies and procedures prior to the implementation of new technologies or systems related to financial transactions.
    - While the manual provides an adequate overall summary of some of the pay station collection procedures, additional details would enhance the manual. Some examples include:
      - The manual references various reports generated from the pay stations during each collection. The manual should detail and describe the reports generated and how they are used in the process of collecting, depositing, recording and reconciling pay station receipts.
      - The manual contains a brief section on pay station refunds. The manual should provide more detail related to processing refunds.
      - Per inquiries, we gained an understanding of the City's procedures to reconcile pay station deposits to reports generated from the pay stations and reports provided by the bank (for example, credit card transactions). The manual should provide more details on all reconciliation procedures performed.
  - The City employee responsible for collecting funds from the pay stations (pay station collector) is not bonded. Employee bonding insurance protects the City against theft and reduces risk of loss.
  - When a pay station is full and needs to be emptied and collected, an automated notification is sent only to the pay station collector. By only having notifications sent to the pay station collector, the City does not have the proper oversight to ensure that pay stations are being emptied, collected and deposited each time they become full. If notifications are sent to another employee(s) other than the pay station collector, independent reconciliation procedures can be performed by that employee(s) showing that pay stations were emptied, collected and deposited each time they became full.

- For one (1) of three (3) pay station revenue transactions we tested, the deposit was made more than two weeks after the collection of receipts. The timing of this deposit is inconsistent with the City's procedure manual, which states that pay station collections are to be deposited twice a week.
- The City contracts with a third-party service provider (LAZ Parking, or "LAZ") to manage its public parking garages and other off-street parking activities. LAZ is responsible for billing and collection related to parking garage customers that pay on account.

In our fiscal year 2012 Management Letter, we identified several significant, old outstanding amounts owed to the City from parking garage customers in our review of third-party accounts receivable reports (which were maintained by Republic Parking System at the time). Our review of LAZ's June 30, 2015 accounts receivable report shows that the same condition still exists.

These old accounts receivable are considered 100% uncollectible for financial reporting purposes and are therefore not material to the City's audited financial statements. This comment is being reported to the City for informative purposes.

- The City's contract with LAZ was dated in June 2013. The contract stated that LAZ would provide the City with a Service Organization Control (SOC) report within 90 days of the execution of the contract. Per inquiries, LAZ has not yet had a SOC audit performed to this date. SOC reports from third-party service providers such as LAZ provide the City with valuable information related to the effectiveness of the service providers' internal controls.
- We selected a sample of off-street parking revenue transactions and identified the following:
  - One (1) revenue transmittal form did not contain the date it was prepared and one (1) transmittal form did not contain the date it was reviewed. A section for dates is included in the transmittal forms to provide an audit trail and evidence of the timeliness of revenue transaction processing.
  - For two (2) out of ten (10) revenue transactions selected from the general ledger for testing, the posting to the general ledger was over one month after the initial collection date of the underlying deposits. This is a deficiency in the timeliness of financial reporting of revenues.

### Recommendation

We recommend the following:

- Evaluate the cost/benefit of implementing additional features of the pay stations
- Develop and implement policies and procedures manuals prior to implementation of new technologies or systems related to financial transactions
- Implement improvements to the existing procedure manual for collections of parking meters
- Obtain and maintain employee bonding insurance for the pay station collector(s)
- Implement procedures to have notifications of pay stations becoming full sent to another employee(s) other than the pay station collector. In addition, implement procedures to perform and document reconciliations showing that pay stations were emptied and collected each time they became full.

- Strengthen procedures to deposit parking meter/pay station collections twice a week in accordance with the City's procedure manual
- Obtain, review and evaluate a SOC report from LAZ
- Strengthen procedures to have all revenue transmittal forms be dated by preparers and reviewers
- Strengthen procedures to improve the timeliness of recording revenues to the general ledger from the initial date of collection

### Management's Response

The City implemented pay stations at selected lots in its off street parking inventory. With the initial implementation, the City opted to offer the pay stations basic core payment options until the operations were incorporated into the City's Intergraded Financial Management System (IFMS). Upon implementation, procedures for collections were developed to replicate the collection process of parking meter collections.

During the course of the fiscal year, the procedures were proven to be deficient and modified. Realizing the importance of procedures, the City continues to modify and properly document the Off-Street Parking procedures. Enhancements shall include bonding of employee collecting parking receipts (or the possibility of outsourcing collections to a bonded third party), additional supervisory review (inclusive of system notification to supervisory staff) and a more frequent collection cycle.

## Trust Funds

### Comment

We evaluated certain internal controls surrounding the City's expendable trust funds and identified the following:

- Before amounts can be expended from trust funds, an appropriation request must be initiated, reviewed and approved. We tested ten (10) fiscal year 2015 trust fund appropriations and identified the following:
  - Five (5) appropriation requests were not dated to indicate the date of approval by the City's Trust Fund Commission. Dating the approvals provides an audit trail to verify the approvals were made before expenses were incurred.
  - One (1) appropriation request was not signed and dated by the department head. Such approvals provide additional assurance that the appropriation request has been sufficiently reviewed by the appropriate parties.
  - In one (1) instance, a memo to initiate an appropriation request was dated March 31. The appropriation was not recorded in the City's general ledger until May 28. Significant lag times from initiation to recording on the general ledger creates the risk of expenses being incurred prior to the appropriation approval.
  - In two (2) inter-related instances related to Library trust funds, the appropriations approved and recorded in the general ledger were for different amounts than what was voted by the Library's Finance Committee. While it should be noted that the variances were off-setting and for amounts immaterial to the audit (\$5,000), the balances in the respective trust funds were misstated in the general ledger as a result.
- We tested ten (10) fiscal year 2015 trust fund expenditures and identified that in three (3) instances, the purchase orders were dated subsequent to the invoice date. Purchase orders should be executed prior to incurring costs.
- As of June 30, 2015, there was approximately \$34,000 of unspent trust fund appropriations that had been unspent for at least one (1) year. If unspent appropriations are no longer needed, the unspent amounts should be transferred back to the trust fund investment accounts.

### Recommendation

We recommend the following:

- Strengthen procedures to ensure all trust fund appropriation approvals are dated
- Strengthen procedures to ensure all trust fund appropriation approvals are signed and dated by department heads
- Strengthen procedures to reduce the lag times between the initiation of appropriation requests, the approvals and the recording in the general ledger
- Strengthen procedures to ensure that trust fund appropriations are consistent with underlying authorizations (i.e., committee votes, etc.)

- Strengthen procedures to execute purchase orders prior to incurring costs
- Periodically review unspent appropriations to determine if they are no longer needed and if so, transfer such funds back to the respective investment accounts

**Management's Response**

The City shall ensure that trust fund appropriation requests are properly authorized and dated by the appropriate department heads and draws from the investment account are recorded timely on the City's general ledger. Additionally, the City will independently ensure that expenditures of trusts are consistent with the underlying purposes of said trust through a purchase order review. Finally, the City shall return all unspent appropriations currently accounted for on the City's general ledger to the investment account to maximize the return of said fund.

## Capital Projects

### Comment

We evaluated certain internal controls surrounding a sample of capital projects funds and identified the following:

- For one (1) project that was funded by both debt and reimbursement grants:
  - One fund/account was utilized in the general ledger to account for all financial transactions of the project. For projects that include both debt and grant funding, utilizing separate funds/accounts for the different financing sources may assist in analyzing and reconciling the projects' activity.
  - The project was intended to be 20% financed by debt and 80% financed by grant reimbursements. However, due to lack of timely grant reimbursement requests, the City had to issue more short-term financing than expected in order to maintain cash flow for the project.
  - In converting short-term debt financing to long-term debt financing, the City issued more long-term financing than was necessary. Some of the grant reimbursements received should have been used to pay off a portion of the short-term financing as opposed to converting it to long-term financing.
- One (1) instance in which the insurance documentation related to a contract did not include evidence of all required insurance coverage identified in the contract
- Vendors entering into contracts with the City must affirm their policies regarding Criminal Offender Record Information (CORI) information is consistent with the City's standards. A vendor with a CORI policy that does not conform to City standards must be granted a waiver by the City. We identified one (1) instance in which there was no documentation of a required waiver.
- Two (2) instances in which a purchase order for a contract change order was dated almost two months after the change order was executed. This is a deficiency in the timeliness of executing purchase orders.

### Recommendation

We recommend the following:

- For capital projects funded by both debt and reimbursement grants:
  - Consider utilizing separate funds/accounts for the different financing sources
  - Strengthen procedures to request grant reimbursements timely in order to maintain cash flow
  - Strengthen procedures to identify instances in which short-term financing can be paid off with grant reimbursements received prior to converting it to long-term financing
- Strengthen procedures to obtain insurance documentation for all required insurance coverage identified in contracts

- Strengthen procedures to grant and document waivers to vendors with a CORI policy that does not conform to City standards, prior to executing a contract
- Strengthen procedures to improve the timeliness of executing purchase orders after change orders are executed

#### Management's Response

The City initially accounted for certain capital projects with multiple funding sources through a single account on the City's general ledger. This means proved to be unmanageable for both capital cash flow management and grant receivable management and was subsequently changed to account for each funding source with a distinct account. The accounting of projects in this fashion caused the City to issue a de minimis amount of long term debt, which was subsequently adjusted downward with a subsequent bond issue. With regards to the procurement of capital projects and the applicable procurement files, the City shall ensure that the prerequisite files are complete and the conversion of contract change orders to purchase orders in the City's Intergraded Financial Management System occur more timely.

## Information Technology

### Comment

We evaluated the City's computer processing environments and general controls over information technology (IT) related to business and financial systems. The evaluation was not intended to be a full scope network security review of the City's information technology infrastructure. The scope was limited to internal controls and security features related to the integrity of transactions and data that could impact financial reporting.

The following are some of the deficiencies we identified:

- There were no internal vulnerability assessment or penetration test activities performed during the period under evaluation. This presents the risk of a greater attack surface as network perimeter security assessment is limited to a per quarter to per annum activity.
- There was no external risk assessment performed during the period. This presents the risk that an independent perspective on the risk universe for IT or enterprise-wide scope will be absent which precludes the possibility of corroboration with internal results and the opportunity to benchmark against leading practice and peers.
- An independent contractor(s) was not hired to conduct an independent review of internal control. This presents the risk that potential weaknesses in internal control may not be identified timely, creating a greater attack surface.
- There were no documented policies and procedures on information security during the period. This presents the risk that information security functions are largely tactical in nature and not adequately supported by governance.
- For in-house applications, the technical support staff have access to migrate changes through the entire process. Specifically, while a testing step and request via a Help Desk ticket are required for major updates or upgrades to in-house applications, technical support staff may be able to push unauthorized changes to production and bypass the process altogether based on access rights granted to them. This presents the risk of unauthorized modifications to financially significant systems and data.

### Recommendation

We recommend the City analyze the cost/benefit of resolving the deficiencies identified in our IT evaluation.

### Management's Response

The City is currently performing a cost benefit analysis as it relates to the items noted by the independent auditors. The specific items observed, penetration testing should occur more frequently but due to limited resources available to Technical Services, this occurs annually. Should additional resources be appropriated, external risk assessments and independent reviews of internal controls will be pursued. With regards to policies and procedures on information security, the draft procedure is being finalized and will continue to be updated as technology evolves. Finally, due to the relatively small staff level, the observation regarding technical support staff installing changes shall be controlled by senior management review.

## **Warrant Bank Account Reconciliation**

### Comment

The June 30, 2015 bank reconciliation for the City's warrant account contained reconciling items that were an accumulation of variances between warrant funding transfers and actual cash disbursed. The accumulation of variances was for the period of July 2014 through January 2015. Per inquiries, the variances were reconciled and resolved subsequent to year-end.

Due to the importance of cash reconciliations as an internal control over financial reporting, and the volume of activity that occurs in the warrant account, best practice is to reconcile and resolve such variances on a month-to-month basis. Ideally, the only reconciling items greater than one month old in any bank reconciliation would relate to outstanding checks.

### Recommendation

We recommend the City strengthen procedures to resolve bank reconciliation variances (other than outstanding checks) on a month-to-month basis.

### Management's Response

The City shall enhance reconciliation procedures and adjust prior period reconciling items accordingly.

## **Withholding Liabilities**

### **Comment**

As of June 30, 2015, there are accumulated variances in payroll withholdings dating back several years. While the variances are not material to the City's audited financial statements, they should be reconciled and adjusted accordingly in the general ledger.

### **Recommendation**

We recommend the City reconcile the historical variances in payroll withholdings and adjust the general ledger accordingly. Once the historical variances are reconciled and adjusted, we recommend the City implement procedures to reconcile and adjust payroll withholding variances on a monthly basis.

### **Management's Response**

Upon adjusting the respective variances, the Treasurer's Office will reconcile and adjust payroll liability accounts quarterly with its federal and state tax filings.

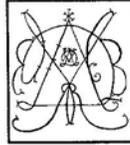
**CITY OF WORCESTER SCHOOL DEPARTMENT**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

CITY OF WORCESTER SCHOOL DEPARTMENT

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ANNEX C  
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Page 3

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### INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Superintendent of Schools  
City of Worcester  
Worcester, MA

We have performed the procedures enumerated in the accompanying Summary of Procedures and Findings section of the Special Report that follows and is incorporated by reference herein. The procedures, which were agreed to by the City of Worcester School Department (the District), solely to assist you in evaluating if the District completely and thoroughly prepared and filed the Department of Secondary and Elementary Education annual End of Year Pupil and Financial Report for the year ended June 30, 2015. The City of Worcester's (the City) management is responsible for their accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying Summary of Procedures and Findings section that follows either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on any of the account totals included in the District's annual report or any other records of the City that may be referenced in our procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Worcester School Department and governmental users of the End of Year Report, and is not intended to be and should not be used by anyone other than these specified parties.

*Robert C. Alario, Certified Public Accountants, P.C.*

Worcester, MA  
February 25, 2016

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

**INTRODUCTION AND BACKGROUND**

In accordance with a contract with the City of Worcester School Department (the District), Robert C. Alario CPA, P.C. has performed the procedures enumerated in the Summary of Procedures and Findings section, which follows, with respect to the District's compliance with the Massachusetts Department of Elementary and Secondary Education (DESE) End of Year Pupil and Financial Report (EOYR). Public school districts in Massachusetts are required to report financial and non-financial data annually to the DESE in the EOYR, in accordance with DESE Regulations on School Finance and Accountability (603 CMR 10.00). We have performed the procedures detailed in DESE's *Compliance Supplement for Massachusetts School Districts Agreed Upon Engagements: (Updated December 2014)*, which was issued in accordance with 603 CMR 10.00, in order to determine fiscal compliance with the DESE and filing of the EOYR. The procedures performed and the associated findings are described in the section which follows.

Our field work was conducted at the District's administrative offices located on Irving Street in Worcester, Massachusetts. Our contacts at the District were Brian E. Allen, Chief Financial Officer, Sara Consalvo, Budget Director, and Mohammed Siddiqui, Senior Budget Analyst.

The City of Worcester (the City) has a population of approximately 183,000. During the 2014-2015 school year, the Worcester Public Schools had approximately 25,300 full-time equivalent pupils, including approximately 11,500 elementary, 6,800 middle school and 7,000 senior high. The school budget for fiscal 2014-2015 was \$304,751,850. Instructional staff includes approximately 1,800 full time teachers.

**ACCOUNTING SYSTEM SUMMARY**

End of Year Report information comes primarily from Excel based worksheets prepared by the business office of the City of Worcester School Department. These worksheets translate information received from the City's Pentamation accounting system into the format required for state reporting. Separate worksheets exist for each of the various DESE functions reported on the EOYR. This is needed because of significant differences in the City's chart of accounts and DESE's reporting requirements.

Typically each amount reported on the EOYR for a given function is a combination of accounts from the City's system. In some cases, numerous accounts from the City's system had to be combined to determine the amount reported for a single DESE function.

DESE programs, within each function, were determined either by assignment of directly related costs, allocation of costs, or otherwise distributed costs, depending on the nature of the function, as explained in the detailed procedures that follow. The City's Pentamation system is maintained by the City Auditor's office. The District submits documentation supporting its expenditures to the City Auditor's office, which in turn reviews the information and posts transactions to the system. District personnel have the ability to query the system to generate basic reports, but do not post transactions.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
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FOR THE YEAR ENDED JUNE 30, 2015**

**SCOPE AND OBJECTIVES**

The scope of the agreed-upon procedures was to determine whether:

- Financial data reported on all EOYR schedules are traceable to the detail contained in the municipal or district accounting ledgers or records or to a documented methodology.
- Non-financial data reported on all EOYR schedules are traceable to the district's records or to a documented methodology.
- There are documented methodologies supporting the financial and other reported information contained in these schedules, whether these methodologies were followed, and whether the methodologies are reasonable.
- Internal controls exist to provide reasonable assurance that the revenues, expenditures and other data are accounted for consistent with Department regulations and guidelines.

The objective of the agreed-upon procedures was to review the City of Worcester School Department's records to determine whether required reports for Massachusetts School Districts include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with State requirements.

For all EOYR schedules containing information we:

- Ascertained if the financial information was prepared in accordance with the budgetary basis of accounting.
- Verified that amounts reported to accounting and other records that support the audited financial statements and verified agreement or performed alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.
- Verified that the non-financial data agreed to the supporting records that accumulate and summarize the data.
- Performed tests of the underlying data to verify that the data was accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the schedules. For Schedule 7, tested eligibility criteria for reimbursable riders.
- When intervening computations or calculations were required between the records and the schedules, traced reported data elements to supporting worksheets or other documentation that linked the schedules to the data.
- Determined if the District used an accounting system that provides for the reporting of all instructional costs by school location.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
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**SCOPE AND OBJECTIVES (Continued)**

- Determined if the accounting system was supported by up-to-date written policies and procedures and that the policies and procedures were followed on a uniform and consistent basis.
- Determined if the district maintained written policies and procedures related to the classification of salaries and expenses by program, function and object and that the policies and procedures were followed on a uniform and consistent basis.
- Obtained a written representation from management that the reports provided to us were true copies of the EOYR submitted or electronically transmitted to the Department of Elementary and Secondary Education.

**GENERAL COMPLIANCE REQUIREMENTS**

Districts must use the standard financial reporting schedules contained in the End of Year Report. These schedules include financial and non-financial data. The financial information must be traceable to the accounting ledgers of the district or of the municipality or to a documented methodology. If a "crosswalk" exists between the municipal and district ledgers, this crosswalk should be documented. The non-financial information must be traceable to records or to a documented methodology that demonstrates the information was compiled from existing records. Each district must report income on the modified accrual basis and expenditures on the modified accrual plus encumbrance basis.

Each district must use an accounting system that provides for the reporting of all instructional costs by school location and is supported by up to date written policies and procedures. The policies and procedures are to be followed on a uniform and consistent basis.

**Finding:** The City has uniform and consistent procedures in place surrounding their accounting system; however, they are not always formally written or documented as up-to-date.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1**

**Procedure 1:**

We traced revenues from Local Sources reported on Schedule 1 to the City's accounting ledgers and the District's records. We also traced the revenues reported on the District's records to revenues reported on Schedule 1.

**Finding 1:**

Amounts reported on Schedule 1, block A, appear to be supported by the City's accounting ledgers, Pentamation reports and the District's records.

**Procedure 2:**

We traced the revenue from state aid, federal grants, state grants, and revolving and special funds to the detail in the District's records. We also traced the revenues reported on the District's records to revenues reported on Schedule 1.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
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FOR THE YEAR ENDED JUNE 30, 2015**

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)**

**Finding 2:**

Revenue amounts reported for state aid, federal grants, state grants, and revolving and special funds appear to agree to the detail in the District's records.

**Procedure 3:**

We traced the amounts reported for general fund education expenditures from Schedule 1 line 1850 to the municipal accounting ledgers and to the District accounting ledgers. We also traced the expenditures reported on the District's records to expenditures reported on Schedule 1.

**Finding 3:**

General fund education expenditure totals as reported on Schedule 1 line 1850 were supported by the District's records. Total expenditure amounts reported for Schedule 1 line 1850 do not include amounts for debt services. Our procedures found that the City has not provided information to the District regarding these amounts.

**Procedure 4:**

We traced the amounts reported for a sample of ESE functions, State Objects, and ESE programs in Schedule 1 to the detail in the accounting ledgers, or to the crosswalk, if applicable.

**Finding 4:**

The amounts reported on the EOYR that were selected for testing were supported by the District's records and the City's accounting ledgers. The DESE functions that were sampled were also traced to District account details.

**Procedure 5:**

The procedure was to test Extraordinary Maintenance expenditures for the following: Verify that expenditures did not include salaries; verify that the expenditures included applicable principal portions of a loan or the cost of a lease/purchase agreement; verify that expenditures classified as Extraordinary Maintenance (4300) did not exceed the per project dollar limit for extraordinary maintenance (\$150,000); and trace the expenditures to the detail in the accounting ledgers.

**Finding 5:**

Extraordinary maintenance expenditures (4300) as reported by the Worcester Public Schools appear to be in compliance with DESE requirements.

**Procedure 6:**

Determined how expenditures for fringe benefits were assigned or allocated to Schedule 1 Employee Benefits and Insurance (5100, 5200). We traced the reported cost to the detail in the District's records using the methodology indicated. Determined if the District reported separately and appropriately Insurance for Retired Employees (5260).

**Finding 6:**

It appears that the District is properly reporting the fringe benefits and properly segregating those benefits paid to retired employees per the compliance requirements.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
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**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)**

**Procedure 7:**

We verified that expenditures charged to Lines 1683 and 2060 – Short-term Interest (5400) related exclusively to Revenue Anticipation Notes (RAN's).

**Finding 7:**

The EOYR does not include any amounts for debt services. The City has yet to provide this information to the District for proper reporting on the EOYR. We were unable to complete this procedure.

**Procedure 8:**

We verified that expenditures charged to Lines 1684 and 2065 – Short-term Interest – BAN's (5450) related exclusively to Bond Anticipation Notes (BAN's).

**Finding 8:**

The EOYR does not include any amounts for debt services. The City has yet to provide this information to the District for proper reporting on the EOYR. We were unable to complete this procedure.

**Procedure 9:**

We identified expenditures reported as long-term School Construction debt for principal (8100) and interest (8200) and verified that bond anticipation notes were not included in these functions. We traced the reported costs to the Treasurer's debt schedule. We traced the reported amount to the detail in the accounting ledgers. Note: If the District received a lump sum wait list or progress payment from Massachusetts School Building Authority, we verified that the revenue was reported on line 130 and that expenses were reported for pay down of principal (8100), or Purchase of Land and Buildings (7100, 7200), if applicable.

**Finding 9:**

The EOYR does not include any amounts for debt services. The City has yet to provide this information the District for proper reporting on the EOYR. We were unable to complete this procedure.

**Procedure 10:**

We traced the expenditures for tuition payments: to other school districts in state (9100), to out of state schools (9200), to non-public schools (9300), to member collaboratives (9400), and assessments to member regional school districts (9500), to the detail in the accounting ledgers.

**Finding 10:**

Reported expenditures for tuition payments tested agreed to the City's accounting ledgers and were supported by the District's records. We also verified that the District did not have any prepaid tuition.

**Procedure 11:**

For municipal expenditures that resulted in services directly related to the school committee we obtained a copy of a written agreement between the School Committee and Municipal officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Municipal expenditures to the District. We tested the amounts reported using the documented methodology.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)**

**Finding 11:**

Methodology was reviewed during the testing of Schedules 1 and 19. It appears that the City has properly allocated municipal expenditures in accordance with the agreement between the School Committee and Municipal officials.

**Procedure 12:**

We traced the expenditures from Federal Grants, State Grants and Special Funds and determined amounts reported in column 1 by expenditure classification agreed with filed Final Grant Expenditure reports for SFSF and EdJobs grants and traced amounts claimed as Circuit Breaker expenses on line 3080, column 5 to the accounting ledgers or journals.

**Finding 12:**

We were able to agree the amounts reported on line 3080, column 1, to the City's accounting records and District records, as well as the Final Grant Expenditure Report. Circuit Breaker expenses on line 3080, column 5 agreed to the City's accounting ledgers and District records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3**

**Procedure 13:**

We traced the amounts reported by school location on the linked file to the accounting ledgers. We determined if the District maintained a payroll system or spreadsheet to document the assignment of staff salaries by school location. We determined the allocation was supported by a documented methodology. We determined the District maintained a documented methodology for consistency in application and the allocations are acceptable.

**Finding 13:**

The expenditures reported on Schedule 3 agree to the DESE functions detailed on Schedule 1 for all items tested and the expenditures agreed to the City's accounting ledgers and were supported by the District's account details. The District maintains a payroll system that breaks items down by pay code and assigns the staff salaries by school location.

*Supervisory Costs:*

These assignments are based on the duties performed per position and payroll reports. Other expenditures represent assignment of direct costs for special education consultants. The stated methodologies appeared to be applied appropriately and consistently.

*Teaching Costs:*

These costs are determined by teachers' individual disciplines within the school, which is most often determined by their area of certification. This information is obtained from bi-weekly payroll reports which have cost center codes for both teaching level and discipline. Other expenditures represent direct costs to teaching as reported by the individual schools, the District's records and the City's accounting ledgers.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
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**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3 (Continued)**

*Guidance and Psychological Costs:*

These costs consist entirely of salary expenditures. The Special Education Director, Manager of Student Support Services/Alternative Programs and Bilingual Director work out percentages that form the basis for allocating these costs. For the year under review, the percentages were as follows:

	<u>Guidance</u>	<u>Psychological</u>
Regular	60%	60%
Special Education	40%	40%

Percentages were confirmed by recalculating selected Schedule 1 and Schedule 3 amounts. The stated methodologies appeared to be applied appropriately and consistently.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 4**

**Procedure 14:**

We ascertained the methodology used to allocate, distribute or assign Special Education (SPED) costs to the placement on Schedule 4 and reviewed the propriety of the methodology. We tested the amounts reported on Schedule 4 using this methodology.

**Finding 14:**

Instructional services were allocated based on percentages supplied by the Special Education Director using professional judgment. Payments were allocated based on tuition expenditures furnished by the Special Education Director. Based on our tests, it appears that the allocation of Special Education costs to prototypes agreed to the percentages determined by the Special Education Director. We determined that amounts tested agreed to the City's accounting ledgers and were supported by the District records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7**

**Procedure 15:**

We traced the transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. We determined the methodology used to allocate transportation expenditures on Schedule 7 and verified the accuracy of the allocations.

**Finding 15:**

Transportation expenditures were allocated based on pupil headcounts. The amounts tested on Schedule 7 were supported by District records and agreed to the City's accounting ledgers. There were two numbers on Non-Public Transportation that were incorrectly keyed into the EOYR. They total correctly but need to be adjusted individually.

**Procedure 16:**

We traced the pupils reported on Schedule 7 to the detailed transportation records and verified that the amounts reported on Schedule 7 are accurate and consistent with the detailed records.

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**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7 (Continued)**

**Finding 16:**

The amounts reported on Schedule 7 agreed to the detailed transportation records and were supported by the City's accounting ledgers and the District's records.

**Procedure 17:**

We determined that the District's records separate costs in order to facilitate reporting as outlined in Schedule 7 (In or Out of District, Pre-School, Non-Public, School Choice and Charter School).

**Finding 17:**

Based on our testing of the EOYR, we determined that the accounting system separately accounts for each of the school locations and they can be easily separated out based on the type of cost.

**Procedure 18:**

We determined reimbursable expenditures reported on Line 4283 (Homeless From Outside the District) and Line 4285 (Homeless To Outside the District) were supported by adequate documentation. We reviewed the propriety of the cost allocation plan and tested the expenditures reported.

**Finding 18:**

We were able to agree the amounts reported on Lines 4283 and 4285 to the City's accounting ledgers and District's records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19**

**Procedure 19:**

We determined if the School District has reported all changes to Schedule 19 Part A.1 – Appropriation by School Committee to the ESE. We compared the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended and determined if all changes were reported.

**Finding 19:**

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.1, and that it reflects the final amended School Committee Appropriation. It appears that no further changes are necessary to Schedule 19, Part A.1.

**Procedure 20:**

We determined the amounts budgeted in Schedule 19 Part A.2 are consistent with methodologies outline in the agreement noted in procedure II A.4.a (Procedure 4).

**Finding 20:**

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District did not report all changes to Schedule 19, Part A.2, and that it does not reflect the final amended School Committee Appropriation. The EOYR does not include any amounts for debt services. The City has yet to provide this information to the District for proper reporting on the EOYR. We were unable to complete this procedure.

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**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19 (Continued)**

**Procedure 21:**

We determined that retiree health insurance (5250) is reported separately.

**Finding 21:**

We were able to agree the amounts reported for retiree health insurance (5250) to the City's accounting ledgers and District records and noted that it is reported separately.

**SUMMARY OF PROCEDURES AND FINDINGS FOR ADDITIONAL INFORMATION**

**Procedure 22:**

The procedure was to obtain a compliance supplement questionnaire completed by the District as provided by DESE, attach it to the agreed-upon procedures report, and confirm the District had emailed the excel file containing the questionnaire to a representative of DESE.

**Finding 22:**

The compliance supplement questionnaire was not completed by the District. The District stated that they did not receive the supplement questionnaire for the 2015 EOYR report. We were unable to complete this procedure.