

**CITY OF WORCESTER, MASSACHUSETTS**  
**GAO AND OMB REPORTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**CITY OF WORCESTER, MASSACHUSETTS**  
**GAO AND OMB REPORTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2015), 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 12, 2016. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2015) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2016). 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 12, 2016



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

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 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, 2016. 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 \$464,208 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2016. 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.

***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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be 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.

*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 2016-001 and 2016-002 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 the Uniform Guidance. 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, 2016, 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, 2015) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2016). 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 18, 2017, except for the schedule of federal awards  
which is dated December 12, 2016

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CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
<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	\$ 3,311,924	\$ -
National School Lunch Program - Cash Assistance	10.555	14-348	8,809,895	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	1,407,487	-
Subtotal Child Nutrition Cluster			<u>13,529,306</u>	<u>-</u>
Fruit and Vegetable Program	10.582	14-348	368,297	-
Total U.S. Department of Agriculture			<u>13,897,603</u>	<u>-</u>
<b>U.S. Department of Commerce</b>				
<u>Direct programs:</u>				
Economic Development Support for Planning Organizations	11.302	Not Applicable	29,148	-
<b>U.S. Department of Housing and Urban Development</b>				
<u>Direct programs:</u>				
Community Development Block Grant	14.218	Not Applicable	6,566,838	2,755,394
Emergency Shelter Grants Program	14.231	Not Applicable	474,235	445,007
HOME Investment Partnerships Program	14.239	Not Applicable	324,225	248,975
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	377,516	367,789
Community Challenge Planning Grant Program	14.704	Not Applicable	137,276	136,639
<u>Passed through the State Department of Housing and Community Development:</u>				
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	538,234	420,323
Total U.S. Department of Housing and Urban Development			<u>8,418,324</u>	<u>4,374,127</u>
<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	810	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	107,736	53,441
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	82,588	-
<u>Passed through the Executive Office of Public Safety and Security</u>				
Violence Against Women Formula Grants	16.588	2014/2016/2016-WF-AX-0011	48,943	47,217
<u>Passed through the DOJ to Worcester County Sheriff's Office</u>				
Residential Substance Abuse Treatment	16.593	Not Applicable	2,853	-
Total U.S. Department of Justice			<u>242,930</u>	<u>100,658</u>
<b>U.S. Department of Labor</b>				
<u>Passed through the State Department of Career Services:</u>				
Employment Service/Wagner-Peyser Funded Disabled Veterans' Outreach Program	17.207 17.801	CT EOL 3250 10OSCC01WORC02 / CT EOL 16CCWORCWP CT EOL 3250 10OSCC01WORC02	352,320 67,635	- -
Subtotal Employment Services Cluster			<u>419,955</u>	<u>-</u>
Unemployment Insurance	17.225	CT EOL 3250 10OSCC01WORC02 000000/CT EOL 16CCWORCVETSUI/CT EOL 16CCWORCWP	109,010	-
Emergency Unemployment Compensation Reemployment & Eligibility Assessment	17.225	CT EOL 3250 10OSCC01WORC02 000000	61,882	-
Trade Adjustment Assistance	17.245	CT EOL 3250 10OSCC01WORC02	12,179	-
<i>WIA Cluster:</i>				
WIA Adult Program	17.258	CT EOL 3250 10OSCC01WORC02/CT EOL 16CCWORCWIA	1,068,634	-
WIA Youth Activities	17.259	CT EOL 3250 10OSCC01WORC02/CT EOL 16CCWORCWIA	1,134,663	864,586
WIA Dislocated Workers	17.278	CT EOL 3250 10OSCC01WORC02/CT EOL 16CCWORCWIA	1,030,435	-
Subtotal WIA Cluster			<u>3,233,732</u>	<u>864,586</u>
Workforce Innovation	17.283	CT EOL 15CCWORCNEGREA	115,532	-
Total U.S. Department of Labor			<u>3,952,290</u>	<u>864,586</u>

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
<b>U.S. Department of Transportation</b>				
<u>Passed through the State Office of Emergency Management:</u>				
Public Transportation Research	20.514	Not Available	4,837	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	CDA FFY13HMEPWORCESTER	635	-
Total U.S. Department of Transportation			5,472	-
<b>Environmental Protection Agency</b>				
<u>Direct Programs:</u>				
Environmental Policy and Innovation Grants	66.811	Not Applicable	240,782	212,000
<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	26,038	-
Career Paths	84.002A	540-004-5-1512-P	15,735	-
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>				
Title I Distribution (fiscal year 2016)	84.010	305-075149-2016-0348	9,423,252	-
Title I Distribution (fiscal year 2015)	84.010	0305-09989-2015-0348	2,116,000	-
Title I Distribution (fiscal year 2014)	84.010	305-028728-2014-0348	42,935	-
Title I School Redesign	84.010	511-069-6-0348-Q	441,717	-
Title I School Support (fiscal year 2016)	84.010	320-151-6-0348-Q	28,035	-
Title I School Support (fiscal year 2015)	84.010	320-122-5-0348-P	31,645	-
Title I School Support	84.010	320-176-6-0348-Q	31	-
Title I School Support	84.010	321-013-6-0348-Q	6,642	-
Title I School Support	84.010	321-014-6-0348-Q	931	-
Title I School Support	84.010	323-008-6-0348-Q	27,218	-
Title I School Support	84.010	320-134-5-0348-P	25,554	-
Title I School Support	84.010	323-026-5-0348-P	54,359	-
Title I School Support	84.010	323-006-5-0348-P	99,667	-
Subtotal Title I			12,297,986	-
Title I, Part D, Subpart 1 Neglected or Delinquent	84.013	CT SDW 10241000000000 1337	4,921	-
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2016)	84.027	240-092-6-0348-Q	7,283,138	-
SPED 94-142 Allocation (fiscal year 2015)	84.027	240-205-5-0348-P	44,579	-
SPED Program Improvement (fiscal year 2016)	84.027	274-207-6-0348-Q	46,288	-
SPED Program Improvement (fiscal year 2015)	84.027	274-241-5-0348-A	63,276	-
SPED Mass Urban (fiscal year 2016)	84.027	240-327-6-0348-Q	25,462	-
SPED Mass Urban (fiscal year 2015)	84.027	240-377-5-0348-F	12,577	-
SPED Project Prep	84.027	240-407-6-0348-Q	2,928	-
SPED MA Tiered Support	84.027	324-037-3-0348-N	135	-
SPED Early Childhood Program Improvement	84.173	298-573-5-0348-P	12,160	-
<u>Passed through the State Department of Early Education and Care:</u>				
<i>Special Education Cluster (continued)</i>				
SPED Early Childhood Allocation (fiscal year 2016)	84.173	298-733-6-0348-Q	2,520	-
SPED Early Childhood Allocation (fiscal year 2016)	84.173	26216 Worcester Public	272,542	-
SPED Early Childhood Allocation (fiscal year 2015)	84.173	26215 Worcester Public	4,753	-
Subtotal Special Education Cluster			7,770,358	-
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>				
Perkins Instructional Equipment	84.048	409-023-6-0348-Q	54,237	-
Perkins Secondary (fiscal year 2015)	84.048	400-031-5-0348-P	84,605	-
Perkins Secondary (fiscal year 2016)	84.048	400-005-6-0348-Q	354,131	-
<i>Education of Homeless Children and Youth Cluster</i>				
Education for Homeless Children & Youth (fiscal year 2016)	84.196	310-015-6-0348-Q	37,377	-
Education for Homeless Children & Youth (fiscal year 2015)	84.196	310-018-5-0348-O	26,644	-
Subtotal CFDA 84.196			64,021	-
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-205-6-0348-Q/647-188-5-0348-P	11,919	-
Massachusetts 21st Century CLC - Summer	84.287	647-078-6-0348-Q	43,049	-
Massachusetts 21st Century CLC	84.287	647-006-6-0348-Q	16,694	-
Massachusetts 21st Century CLC - Program Continuation Grants, Sullivan Middle	84.287	647-147-5-0348-P	944	-
21st Century CLC (fiscal year 2016)	84.287	647-152-6-0348-Q	95,183	-
Advance Placement Incentive	84.330	5330C09008	448	-
High School Graduation Initiative (fiscal year 2015)	84.360	12CRJ3	15,868	-

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
Title III - English Language Acquisition (ELA) (fiscal year 2016)	84.365	180-032-6-0348-Q	1,016,660	-
Title III - ELA (fiscal year 2015)	84.365	180-317-5-0348-P	233,921	-
Title III - ELA - Summer (fiscal year 2016)	84.365	184-054-6-0348-Q	50,449	-
Title III - ELA Carryover (fiscal year 2014)	84.365	180-109-5-0348-P	60,751	-
Title III - ELA (fiscal year 2016)	84.365	180-131-6-0348-Q	6,830	-
Title III - ELA (fiscal year 2015)	84.365	186-056-5-0348-P	33,820	-
Title III - ELA - Supplemental (fiscal year 2016)	84.365	182-007-6-0348-Q	42,090	-
Title IIA - Improving Teacher Quality (ITQ) (fiscal year 2016)	84.367	140-077370-2016-0348	1,665,541	-
Title IIA - ITQ (fiscal year 2015)	84.367	140-008701-2015-0348	67,596	-
Title IIB - Mathematics and Science Partnerships (fiscal year 2016)	84.366	150-001-6-0348-Q	7,167	-
Title IIB - Mathematics and Science Partnerships (fiscal year 2015)	84.366	150-171-5-0348-P	2,163	-
School Improvement Grants (fiscal year 2015)	84.377	511-029-5-0348-O	84,217	-
<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	28,396	-
ARRA - Race to the Top (fiscal year 2015)	84.395	133-040-5-0348	17,378	-
ARRA - Race to the Top (fiscal year 2015)	84.395	213-020-5-0348	600	-
ARRA - Race to the Top (fiscal year 2015)	84.395	159-004-5-0348	(6,683)	-
ARRA - Race to the Top (fiscal year 2014)	84.395	202-005-4-0348-O	90	-
Subtotal - Race to the Top Incentive Grants			39,781	-
Total U.S. Department of Education			24,167,123	-
<b>U.S. Department of Health and Human Services</b>				
<u>Direct Programs:</u>				
Head Start Program	93.600	Not Applicable	5,828,755	-
<u>Passed through the State Department of Public Health:</u>				
Public Health and Social Services Emergency Fund	93.003	INTF6207P01W11311282	979	-
Public Health and Social Services Emergency Fund	93.003	INTF6207P01W21916441-3	4,377	-
Medical Reserve Corps Grant	93.008	4516-1010	103,902	-
Public Health Emergency Preparedness Partnership for the Enhancement of the Regional Preparedness	93.069	4512-9068	166,186	-
Early Childhood Mental Health	93.074	4510-0404	521,225	-
Substance Abuse and Mental Health Services Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.104	4512-9069	61,974	-
The Patient Protection and Affordable Care Act	93.243	W30816	47,154	-
National Bioterrorism Hospital Preparedness	93.283	4512-9069	2,367	-
Block Grants for Prevention and Treatment of Substance Abuse	93.541	INTF1100P01203816181	51,805	-
Maternal and Child Health Services	93.889	4510-0404	148,467	-
	93.959	4512-9069 and 4512-9068 and 200218	347,011	-
	93.994	4512-9069	17,212	-
<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	101,360	-
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	CT ORI 0100 15 TAG000003	107,267	-
School-Based Medicaid Reimbursement Program	93.778	1950622	1,287,499	-
Total U.S. Department of Health and Human Services			8,797,540	-
<b>Office of National Drug Control Policy</b>				
<u>Direct Programs:</u>				
High Intensity Drug Trafficking Areas Program	95.001	Not Applicable	50,869	-

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
<b>U.S. Department of Homeland Security</b>				
<u>Direct Programs:</u>				
Staffing for Adequate Fire and Emergency Response	97.083	Not Applicable	294,345	-
Lead Hazard Grant	97.044	Not Applicable	192,978	68,860
FEMA	97.044	Not Applicable	17,617	-
<u>Passed through the State Office of Emergency Management:</u>				
Emergency Management Performance Grants	97.042	CT CDA FY 15EMPG1000000WORC	3,948	-
Emergency Management Performance Grants	97.042	CT CDA FY 1314EMPG1000000WORC	121,776	-
<u>Passed through the State Executive Office of Public Safety &amp; Homeland Security:</u>				
Homeland Security Grant Program	97.067	80004700	89,758	-
Total U. S. Department of Homeland Security			<u>720,422</u>	<u>68,860</u>
Total			<u>\$ 60,522,503</u>	<u>\$ 5,620,231</u>
				(concluded)

CITY OF WORCESTER, MASSACHUSETTS  
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 – Indirect Costs**

The City of Worcester, Massachusetts did not elect to use the 10% de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

**Note 3 – 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 4 – 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 5 – 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 6 – U.S. Department of Homeland Security**

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

CITY OF WORCESTER, MASSACHUSETTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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? \_\_\_\_\_ Yes       X       None reported
- 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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,815,675

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, 2016

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

**DEPARTMENT OF EDUCATION**

2016-001 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2016

*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 Uniform Guidance.

*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:* \$228,538 (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:* 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:* Commencing with grants received for the fiscal year beginning July 1, 2016 the Worcester Public Schools grant budgets and the City's A-87 grant assessment will be estimated and assessed at the same percentage rate.

*Responsible Party:* City of Worcester, Massachusetts

*Planned completion date for corrective action plan:* Already in effect

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*Plan to monitor completion of corrective action plan:* Already completed

*Corrective Action Plan:* As described previously

2016-002 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2016

***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 have schoolwide plans that 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)) and (5) transition plans for assisting preschool children in the successful transition to the schoolwide program (section 200.28(e)).

*Condition/Context:* Two (2) of the five (5) schoolwide plans tested did not include transition plans for assisting preschool children in the successful transition to the schoolwide program.

*Effect:* Noncompliance and a significant deficiency in internal control related to special tests and provisions.

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

*Questioned Costs:* None.

*Auditors' Recommendation:* Implement procedures to include required components in schoolwide program plans.

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* While the transition plan may not have been detailed in two of the School Accountability Plans, all schools provide transition supports for preschool children. For example, all elementary schools in our district invite parents and families to the districtwide open house events which are held each June for children entering Kindergarten (and preschool, where schools have preschool classrooms). Additional community based transitional activities are also held, and informational materials are distributed prior to the start of each school year.

*Actions planned in response to finding:* The district will revise the guidance provided to schools related to inclusion of all components required in School Accountability Plans, including transition plans for assisting preschool children in the successful transition to schoolwide Title 1 programs.

*Responsible Party:* The Worcester Public Schools Office of Research and Accountability and district leadership will work with the Instructional Leadership Teams at individual schools to ensure required components are included in School Accountability Plans.

*Planned completion date for corrective action plan:* Guidance to schools will be provided by the end of June 2017, prior to preparation of next year's School Accountability Plans.

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

*Corrective Action Plan:* As described previously

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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*

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

Compliance Requirement: Eligibility

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

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.

*Material Weakness in Internal Control over Major Programs*

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

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:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.

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

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

Compliance Requirement: Reporting

*Condition:* Daily meal counts did not reconcile to claims for reimbursement.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Department of Housing and Urban Development**

*Material Weaknesses in the Internal Control over Major Programs*

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

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:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.

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

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

Compliance Requirement: Sub-recipient Monitoring

*Condition:* Sub-recipient contracts did not contain the federal CFDA number and the DUNS number of the subrecipient.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.

**Department of Education**

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

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

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 2016-001.

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

Compliance Requirement: Special Tests and Provisions

*Condition:* The City did not comply with special tests and provisions related to schoolwide program plans.

*Current Status:* The status remains unchanged. Please see current year finding 2016-002.

CITY OF WORCESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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:* While this program did not meet the criteria of a major program in fiscal year 2016, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, the status remains unchanged.

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

Compliance Requirement: Cash Management

*Condition:* The City did not comply with the cash management compliance requirements.

*Current Status:* While this program did not meet the criteria of a major program in fiscal year 2016, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, the status remains unchanged.

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

Compliance Requirement: Reporting

*Condition:* The City did not comply with the reporting requirements related to individualized education plans.

*Current Status:* While this program did not meet the criteria of a major program in fiscal year 2016, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, this finding has been resolved.

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

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:* While this program did not meet the criteria of a major program in fiscal year 2016, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, the City did not receive any new grant funds in fiscal year 2016 and therefore indirect costs were not applicable.

CITY OF WORCESTER, MASSACHUSETTS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Department of Health and Human Services**

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

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

Compliance Requirement: Earmarking

*Condition:* The City did not comply with the earmarking compliance requirements related to children with disabilities.

*Current Status:* While this program did not meet the criteria of a major program in fiscal year 2016, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, this finding has been resolved.