

CITY OF WORCESTER, MASSACHUSETTS
GAO AND OMB A-133 REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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GAO AND OMB A-133 REPORTS
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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

Sullivan, Rogers & Company, LLC (whose practice became part of CliftonLarsonAllen LLP effective January 1, 2014) 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 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, 2013, 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 October 31, 2013. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2012) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2013). 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, MA
March 27, 2014



CliftonLarsonAllen

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, 2013. 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 Retirement System (as of and for the year ended December 31, 2012) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2013), component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit described below did not include the operations of these entities.

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.

Basis for Qualified Opinion on CDBG – Entitlement Grants Cluster and HOME Investment Partnerships Program

As described in the accompanying schedule of findings and questioned costs, the City of Worcester, Massachusetts did not comply with requirements regarding CFDA's 14.218 and 14.253, CDBG – Entitlement Grants Cluster, and CFDA 14.239, HOME Investment Partnerships Program, as described in finding numbers 2013-002, 2013-003 and 2013-004 for sub-recipient monitoring and special tests and provisions. Compliance with such requirements is necessary, in our opinion, for the City of Worcester, Massachusetts to comply with the requirements applicable to those programs.

Qualified Opinion on CDBG – Entitlement Grants Cluster Program and HOME Investment Partnerships Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 the CDBG – Entitlement Grants Cluster and HOME Investment Partnerships Program for the fiscal year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other 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 2013-001, 2013-005, 2013-008 through 2013-0012, and 2013-0016. Our opinion on the major federal programs are 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 2013-002, 2013-003 and 2013-004 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 2013-001 and 2013-005 through 2013-0017 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

Sullivan, Rogers & Company, LLC (whose practice became part of CliftonLarsonAllen LLP effective January 1, 2014) 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements. Sullivan, Rogers & Company, LLC issued their report thereon dated October 31, 2013, which contained unmodified opinions on those financial statements. Sullivan, Rogers & Company, LLC's 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, 2012) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2013). 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, MA

March 27, 2014, except for the schedule of federal awards
which is dated October 31, 2013

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	14-348	\$ 2,562,868
National School Lunch Program - Cash Assistance	10.555	14-348	6,459,714
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	853,613
Subtotal Child Nutrition Cluster			<u>9,876,195</u>
Fruit and Vegetable Program	10.582	14-348	<u>326,481</u>
Total U.S. Department of Agriculture			<u>10,202,676</u>
U.S. Department of Commerce			
<u>Direct Program:</u>			
Economic Development Administration Grant	11.302	Not Applicable	<u>30,603</u>
U.S. Department of Housing and Urban Development			
<u>Direct programs:</u>			
<i>CDBG - Entitlement Grants Cluster</i>			
Community Development Block Grant	14.218	Not Applicable	2,344,336
Community Development Block Grant Recovery (CDBG-R)	14.253	Not Applicable	373,245
Subtotal CDBG - Entitlement Grants Cluster			<u>2,717,581</u>
Emergency Shelter Grants Program	14.231	Not Applicable	38,109
Supportive Housing Program	14.235	Not Applicable	848,901
Shelter Plus Care	14.238	Not Applicable	48,110
HOME Investment Partnerships Program	14.239	Not Applicable	2,115,179
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	167,865
Homelessness Prevention and Rapid Re-housing Program (HPRP)	14.257	Not Applicable	12,501
Community Challenge Planning Grant Program	14.704	Not Applicable	465,776
<u>Passed through the State Department of Housing and Community Development:</u>			
Lead-Based Paint Hazard Control Grant	14.900	SC OCD542065605160000	<u>809,388</u>
Total U.S. Department of Housing and Urban Development			<u>7,223,410</u>
U.S. Department of Justice			
<u>Direct programs:</u>			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	152,539
Coverdell Forensic Sciences Improvement Grant Program	16.742	Not Applicable	45,633
Federal Equitable Sharing Program	16.922	Not Applicable	155,565

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice (continued)			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Applicable	149,389
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Formula Grants	16.588	SCEPS 3001VAWA11WORC	39,628
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Not Available	60,504
Edward Byrne Memorial Justice Assistance Grant Program	16.738	SCEPSBJAG1FY12WORCES	127,229
Total U.S. Department of Justice			730,487
U.S. Department of Labor			
<u>Passed through the State Department of Career Services:</u>			
Employment Service/Wagner-Peyser Funded Activities	17.207	CT EOL 3250 10OSCC01WORC02	162,275
Unemployment Insurance	17.225	CT EOL 3250 10OSCC01WORC02	165,358
Trade Adjustment Assistance	17.245	CT EOL 3250 10OSCC01WORC02	23,937
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	CT EOL 3250 10OSCC01WORC02	1,315,798
WIA Adult Program - Admin Costpool	17.258	CT EOL 3250 10OSCC01WORC02	6,266
WIA Youth Activities	17.259	CT EOL 3250 10OSCC01WORC02	1,286,763
WIA Youth Activities - Admin Costpool	17.259	CT EOL 3250 10OSCC01WORC02	10,573
WIA Dislocated Workers	17.278	CT EOL 3250 10OSCC01WORC02	970,484
WIA Dislocated Workers - Admin Costpool	17.278	CT EOL 3250 10OSCC01WORC02	10,992
Subtotal WIA Cluster			3,600,876
<u>Passed through the State Department of Career Services:</u>			
Workforce Investment Act (WIA) National Emergency Grants	17.277	CT EOL 3250 10OSCC01WORC02	584,542
Disabled Veterans' Outreach Program	17.801	CT EOL 3250 10OSCC01WORC02	7,884
Local Veterans' Employment Representative Program	17.804	CT EOL 3250 10OSCC01WORC02	20,625
<u>Passed through the Regional Employment Board of Hampden County, Inc.</u>			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	CT EOL 3250 10OSCC01WORC02	38,796
Total U.S. Department of Labor			4,604,293
U.S. Department of Transportation			
<u>Passed through the State Office of Emergency Management:</u>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	CDA FFY12HMEPWORCESTER	4,921
Environmental Protection Agency			
<u>Direct Programs:</u>			
Environmental Policy and Innovation Grants	66.811	Not Applicable	273,461
ARRA - Brownfields Cleanup and Assessment Cooperative Agreements	66.818	Not Applicable	362,017
Total Environmental Protection Agency			635,478
U.S. Department of Energy			
<u>Direct Program:</u>			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	Not Applicable	1,430,889
			(continued)

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
<u>Direct Programs:</u>			
Teaching American History Grant	84.215X	Not Applicable	94,366
Advanced Placement Incentive	84.330C	Not Applicable	60,008
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Adult Education (fiscal year 2012)	84.002	342-006-2-1512-M	9,096
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2012)	84.010	305-291-2-0348-M	1,419,048
Title I Distribution (fiscal year 2013)	84.010	0305-009954-2013-0348	8,236,572
Title I Carryover Grant (fiscal year 2012)	84.010	305-392-2-0348-M	850,923
Title I School Support (fiscal year 2012)	84.010	323-019-2-0348-M	23,156
Title I School Support (fiscal year 2012)	84.010	323-077-2-0348-M	97,000
Title I Academic Achievement (fiscal year 2012)	84.010	316-004-2-0348-M	39,667
Title I Academic Achievement (fiscal year 2012)	84.010	316-010-2-0348-M	187,389
Title I Supplemental Support (fiscal year 2012)	84.010	320-036-2-0348-M	52,185
Title I Supplemental Support (fiscal year 2013)	84.010	320-057-3-0348-N	12,858
Title I Stipend (fiscal year 2013)	84.010	511-024-3-0348-N	359,954
Subtotal Title I, Part A Cluster			11,278,752
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2012)	84.027	240-198-2-0348-M	890,267
SPED 94-142 Allocation (fiscal year 2013)	84.027	240-121-3-0348-N	7,391,702
SPED Carryover Grant (fiscal year 2012)	84.027	240-393-2-0348-M	58,447
SPED Carryover Grant (fiscal year 2013)	84.027	240-408-3-0348-N	289
SPED Program Improvement (fiscal year 2012)	84.027	274-228-2-0348-M	117,707
SPED Program Improvement (fiscal year 2013)	84.027	274-251-3-0348-N	11,699
SPED Mass Urban (fiscal year 2012)	84.027	240-200-2-0348-M	13,115
SPED Mass Urban (fiscal year 2013)	84.027	240-135-3-0348-N	26,321
Math and SPED Leadership (fiscal year 2012)	84.027	255-005-2-0348-M	10,386
SPED Tiered Instruction (fiscal year 2012)	84.027	257-037-2-0348-M	24,200
SPED Tiered System of Support (fiscal year 2013)	84.027	324-037-3-0348-N	5,102
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued)</i>			
SPED Early Childhood Allocation (fiscal year 2012)	84.173	26212 Worcester Public	9,625
SPED Early Childhood Allocation (fiscal year 2013)	84.173	26213 Worcester Public	264,789
Subtotal Special Education Cluster			8,823,649
<u>Passed through the State Department of Elementary & Secondary Education (continued):</u>			
Occupational Education-Vocational Skills (fiscal year 2012)	84.048	400-072-2-0348-M	58,991
Occupational Education-Vocational Skills (fiscal year 2012)	84.048	400-073-3-0348-N	280,553
Education for Homeless Children & Youth (fiscal year 2012)	84.196	310-021-2-0348-M	11,922
Education for Homeless Children & Youth (fiscal year 2013)	84.196	310-011-3-0348-N	53,059

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education (continued)			
<u>Passed through the State Department of Elementary & Secondary Education (continued):</u>			
21st Century Community Learning Centers (fiscal year 2012)	84.287	647-033-2-0348-M	82,098
21st Century Community Learning Centers (fiscal year 2012)	84.287	647-034-2-0348-M	100,459
21st Century Community Learning Centers (fiscal year 2013)	84.287	647-020-3-0348-N	322,466
21st Century Community Learning Centers (fiscal year 2013)	84.287	647-021-3-0348-N	159,296
ARRA - Enhanced Education Through Technology (fiscal year 2012)	84.386	777-004-2-0348-M	20,694
ARRA - Enhanced Education Through Technology (fiscal year 2012)	84.386	777-006-2-0348-M	23,642
High School Graduation Initiative	84.360	CT DOE 137600WORCESTRCCRJC3	2,386
Title III - English Language Acquisition (fiscal year 2012)	84.365	180-113-2-0348-M	11,827
Title III - English Language Acquisition (fiscal year 2012)	84.365	180-039-2-0348-M	175,554
Title III - English Language Acquisition (fiscal year 2013)	84.365	180-039-3-0348-N	991,209
Title III - English Language Acquisition Carryover (fiscal year 2013)	84.365	180-119-3-0348-N	122
Title IIA - Improving Teacher Quality (fiscal year 2012)	84.367	140-294-2-0348-M	46,064
Title IIA - Improving Teacher Quality Carryover (fiscal year 2012)	84.367	140-334-2-0348-M	21,911
Title IIA - Improving Teacher Quality (fiscal year 2013)	84.367	0140-006302-2013-0348	1,782,832
Title IIA - Improving Teacher Quality Carryover (fiscal year 2013)	84.367	140-075-3-0348-N	12,454
Supporting Literacy Initiatives in Targeted Level 4 Districts (fiscal year 2012)	84.367	143-022-2-0348-M	58,200
ARRA - School Improvement Program (fiscal year 2012)	84.388	767-002-2-0348-M	142,129
ARRA - School Improvement Program (fiscal year 2013)	84.388	767-007-3-0348-N	868,796
<i>State Fiscal Stabilization Fund - Race to the Top Incentive Grants</i>			
ARRA - Race to the Top (fiscal year 2012)	84.395	201-036-2-0348-M	13,004
ARRA - Race to the Top (fiscal year 2013)	84.395	201-000403-2013-0348	1,526,278
ARRA - Race to the Top - Innovation Schools Planning (ISP) (fiscal year 2012)	84.395	202-007-2-0348-M	17,437
ARRA - Race to the Top - Innovation Implementation (fiscal year 2012)	84.395	203-011-2-0348-M	103,994
ARRA - Race to the Top - Science, Technology, Engineering, and Mathematics (STEM) (fiscal year 2012)	84.395	208-006-2-0348-M	6,398
ARRA - Race to the Top - Science, Technology, Engineering, and Mathematics (STEM) (fiscal year 2013)	84.395	208-002-3-0348-N	22,523
ARRA - Race to the Top - Wraparound Zone Initiative (fiscal year 2013)	84.395	209-006-3-0348-N	28,328
ARRA - Race to the Top - Next Generation Learning (fiscal year 2012)	84.395	155-002-2-0348-M	19,598
ARRA - Race to the Top - Next Generation Learning (fiscal year 2013)	84.395	155-002-3-0348-N	52,826
ARRA - Race to the Top - Pre-Ap Special Support (fiscal year 2013)	84.395	328-008-3-0348-N	480
Subtotal - Race to the Top Incentive Grants			<u>1,790,866</u>
ARRA - Education Jobs Grant	84.410	206-110-3-0348-N	<u>67,460</u>
Total U.S. Department of Education			<u>27,350,861</u> (continued)

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
<u>Direct Programs:</u>			
Consolidated Knowledge Development and Application Program	93.230	Not Applicable	70,487
Head Start Program	93.600	Not Applicable	5,828,583
Promoting Safe and Stable Families	93.556	INTF0000009950719142	407,876
<u>Passed through the State Department of Public Health:</u>			
Public Health and Social Services Emergency Fund	93.003	INTF6207P01W11311282	4,639
Medical Reserve Corps Grant	93.008	4516-1010	113,553
Public Health Emergency Preparedness	93.069	4510-0404	243
Public Health Emergency Preparedness	93.069	4512-9068	728,739
Childhood Lead Poisoning Prevention Program	93.197	INTF7900MM3701516135	42,707
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	INTF6208P01RFR459031	112,250
Opioid Grants	93.450	INTF2354MM3900913011	8,406
The Patient Protection and Affordable Care Act	93.541	INTF1100P01203816181	106,467
National Bioterrorism Hospital Preparedness Program	93.889	INTF6207P01906110929	15,436
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354MM3901115036	180,674
<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 TAG00000002	287,518
School-Based Medicaid Reimbursement Program	93.778	1950622	908,621
Total U.S. Department of Health and Human Services			<u>8,816,199</u>
U.S. Department of Homeland Security			
<u>Direct Programs:</u>			
Assistance to Firefighters Grant	97.044	Not Applicable	10,000
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not Applicable	1,306,635
<u>Passed through the State Executive Office of Public Safety & Homeland Security:</u>			
Homeland Security Grant Program	97.067	SCEPSMMRS07WORCESTER	210,144
<u>Passed through the State Office of Emergency Management:</u>			
Emergency Management Performance Grants	97.042	CT CDA FY 12EMPG1000000WORC	69,904
Emergency Management Performance Grants	97.042	CT CDA FY 13EMPG1000000WORC	2,031
Total U. S. Department of Homeland Security			<u>1,598,714</u>
Total			<u>\$ 62,628,531</u>

(concluded)

See notes to schedule of expenditures of federal awards.

CITY OF WORCESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

Note 6 – Sub-recipients

The City of Worcester, Massachusetts provided the following awards to sub-recipients for the fiscal year ended June 30, 2013:

Program Description	CFDA Number	Amount
Community Development Block Grant	14.218	\$ 461,317
Emergency Shelter Grants Program	14.231	19,012
Supportive Housing Program	14.235	290,769
Shelter Plus Care	14.238	48,110
HOME Program	14.239	1,948,400
Housing Opportunities for Persons with AIDS	14.241	163,273
Homelessness Prevention and Rapid Re-housing Program (HPRP)	14.257	12,501
Community Challenge Planning Grant Program	14.704	427,347
Lead-Based Paint Hazard Control Grant	14.900	174,658
Violence Against Women Formula Grants	16.588	38,670
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	52,634
WIA Adult Program	17.258	19,576
WIA Youth Activities	17.259	936,887
WIA Dislocated Workers	17.278	57,627
Environmental Policy and Innovation Grants	66.811	256,794
ARRA - Brownfields Cleanup and Assessment Cooperative Agreements	66.818	122,698
Promoting Safe and Stable Families	93.556	392,071
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	<u>250,361</u>
Total		<u>\$ 5,672,705</u>

CITY OF WORCESTER, MASSACHUSETTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	No

Noncompliance material to the financial statements noted?	_____	Yes	_____	X	No
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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	_____	No

Type of auditors' report on compliance for major programs:

Modified: CDBG - Entitlement Grants Cluster
 HOME Investment Partnerships Program

Unmodified: All other major programs

Were any findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	X	Yes	_____	No
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CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

A. Summary of Auditors' Results (Continued)

Identification of Major Programs:

<u>Name of federal program or cluster</u>	<u>CFDA Number</u>
<i>Child Nutrition Cluster</i>	
School Breakfast Program - Cash Assistance	10.553
National School Lunch Program - Cash Assistance	10.555
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555
<i>CDBG - Entitlement Grants Cluster</i>	
Community Development Block Grant	14.218
Community Development Block Grant Recovery (CDBG-R)	14.253
HOME Investment Partnerships Program	14.239
<i>Title I, Part A Cluster</i>	
Title I Distribution	84.010
Title I Carryover Grant	84.010
Title I School Support	84.010
Title I Academic Achievement	84.010
Title I Supplemental Support	84.010
Title I Stipend	84.010
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Carryover Grant	84.027
SPED Program Improvement	84.027
SPED Early Childhood Program Improvement	84.027
SPED Mass Urban	84.027
Math and SPED Leadership	84.027
SPED Tiered Instruction	84.027
SPED Tiered System of Support	84.027
SPED Early Childhood Allocation	84.173
Title IIA - Improving Teacher Quality	84.367
Title IIA - Improving Teacher Quality Carryover	84.367
<i>State Fiscal Stabilization Fund - Race to the Top Incentive Grants</i>	
ARRA - Race to the Top	84.395
ARRA - Race to the Top - Innovation Schools Planning (ISP)	84.395
ARRA - Race to the Top - Innovation Implementation	84.395
ARRA - Race to the Top - Science, Technology, Engineering, and Mathematics (STEM)	84.395
ARRA - Race to the Top - Wraparound Zone Initiative	84.395
ARRA - Race to the Top - Next Generation Learning	84.395
Head Start Program	93.600

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

\$ 1,878,856

Auditee qualified as a low-risk auditee?

_____ Yes X No

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

B. Findings – Financial Statement Audit

None

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

DEPARTMENT OF AGRICULTURE

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

2013-001 Child Nutrition Cluster - CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2013

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 either through 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: The lunch status determined for two of the 54 student applications tested were incorrect based on the income information provided on the applications. In addition, six of the 60 student files tested did not contain an application.

Effect: The two students received the incorrect lunch status during the year and therefore the reimbursements requested related to the students were overstated, as the incorrect reimbursement rates were used (i.e., free instead of reduced or reduced instead of paid) when calculating the reimbursement amounts each month. In addition, the lunch status for the six students for which applications were not maintained by the City could not be verified for accuracy.

Cause: Procedures were not in place to maintain lunch applications for all students receiving lunch benefits and to appropriately review and determine eligibility for all student applications.

Questioned Costs: \$5,648 (calculated as the difference between the reimbursement rates that were used compared with the reimbursement rates that should have been used for the students identified in this finding)

Auditors' Recommendation: Procedures must be implemented to maintain lunch applications for all students receiving lunch benefits, and to ensure that all student eligibility status is determined correctly.

Views of Responsible Officials and Corrective Action: Free/reduced application files will be reconciled against student meal status lists, per school. Meal application processes will include an additional review as a confirming official. All verification procedures including but not limited to income documentation, eligibility determination, and lunch status outcomes, will also receive an additional review to ensure accuracy and benefit status for each application tested in the verification procedure.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Material Noncompliance and Material Weaknesses in Internal Control over Major Programs

2013-002 CDBG – Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253;
Fiscal year ended June 30, 2013

Compliance Requirement: Sub-recipient Monitoring

Criteria: Federal guidelines require that 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: The sub-recipient files tested did not contain documentation of monitoring activities performed. Also, the City did not obtain sufficient documentation from sub-recipients to support each of the reimbursements requested and paid from the grant funds.

Context: All seventeen (17) sub-recipient files tested.

Effect: There was material noncompliance with, and a material weakness in internal control over, the federal award program’s sub-recipient monitoring requirements. In addition, noncompliance by the City’s sub-recipients could occur and not be detected and corrected timely.

Cause: Procedures were not in place to conduct the required monitoring of the sub-recipients and to obtain sufficient support for all reimbursement requests submitted by the City’s sub-recipients.

Questioned Costs: \$461,317 (based on total sub-recipient payments charged to the grant)

Auditors’ Recommendation: Procedures must be implemented to ensure that, during the award period, monitoring of all the sub-recipients are performed each year through reporting, site visits, and other reasonable means, and that documentation supporting the monitoring activities and sub-recipients’ compliance with OMB Circular A-133 audit requirements is maintained in the sub-recipients’ files.

Views of Responsible Officials and Corrective Action: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General’s Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, which includes monitoring and sub-recipient compliance.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2013-003 CDBG – Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253;
Fiscal year ended June 30, 2013

Compliance Requirement: Special Tests and Provisions

Criteria: The Code of Federal Regulations (CFR) Title 24, part 570.506 indicates that grantees must ensure that rehabilitation work paid from grant funds is properly completed. To accomplish this, grantees must conduct pre-rehabilitation inspections describing deficiencies to be corrected, incorporate the deficiencies into the rehabilitation contracts, and perform final inspections of the rehabilitation work upon completion to assure that it is in accordance with the terms of the contracts.

Condition: Two of the three rehabilitation project files tested did not contain final inspection reports as evidence that the City verified that the rehabilitation work was completed in accordance with the rehabilitation contracts.

Context: Two of the three rehabilitation project files tested

Effect: The rehabilitation expenses charged to the grant program for which final inspections were not performed are subject to disallowance if the work was not completed properly and may be considered questioned costs.

Cause: Procedures were not in place to ensure that final inspections are performed and documented for all rehabilitation projects.

Questioned Costs: \$170,000 (based on total expenditures charged to the grant for the two rehabilitation projects)

Auditors’ Recommendation: Procedures must be implemented to ensure that final inspections are performed and documented on all rehabilitation projects verifying that the work is allowable and completed in accordance with the contract specifications, prior to making payments, and that the inspection documentation is maintained as a permanent record.

Views of Responsible Officials and Corrective Action: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General’s Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, which includes final inspection on construction funded projects.

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

Compliance Requirement: Sub-recipient Monitoring

Criteria: Federal guidelines require that 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: The sub-recipient files tested did not contain documentation of monitoring activities performed.

Context: All seven (7) sub-recipient files tested.

Effect: Noncompliance by the City’s sub-recipients could occur and not be detected and corrected timely.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cause: Procedures were not in place to conduct the required monitoring of the sub-recipients.

Questioned Costs: \$1,948,400 (based on total sub-recipient payments charged to the grant)

Auditors' Recommendation: Procedures must be implemented to ensure that, during the award, monitoring of all the sub-recipients are performed each year through reporting, site visits, and other reasonable means, and that documentation supporting the monitoring activities and sub-recipients' compliance with OMB Circular A-133 audit requirements is maintained in the sub-recipients' files.

Views of Responsible Officials and Corrective Action: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General's Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, which includes desk audits and at minimum one sub-recipient site visit per year.

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

2013-005 HOME Investment Partnerships Program – CFDA No. 14.239; Fiscal year ended June 30, 2013

Compliance Requirement: Eligibility

Criteria: The Code of Federal Regulations (CFR) Title 24, part 92.216 states that "HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The maximum HOME rents are the lesser of the fair market rent for comparable units in the area, as established by HUD under 24 CFR section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area as determined by HUD with adjustments for the number of bedroom units."

Condition:

- (1) The City charged 10 tenants living in one of the City's four (4) rental housing projects rents that exceeded the maximum high HOME rent limits established by HUD for the program year
- (2) One (1) of the tenants living in the rental housing projects was not income eligible to participate in the HOME Investment Partnerships Program
- (3) The City did not maintain the tenant application files for one (1) of the HOME-assisted units, and therefore we were unable to verify the tenants' eligibility and the rent being charged to the tenant.

Context:

- (1) Ten of forty-seven tenants' rents tested exceeded the HOME rent limits
- (2) One (1) out of forty-seven tenants tested were not income eligible to participate in the HOME Investment Partnerships Program
- (3) Tenant applications were not maintained for one (1) of four (4) housing units tested

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

Cause: Procedures were not in place to maintain the tenant application files for all tenants and to properly monitor the property managers at the rental housing project to ensure that the rents being charged were appropriate and all tenants were income eligible.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Questioned Costs: Unknown

Auditors' Recommendation: Procedures must be implemented to ensure that all tenants participating in the HOME program are income eligible, and that the tenants determined to be eligible for the HOME program are not charged rents exceeding the HUD high HOME rent limits, by effectively monitoring and approving the activities performed by the housing projects' property management. Procedures must also be implemented to maintain the tenant files for all HOME-assisted units as documentation for compliance with the grant's eligibility requirements.

Views of Responsible Officials and Corrective Action: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General's Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, to include both income eligibility verification (tenant applications) and rental limit verification.

Significant Deficiencies in Internal Control Over Major Programs

2013-006 CDBG - Entitlement Grants Cluster - CFDA No.'s 14.218 and 14.253;
Fiscal year ended June 30, 2013

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: All twenty-four (24) 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/debarred.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Auditors' Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General's Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, to include checking for debarment prior to executing contracts utilizing CDBG funds.

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

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: All seven (7) 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/debarred.

Auditors' Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Views of Responsible Officials and Corrective Action: During the course of fiscal year 2013 the City worked in concert with the Housing and Urban Development (HUD) Office of the Inspector General's Office and the Region 1 field office to redesign internal processes and procedures for the Block Grant/HOME entitlement year 38 and prospective federal allocations. Inadvertently expenditures processed for the prior entitlement years (year 37) were not processed utilizing the processes and procedures developed for entitlement year 38. Commencing with fiscal year 14, all CDBG expenditures shall be processed consistent with the processes and procedures developed in concert with HUD, to include checking for debarment prior to executing contracts utilizing HOME funds.

DEPARTMENT OF EDUCATION

Noncompliance and Significant Deficiencies in Internal Control Over Major Programs

2013-008 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2013

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: \$186,504 (excess indirect costs calculated as 2% of receipts)

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: Consistent with the Office of Management and Budget (OMB) Circular A-87, the City of Worcester began assessing all federal grants a 1% indirect cost rate reimbursement, after obtaining approval from the City's federal cognizant agent, the U.S. Department of Housing and Urban Development, in fiscal year 1992. In fiscal year 2010, the City submitted and obtained a revised Administrative Cost Allocation plan from its federal cognizant agent, the U.S. Department of Housing and Urban Development, and were approved an increase, from 1% to 3%, to the City's indirect cost rate reimbursement. The Worcester School Committee and Administration contends that pursuant to M.G.L. 44-53A, 71-26C, and 71-34A, grant spending must be authorized by the School Committee. Contrary opinions from the City's Law Department and the Massachusetts Department of Elementary and Secondary Education (DESE) have been referred to the Office of Management and Budget (OMB) for final determination.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2013-009 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173;
Fiscal year ended June 30, 2013

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: \$157,660 (excess indirect costs calculated as 2% of receipts)

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: Consistent with the Office of Management and Budget (OMB) Circular A-87, the City of Worcester began assessing all federal grants a 1% indirect cost rate reimbursement, after obtaining approval from the City's federal cognizant agent, the U.S. Department of Housing and Urban Development, in fiscal year 1992. In fiscal year 2010, the City submitted and obtained a revised Administrative Cost Allocation plan from its federal cognizant agent, the U.S. Department of Housing and Urban Development, and were approved an increase, from 1% to 3%, to the City's indirect cost rate reimbursement. The Worcester School Committee and Administration contends that pursuant to M.G.L. 44-53A, 71-26C, and 71-34A, grant spending must be authorized by the School Committee. Contrary opinions from the City's Law Department and the Massachusetts Department of Elementary and Secondary Education (DESE) have been referred to the Office of Management and Budget (OMB) for final determination.

2013-010 ARRA - Race to the Top Incentive Grants Program - CFDA No. 84.395;
Fiscal year ended June 30, 2013

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.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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: \$46,463 (excess indirect costs calculated as 2% of receipts)

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: Consistent with the Office of Management and Budget (OMB) Circular A-87, the City of Worcester began assessing all federal grants a 1% indirect cost rate reimbursement, after obtaining approval from the City's federal cognizant agent, the U.S. Department of Housing and Urban Development, in fiscal year 1992. In fiscal year 2010, the City submitted and obtained a revised Administrative Cost Allocation plan from its federal cognizant agent, the U.S. Department of Housing and Urban Development, and were approved an increase, from 1% to 3%, to the City's indirect cost rate reimbursement. The Worcester School Committee and Administration contends that pursuant to M.G.L. 44-53A, 71-26C, and 71-34A, grant spending must be authorized by the School Committee. Contrary opinions from the City's Law Department and the Massachusetts Department of Elementary and Secondary Education (DESE) have been referred to the Office of Management and Budget (OMB) for final determination.

2013-011 ARRA - Race to the Top Incentive Grants Program - CFDA No. 84.395;
Fiscal year ended June 30, 2013

Compliance Requirement: Cash Management

Criteria: Federal guidelines require grant recipients 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 the Requests for Funds (RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. As a result, the City held Federal grant funds and requested additional funds too soon.

Context: Three of four RF-1's tested.

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

Cause: The City did not expend the initial grant payment received from the pass-through entity and continued to request additional grant funds throughout the year.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Questioned Costs: Not determined

Auditors' Recommendation: Procedures must be implemented to ensure that all RF-1s submitted are for expenditures that have already been paid or will be paid immediately by the City upon receipt of the grant funds. In addition, procedures must be implemented to use the initial grant payments to cover expenditures before requesting additional funds.

Views of Responsible Officials and Corrective Action: The DESE drawdown system offers limited flexibility in the timing of requesting funds. Funds were drawn for summer near the end of the fiscal year, based on guidance received from DESE and to prevent the account from being in deficit at the end of the City's fiscal year. The DESE does allow for funds to be drawn sufficient to cover expenditures in the following month however we will review our procedures to minimize the time elapsing between the receipt and disbursement of grant funds.

2013-012 Title IIA – Improving Teacher Quality - CFDA No. 84.367; Fiscal year ended June 30, 2013

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: \$51,414 (excess indirect costs calculated as 2% of receipts)

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: Consistent with the Office of Management and Budget (OMB) Circular A-87, the City of Worcester began assessing all federal grants a 1% indirect cost rate reimbursement, after obtaining approval from the City's federal cognizant agent, the U.S. Department of Housing and Urban Development, in fiscal year 1992. In fiscal year 2010, the City submitted and obtained a revised Administrative Cost Allocation plan from its federal cognizant agent, the U.S. Department of Housing and Urban Development, and were approved an increase, from 1% to 3%, to the City's indirect cost rate reimbursement. The Worcester School Committee and Administration contends that pursuant to M.G.L. 44-53A, 71-26C, and 71-34A, grant spending must be authorized by the School Committee. Contrary opinions from the City's Law Department and the Massachusetts Department of Elementary and Secondary Education (DESE) have been referred to the Office of Management and Budget (OMB) for final determination.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Significant Deficiencies in Internal Control Over Major Programs

2013-013 Title I, Part A Cluster - CFDA No. 84.010; Fiscal year ended June 30, 2013

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: The City did not obtain a debarment certification or check the *System for Award Management* website for three (3) out of four (4) 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/debarred.

Auditors’ Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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: We have reviewed the vendor payments included in this finding and have not found any vendors to have been suspended or debarred according to the *System for Award Management*. The Worcester Public Schools will implement procedures to check suspension and debarment status prior to costs in excess of \$25,000 being incurred.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2013-014 Special Education Cluster Program - CFDA No.'s 84.027 and 84.173;
Fiscal year ended June 30, 2013

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: The one (1) vendor 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/debarred.

Auditors' Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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: We have reviewed the vendor payments included in this finding and have not found any vendors to have been suspended or debarred according to the *System for Award Management*. The Worcester Public Schools will implement procedures to check suspension and debarment status prior to costs in excess of \$25,000 being incurred.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2013-015 ARRA – Race to the Top Incentive Grants Program - CFDA No. 84.395;
Fiscal year ended June 30, 2013

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: All three (3) 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/debarred.

Auditors’ Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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: We have reviewed the vendor payments included in this finding and have not found any vendors to have been suspended or debarred according to the *System for Award Management*. The Worcester Public Schools will implement procedures to check suspension and debarment status prior to costs in excess of \$25,000 being incurred.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Noncompliance and Significant Deficiencies in Internal Control Over Major Programs

2013-016 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2013

Compliance Requirement: Allowable Costs/Cost Principles

Criteria: As stated in OMB Cost Circular A-87, the City is required to maintain documentation supporting the salaries and wages charged to the grant program. For employees that work on both Head Start Program and other grant or non-grant related activities, personnel activity reports must be maintained that (1) reflect an after-the-fact distribution of the actual activity of the employee, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly and coincide with one or more pay periods, and (4) must be signed by the employee.

For employees that work solely on Head Start Program activities, periodic certifications that the employees worked solely on that program for the period covered by the certification must be completed semi-annually and be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition: The salaries and wages charged to the grant program for thirteen employees who worked on multiple cost objectives were not supported by the required time and effort reports (i.e., personnel activity reports or time sheets), as prescribed in OMB Cost Circular A-87.

Context: Thirteen of twenty-five employees tested who worked on multiple cost objectives.

Effect: The salary charges for the thirteen employees are subject to disallowance and, therefore, are considered questioned costs.

Cause: Procedures were not in place to maintain adequate documentation for all grant employees who worked on multiple cost objectives.

Questioned Costs: \$84,848 (based on total salaries charged to the grant for the thirteen employees)

Auditors' Recommendation: Procedures must be implemented to ensure that the salaries charged to the grant for all employees are appropriate and supported by the required time and effort reports, as prescribed in OMB Cost Circular A-87.

Views of Responsible Officials and Corrective Action: The employee salaries in question would have been allowable under either the federal Head Start grant or state grant funds that were not received until later in the fiscal year. When the state grant was charged for these salaries they were inadvertently left on the list of federally funded positions. We are implementing procedures to more clearly define the alignment of position descriptions and duties, which will reduce the need to make these adjustments in the future.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Significant Deficiency in Internal Control Over Major Programs

2013-017 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2013

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 vendors contracted with in excess of \$25,000 related to the grant program.

Context: All three (3) 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/debarred.

Auditors’ Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or 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: We have reviewed the vendor payments included in this finding and have not found any vendors to have been suspended or debarred according to the *System for Award Management*. The Worcester Public Schools will implement procedures to check suspension and debarment status prior to costs in excess of \$25,000 being incurred.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

D. Summary of Prior Audit Findings

MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Agriculture

Material Weakness in the Internal Control over Major Programs

12-1 Child Nutrition Cluster – CFDA No.’s 10.553 and 10.555; Fiscal year ended June 30, 2012

Compliance Requirement: Special Tests and Provisions

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

Current Status: The status remains unchanged. Please see current year finding 2013-001.

Material Noncompliance Related to Major Programs

12-2 Child Nutrition Cluster – CFDA No.’s 10.553 and 10.555; Fiscal year ended June 30, 2012

Compliance Requirement: Special Tests and Provisions

Condition: Six of the 60 student files tested were either missing the original applications filed or did not have their eligibility status updated based on the results of the verification summary process.

Current Status: The status remains unchanged. Please see current year finding 2013-001.

Department of Housing and Urban Development

Material Weaknesses in the Internal Control over Major Programs

12-3 CDBG - Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253; Fiscal year ended June 30, 2012

Compliance Requirement: Reporting

Condition: The City did not comply with the reporting compliance requirements of the program related to sub-recipients.

Current Status: This finding has been resolved.

12-4 CDBG - Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253; Fiscal year ended June 30, 2012

Compliance Requirement: Special Tests and Provisions

Condition: The City did not comply with the rehabilitation special tests and provisions compliance requirements related to the program.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Current Status: The status remains unchanged. Please see current year finding 2013-003.

Material Noncompliance Related to Major Programs

12-5 CDBG - Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253; Fiscal year ended June 30, 2012

Compliance Requirement: Special Tests and Provisions

Condition: None of the rehabilitation project files tested contained evidence of any pre-inspections being performed. Additionally, one of the project files tested did not contain a final inspection report prior to making payments, but rather an interim fieldwork report documenting that none of the work had actually been performed and the project materials were not located at the job site. As stated in the federal compliance supplement, the City is required to identify the deficiencies determined through pre-rehabilitation inspections conducted in the rehabilitation contracts, and perform final inspections of the rehabilitation work done to verify that the work is in accordance with the contract specifications, prior to making payments.

Current Status: The status remains unchanged. Please see current year finding 2013-003.

Other Noncompliance Related to Major Programs

12-6 CDBG - Entitlement Grants Cluster – CFDA No.’s 14.218 and 14.253; Fiscal year ended June 30, 2012

Compliance Requirement: Reporting

Condition: The City did not file the required “FFATA Subaward Reports” with the U.S. Department of Housing and Urban Development during the program year for the City’s sub-recipients receiving more than \$25,000 of Community Development Block Grant funds.

Current Status: This finding has been resolved.

Department of Education

Material Weaknesses in the Internal Control over Major Programs

12-7 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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

Current Status: The status remains unchanged. Please see current year finding 2013-008.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

- 12-8 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2012
- Compliance Requirement: Procurement and Suspension and Debarment
- Condition:* The City does not have internal controls in place to fully comply with the procurement, suspension and debarment compliance requirements related to the program.
- Current Status:* The status remains unchanged. Please see current year finding 2013-013.
- 12-9 Special Education Cluster - CFDA No.’s 84.027, 84.173 and 84.392; Fiscal year ended June 30, 2012
- Compliance Requirement: Allowable Costs/Cost Principles
- Condition:* The City did not comply with the allowable costs/cost principles compliance requirements related to the program.
- Current Status:* The status remains unchanged. Please see current year finding 2013-009.
- 12-10 ARRA - Race to the Top - CFDA No. 84.395; Fiscal year ended June 30, 2012
- Compliance Requirement: Allowable Costs/Cost Principles
- Condition:* Ten of the 42 federal grant invoices tested did not contain any evidence of the Grant Administrator’s (or other supervisory personnel) review and approval prior to payment. While evidence (i.e., signature) of such approval is not required by City policy in order to process invoice payments, this additional control provides enhanced assurance over the allowability of expenses paid from grant funding.
- Current Status:* This finding has been resolved.
- 12-11 ARRA - Race to the Top - CFDA No. 84.395; Fiscal year ended June 30, 2012
- Compliance Requirement: Allowable Costs/Cost Principles
- Condition:* The City did not comply with the allowable costs/cost principles compliance requirements related to the program.
- Current Status:* The status remains unchanged. Please see current year finding 2013-010.
- 12-12 ARRA – Race to the Top – CFDA No. 84.395; Fiscal year ended June 30, 2012
- Compliance Requirement: Procurement and Suspension and Debarment
- Condition:* The City does not have internal controls in place to fully comply with the procurement, suspension and debarment compliance requirements related to the program.
- Current Status:* The status remains unchanged. Please see current year finding 2013-015.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

12-13 ARRA - Education Jobs Grant - CFDA No. 84.410; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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

Current Status: The status remains unchanged. This program did not meet the criteria of a major program in fiscal year 2013.

Material Weakness in the Internal Control over Non-Major Programs

12-14 Title IIA – Improving Teacher Quality – CFDA No. 84.367; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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

Current Status: The status remains unchanged. Please see current year finding 2013-012.

Noncompliance Related to Major Programs

12-15 Title I, Part A Cluster - CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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.

Current Status: The status remains unchanged. Please see current year finding 2013-008.

12-16 Special Education Cluster - CFDA No.'s 84.027, 84.173, and 84.392; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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.

Current Status: The status remains unchanged. Please see current year finding 2013-009.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

12-17 ARRA – Race to the Top - CFDA No. 84.395; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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.

Current Status: The status remains unchanged. Please see current year finding 2013-010.

12-18 ARRA – Education Jobs Grant - CFDA No. 84.410; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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.

Current Status: The status remains unchanged. This program did not meet the criteria of a major program in fiscal year 2013.

Noncompliance Related to Non-Major Programs

12-19 Title IIA - Improving Teacher Quality – CFDA No. 84.367; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

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.

Current Status: The status remains unchanged. Please see current year finding 2013-012.

Department of Health and Human Services

Material Weaknesses in the Internal Control over Major Programs

12-20 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2012

Compliance Requirement: Allowable Costs/Cost Principles

Condition: Nine of the twelve federal grant invoices tested did not contain any evidence of the Grant Administrator’s (or other supervisory personnel) review and approval prior to payment.

Current Status: This finding has been resolved.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

12-21 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2012

Compliance Requirement: Eligibility

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

Current Status: This finding has been resolved.

12-22 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2012

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The City does not have internal controls in place to fully comply with the procurement, suspension and debarment compliance requirements related to the program.

Current Status: The status remains unchanged. Please see current year finding 2013-017.

Noncompliance Related to Major Programs

12-23 Head Start Program - CFDA No. 93.600; Fiscal year ended June 30, 2012

Compliance Requirement: Eligibility

Condition: One of the 40 student files tested contained the incorrect income verification calculation, and the student was ineligible to participate in the federal Head Start program.

Current Status: This finding has been resolved.