

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

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

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

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 10, 2015



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

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

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

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

### ***Other Matters***

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

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

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

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

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

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-003, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011 and 2015-012 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2014) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2015). The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 18, 2016, except for the schedule of federal awards  
which is dated December 10, 2015

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

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	14-348	\$ 7,742,899
National School Lunch Program - Cash Assistance	10.555	14-348	3,175,158
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	769,816
Subtotal Child Nutrition Cluster			<u>11,687,873</u>
Fruit and Vegetable Program	10.582	14-348	320,003
Total U.S. Department of Agriculture			<u>12,007,876</u>
<b>U.S. Department of Commerce</b>			
<u>Direct programs:</u>			
Economic Development Support for Planning Organizations	11.302	Not Applicable	32,745
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct programs:</u>			
Community Development Block Grant	14.218	Not Applicable	5,690,482
Emergency Shelter Grants Program	14.231	Not Applicable	379,262
Supportive Housing Program	14.235	Not Applicable	104,871
Shelter Plus Care	14.238	Not Applicable	102,272
HOME Investment Partnerships Program	14.239	Not Applicable	1,358,320
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	495,908
Continuum of Care Program	14.267	Not Applicable	167,740
Community Challenge Planning Grant Program	14.704	Not Applicable	169,589
<u>Passed through the State Department of Housing and Community Development:</u>			
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	1,152,954
Total U.S. Department of Housing and Urban Development			<u>9,621,398</u>
<b>U.S. Department of the Interior</b>			
<u>Passed through the Massachusetts Executive Office Of Public Safety and Security</u>			
STOP Grant	15.587	2012-WF-AF-0039	17,731
<b>U.S. Department of Justice</b>			
<u>Direct programs:</u>			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Not Applicable	84,521
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	100,356
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	189,168
<u>Passed through the Executive Office of Public Safety and Security</u>			
Violence Against Women Formula Grants	16.588	2014-WF-AX-0011	27,171
Total U.S. Department of Justice			<u>401,216</u>
<b>U.S. Department of Labor</b>			
<u>Passed through the State Department of Career Services:</u>			
Employment Service/Wagner-Peyser Funded Unemployment Insurance	17.207	CT EOL 3250 10OSCC01WORC02 /CT EOL 14CCWORCWP	346,357
Emergency Unemployment Compensation	17.225	CT EOL 3250 10OSCC01WORC02/CT EOL 14CCWORCNEGREA	131,600
Reemployment & Eligibility Assessment	17.225	CT EOL 3250 10OSCC01WORC02 000000	1
Trade Adjustment Assistance	17.245	CT EOL 3250 10OSCC01WORC02	8,344
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	CT EOL 3250 10OSCC01WORC02/CT EOL 14CCWORCWIA	1,244,340
WIA Youth Activities	17.259	CT EOL 3250 10OSCC01WORC02/CT EOL 14CCWORCWIA	1,158,276
WIA Dislocated Workers	17.278	CT EOL 3250 10OSCC01WORC02/CT EOL 14CCWORCWIA	1,092,660
WIA Adult (fiscal year 2013)	17.278	CT EOL 3250 10OSCC01WORC02 000000	1
Subtotal WIA Cluster			<u>3,495,277</u>

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

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
WIA National Emergency Grants	17.277	CT EOL 3250 10OSCCPIWORC02/CT EOL 14CCWORCNEGREA	63,884
Workforce Innovation	17.283	CT EOL 15CCWORCNEGREA	2,745
Disabled Veterans' Outreach Program	17.801	CT EOL 3250 10OSCC01WORC02	47,116
Total U.S. Department of Labor			<u>4,095,324</u>
<b>U.S. Department of Transportation</b>			
<u>Passed through the State Office of Emergency Management:</u>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	CDA FFY13HMEPWORCESTER	<u>6,658</u>
<b>Environmental Protection Agency</b>			
<u>Direct Programs:</u>			
Environmental Policy and Innovation Grants	66.811	Not Applicable	<u>351,349</u>
<b>U.S. Department of Education</b>			
<u>Passed through the State Department of Early Education and Care:</u>			
<u>Adult Education:</u>			
Community Adult Learning Centers	84.002	340-079-5-0348-P	267
Career Paths	84.002A	540-004-5-1512-P	3,600
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2015)	84.010	0305-09989-2015-0348	8,093,619
Title I Distribution (fiscal year 2014)	84.010	305-028728-2014-0348	1,794,233
Title I School Support (fiscal year 2015)	84.010	320-122-5-0348-P	42,103
Title I School Support (fiscal year 2014)	84.010	320-036-2-0348-M	29,353
Title I School Support	84.010	323-026-5-0348-P	880
Title I School Support	84.010	323-006-5-0348-P	333
Subtotal Title I, Part A Cluster			<u>9,960,521</u>
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2015)	84.027	240-205-5-0348-P	7,234,060
SPED 94-142 Allocation (fiscal year 2014)	84.027	240-289-4-0348-O	154,670
SPED Program Improvement (fiscal year 2015)	84.027	274-241-5-0348-A	25,141
SPED Program Improvement (fiscal year 2014)	84.027	274-202-4-0348-O	65,527
SPED Mass Urban (fiscal year 2015)	84.027	240-377-5-0348-F	26,323
SPED Mass Urban (fiscal year 2014)	84.027	240-337-4-0348-O	12,578
SPED Best Practices in Transition Assessment or Student Self-Determination	84.027	243-059-4-0348-O	5,997
SPED Early Childhood Program Improvement	84.173	298-573-5-0348-P	131
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued)</i>			
SPED Early Childhood Allocation (fiscal year 2015)	84.173	26215 Worcester Public	267,892
Subtotal Special Education Cluster			<u>7,792,319</u>
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Career and Technical Education (fiscal year 2014)	84.048	400-048-0-0348-K	559,815
<i>Education of Homeless Children and Youth Cluster</i>			
Education for Homeless Children & Youth (fiscal year 2015)	84.196	310-018-5-0348-O	33,356
Education for Homeless Children & Youth (fiscal year 2014)	84.196	310-015-4-0348-O	28,778
Subtotal Education of Homeless Children and Youth Cluster			<u>62,134</u>
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-188-5-0348-P	1,690
Massachusetts 21st Century CLC - Program Continuation Grants, Sullivan Middle	84.287	647-147-5-0348-P	90,348
Massachusetts 21st Century CLC - Out-of-School Time	84.287	647-049-5-0348-P	28,917
Massachusetts 21st Century CLC - Program Continuation Grants-Summer	84.287	647-042-5-0348-P	32,813
21st Century CLC (fiscal year 2014)	84.287	647-026-4-0348-O	6,662
21st Century CLC (fiscal year 2015)	84.287	647-084-4-0348-O	11,250
High School Graduation Initiative (fiscal year 2015)	84.360	12CRJC3	17,330

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

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

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

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

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

**Note 1 – Basis of Presentation**

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

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

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

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

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

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

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

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

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

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

**Note 6 – Sub-recipients**

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

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

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

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

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

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes       X       No

*Federal Awards*

Internal control over major programs:

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

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

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

*Identification of Major Programs:*

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

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

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

**B. Findings - Financial Statement Audit**

None

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

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

**DEPARTMENT OF AGRICULTURE**

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

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

Compliance Requirement: Eligibility

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

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

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

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

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

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

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

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

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

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

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

Compliance Requirement: Procurement and Suspension and Debarment

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

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

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

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

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

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

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

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

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

*Corrective Action Plan:* Maintain above procedures

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

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

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

Compliance Requirement: Reporting

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

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

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

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

*Questioned Costs:* None

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

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

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

*Planned completion date for corrective action plan:* FY16

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

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

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

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

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

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

Compliance Requirement: Procurement and Suspension and Debarment

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

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

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

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

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

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

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

*Corrective Action Plan:* Already implemented

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

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

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

Compliance Requirement: Sub-recipient Monitoring

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

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

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

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

*Questioned Costs:* None

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:* None

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

*Responsible Party:* Executive Office of Economic Development

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

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

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

**DEPARTMENT OF EDUCATION**

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

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

Compliance Requirement: Allowable Costs/Cost Principles

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

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

*Context:* All grant indirect costs

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

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

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

**City Administration and Finance**

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

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

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

**City Administration and Finance**

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

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

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

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

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

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

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

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

Compliance Requirement: Special Tests and Provisions

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

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

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

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

*Questioned Costs:* None.

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

*Views of Responsible Officials and Corrective Action:*

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

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

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

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

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

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

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

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

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

Compliance Requirement: Allowable Costs/Cost Principles

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

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

*Context:* All grant indirect costs

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

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

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

**City Administration and Finance**

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

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

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

**City Administration and Finance**

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

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

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

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

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

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

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

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

Compliance Requirement: Cash Management

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

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

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

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

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

*Questioned Costs:* Not determined

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

*Views of Responsible Officials and Corrective Action:*

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

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

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

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

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

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

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

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

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

Compliance Requirement: Reporting

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

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

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

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

*Questioned Costs:* None

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

*Views of Responsible Officials and Corrective Action:*

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

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

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

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

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

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

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

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

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

Compliance Requirement: Allowable Costs/Cost Principles

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

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

*Context:* All grant indirect costs

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

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

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

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

*Views of Responsible Officials and Corrective Action:*

*Explanation of disagreement with audit finding:*

**Worcester Public Schools/Worcester School Committee**

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

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

**City Administration and Finance**

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

*Actions planned in response to finding:*

**Worcester Public Schools/Worcester School Committee**

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

**City Administration and Finance**

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

*Responsible Party:*

**Worcester Public Schools/Worcester School Committee**

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

*Planned completion date for corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Plan to monitor completion of corrective action plan:*

**Worcester Public Schools/Worcester School Committee**

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

*Corrective Action Plan:*

**Worcester Public Schools/Worcester School Committee**

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

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

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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

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

Compliance Requirement: Earmarking

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

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

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

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

*Questioned Costs:* None.

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

*Views of Responsible Officials and Corrective Action:*

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

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

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

CITY OF WORCESTER, MASSACHUSETTS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

**D. Summary of Prior Audit Findings**

**MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Department of Agriculture**

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

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

Compliance Requirement: Eligibility

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

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

*Material Weakness in Internal Control over Major Programs*

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

Compliance Requirement: Procurement and Suspension and Debarment

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

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

**Department of Housing and Urban Development**

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

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

Compliance Requirement: Sub-recipient Monitoring

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

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

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

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

Compliance Requirement: Procurement and Suspension and Debarment

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

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

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

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

Compliance Requirement: Reporting

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

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

**Department of Education**

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

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

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

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

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

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

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

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

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

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

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

Compliance Requirement: Special Tests and Provisions

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

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

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

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

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

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

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

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

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

Compliance Requirement: Sub-recipient Monitoring

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

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

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

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

Compliance Requirement: Procurement and Suspension and Debarment

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

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