

CITY OF WORCESTER, MASSACHUSETTS
GAO AND OMB REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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GAO AND OMB REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2016), 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 19, 2017. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2016) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2017). 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Boston, Massachusetts
December 19, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Worcester, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Worcester, Massachusetts' major federal programs for the fiscal year ended June 30, 2017. 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 \$490,788 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Worcester Redevelopment Authority because they engaged for a separate audit and their audit did not meet the requirements of OMB.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Worcester, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Worcester, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Worcester, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005 and 2017-006. Our opinion on the major federal programs is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 2017-001, 2017-002, 2017-003, 2017-004, 2017-005 and 2017-006 to be significant deficiencies.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the fiscal year ended June 30, 2017, 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, 2016) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2017). The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Boston, Massachusetts
February 27, 2018, except for the schedule of federal awards
which is dated December 19, 2017

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CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
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	\$ 3,301,599	\$ -
National School Lunch Program - Cash Assistance	10.555	14-348	9,178,017	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	1,181,601	-
Subtotal CFDA 10.555			<u>10,359,618</u>	<u>-</u>
Subtotal Child Nutrition Cluster			<u>13,661,217</u>	<u>-</u>
Fruit and Vegetable Program	10.582	14-348	320,323	-
Total U.S. Department of Agriculture			<u>13,981,540</u>	<u>-</u>
U.S. Department of Commerce				
<u>Direct programs:</u>				
Economic Development Support for Planning Organizations	11.302	Not Applicable	1,910	-
U.S. Department of Housing and Urban Development				
<u>Direct programs:</u>				
Community Development Block Grant	14.218	Not Applicable	6,984,744	2,154,699
Emergency Shelter Grants Program	14.231	Not Applicable	340,312	290,401
HOME Investment Partnerships Program	14.239	Not Applicable	770,911	679,267
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	548,673	536,954
<u>Passed through the State Department of Housing and Community Development:</u>				
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	36,113	31,370
Total U.S. Department of Housing and Urban Development			<u>8,680,753</u>	<u>3,692,691</u>
U.S. Department of Justice				
<u>Direct programs:</u>				
Youth Gang Prevention	16.544	Not Applicable	17,695	10,853
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	26,999	-
Office of Violence Against Women Improving Criminal Justice Responses	16.590	Not Applicable	40,468	18,448
Subtotal CFDA 16.590			<u>67,467</u>	<u>18,448</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	79,776	-
ARRA - Edward Byrne Memorial Justice Assistance Grant/Grants to State and Territories	16.803	Not Applicable	1,643	-
Edward Byrne Memorial Criminal Justice Innovative Program	16.817	Not Applicable	38,880	-
<u>Passed through the Executive Office of Public Safety and Security</u>				
Violence Against Women Formula Grants (fiscal 17)	16.588	2017-WF-AX-0011	8,779	8,603
Violence Against Women Formula Grants (fiscal 16)	16.588	2016-WF-AX-0011	25,894	25,262
Subtotal CFDA 16.588			<u>34,673</u>	<u>33,865</u>
<u>Passed through the DOJ to Worcester County Sheriff's Office</u>				
Residential Substance Abuse Treatment	16.593	SDW	(2,853)	-
Total U.S. Department of Justice			<u>237,281</u>	<u>63,166</u>
U.S. Department of Labor				
<u>Passed through the State Department of Career Services:</u>				
Employment Service/Wagner-Peyser Funded	17.207	CT EOL 17CCWORCWP/CT EOL 16CCWORCWP	120,556	-
Disabled Veterans' Outreach Program	17.801	CTEOL17CCWORCVETSUI/CTEOL16CCWORCVETSUI	49,611	-
Unemployment Insurance	17.225	CT EOL 16CCWORCVETSUI/CT EOL 17CCWORCVETSUI/CT EOL 16CCWORCWP/CT EOL 17CCWORCWP	35,175	-
Emergency Unemployment Compensation Reemployment & Eligibility Assessment	17.225	CT EOL 17CCWORCNEGREA/CT EOL 16CCWORCNEGREA	225,348	-
Subtotal CFDA 17.225			<u>260,523</u>	<u>-</u>
Trade Adjustment Assistance	17.245	CT EOL 15CCWORCTRADE/CT EOL 16CCWORCTRADE	35,434	-

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
<i>WIA Cluster:</i>				
WIA Adult Program	17.258	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA/CT EOL 15CCWORCWIA	1,001,494	-
WIA Youth Activities	17.259	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA/CT EOL 15CCWORCWIA	1,327,254	893,477
WIA Dislocated Workers	17.278	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA\CT EOL 15CCWORCWIA	995,740	-
Subtotal WIA Cluster			<u>3,324,488</u>	<u>893,477</u>
Workforce Innovation	17.283	CT EOL 15CCWORCNEGREA	207,356	-
Total U.S. Department of Labor			<u>3,997,968</u>	<u>893,477</u>
U.S. Department of Transportation				
<u>Passed through the State Office of Emergency Management:</u>				
Public Transportation Research	20.514	49USC5322	100,810	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2015 2016 HMEP/2016 2017 HMEP	4,176	-
Total U.S. Department of Transportation			<u>104,986</u>	-
Environmental Protection Agency				
<u>Direct Programs:</u>				
Environmental Policy and Innovation Grants	66.811	Not Applicable	366,535	338,000
U.S. Department of Education				
<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	258	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Title I Distribution (fiscal year 2017)	84.010	323-007-7-0348-R	8,926,842	-
Title I Distribution (fiscal year 2016)	84.010	305-075149-2016-0348	2,591,102	-
Title I School Redesign (fiscal year 2017)	84.010	511-061-7-0348-R	441,717	-
Title I School Support (fiscal year 2016)	84.010	320-151-6-0348-Q	44,765	-
Title I School Support	84.010	320-176-6-0348-Q	1,200	-
Title I School Support	84.010	321-013-6-0348-Q	1,600	-
Title I School Support	84.010	321-002-7-0348-R	124	-
Title I School Support	84.010	323-007-7-0348-R	174,965	-
Title I School Support	84.010	321-005-7-0348-R	70	-
Title I School Support	84.010	321-014-6-0348-Q	5,508	-
Title I School Support	84.010	323-008-6-0348-Q	77,300	-
Subtotal Title I and CFDA 84.010			<u>12,265,193</u>	-
Title I, Part D, Subpart 1 Neglected or Delinquent	84.013	CT SDW 10241000000000 1337 SDW	(1,000)	-
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-095231-2017-0348	7,287,331	-
SPED 94-142 Allocation (fiscal year 2016)	84.027	240-092-6-0348-Q	62,431	-
SPED Program Improvement (fiscal year 2017)	84.027	274-257-7-0348-R	6,106	-
SPED Program Improvement (fiscal year 2016)	84.027	274-207-6-0348-Q	43,136	-
SPED Mass Urban (fiscal year 2017)	84.027	240-136408-2017-0318-1.0	32,373	-
SPED Mass Urban (fiscal year 2016)	84.027	240-327-6-0348-Q	13,203	-
SPED Project Prep	84.027	240-407-6-0348-Q	8,494	-
Subtotal CFDA 84.027			<u>7,453,074</u>	-
SPED Early Childhood Program Improvement	84.173	298-573-5-0348-P	5,270	-
<u>Passed through the State Department of Early Education and Care:</u>				
<i>Special Education Cluster (continued)</i>				
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217WORCESTER	6,282	-
SPED Early Childhood Allocation (fiscal year 2016)	84.173	298-733-6-0348-Q	2,470	-
Subtotal CFDA 84.173			<u>14,022</u>	-
Subtotal Special Education Cluster			<u>7,467,096</u>	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Career and Technical Education	84.048	405-007-7-0348-R	8,684	-
CTE Partnership	84.048	406-006-7-0348-R	15,848	-
Perkins Secondary (fiscal year 2017)	84.048	400-006-7-0348	388,610	-
Perkins Secondary (fiscal year 2016)	84.048	400-005-6-0348-Q	128,902	-
Subtotal CFDA 84.048			<u>542,044</u>	-

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
Education for Homeless Children & Youth (fiscal year 2017)	84.196	310-092-7-0348	24,833	-
Education for Homeless Children & Youth (fiscal year 2016)	84.196	310-015-6-0348-Q	22,198	-
Subtotal CFDA 84.196			47,031	-
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-183-7-0348-R/647-205-6-0348-Q	3,959	-
Massachusetts 21st Century CLC - Summer	84.287	647-014-7-0348-R	40,882	-
Massachusetts 21st Century CLC - Burncoat	84.287	647-134-7-0348-R	69,407	-
21st Century CLC (fiscal year 2017)	84.287	647-038-7-0348	66,258	-
21st Century CLC (fiscal year 2016)	84.287	647-152-6-0348-Q	8,570	-
Subtotal CFDA 84.287			189,076	-
High School Graduation Initiative (fiscal year 2015)	84.360	12CRJC3	22,717	-
Title III - English Language Acquisition (ELA) (fiscal year 2017)	84.365	180-041-7-0348/180-036-7-0348-R	913,845	-
Title III - ELA (fiscal year 2016)	84.365	180-032-6-0348-Q/180-131-6-0348-Q	275,533	-
Title III - ELA - Summer (fiscal year 2017)	84.365	184-010-7-0348-R	32,583	-
Title III - ELA - Supplemental (fiscal year 2016)	84.365	182-007-6-0348-Q	12,158	-
Subtotal CFDA 84.365			1,234,119	-
Title IIA - Improving Teacher Quality (ITQ) (fiscal year 2017)	84.367	0140-096278-2017-0348	1,591,868	-
Title IIA - ITQ (fiscal year 2016)	84.367	140-077370-2016-0348	93,772	-
Title IIA - ITQ (fiscal year 2015)	84.367	140-008701-2015-0348	38,370	-
Subtotal CFDA 84.367			1,724,010	-
PD Framework	84.370	144-010-7-0348-R	333	-
Total U.S. Department of Education			23,490,877	-
U.S. Department of Health and Human Services				
<u>Direct Programs:</u>				
Head Start Program	93.600	Not Applicable	5,688,992	-
<u>Passed through the State Department of Public Health:</u>				
Medical Reserve Corps Grant	93.008	4516-1010	10,948	-
Public Health Emergency Preparedness	93.069	4510040/45161024	550,003	-
Partnership for the Enhancement of the Regional Preparedness	93.074	4516-1021/4516-1010	540,086	-
Early Childhood Mental Health	93.104	4512-9069	76,484	-
Childhood Lead Poisoning Prevention Program	93.197	INTF7900MM3701516135	41,975	-
Substance Abuse and Mental Health Services Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.243	W30816	74,563	-
The Patient Protection and Affordable Care Act Mass in Motion	93.283	4512-9069	1,683	-
National Bioterrorism Hospital Preparedness	93.541	INTF1100P01203816181	4,208	-
Block Grants for Prevention and Treatment of Substance Abuse	93.758	502925	58,759	-
Maternal and Child Health Services	93.889	4510-0404	119,565	-
	93.959	4512-9068/4512-9069	403,477	-
	93.994	4512-9069	739	-
<u>Passed through the State Department of Health and Human Services:</u>				
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	CT ORI 0100 15 TAG000003	184,918	-
School-Based Medicaid Reimbursement Program	93.778	1950622	1,832,454	-
Total U.S. Department of Health and Human Services			9,588,854	-
Office of National Drug Control Policy				
<u>Direct Programs:</u>				
High Intensity Drug Trafficking Areas Program	95.001	Not Applicable	61,609	-
U.S. Department of Homeland Security				
<u>Direct Programs:</u>				
Staffing for Adequate Fire and Emergency Response	97.083	Not Applicable	1,272,106	-
Lead Hazard Grant	97.044	Not Applicable	1,010,036	551,060
FEMA	97.044	Not Applicable	200,500	163,127
Subtotal CFDA 97.044			1,210,536	714,187
<u>Passed through the State Office of Emergency Management:</u>				
Emergency Management Performance Grants	97.042	CT CDA FY 15EMPG1000000WORC	64,862	-
Emergency Management Performance Grants	97.042	FY17EMPG1600000WORC	7,161	-
Subtotal CFDA 97.042			72,023	-

CITY OF WORCESTER, MASSACHUSETTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
<u>Passed through the State Executive Office of Public Safety & Homeland Security:</u>				
Homeland Security Grant Program	97.067	80004700	74,974	-
Total U. S. Department of Homeland Security			2,629,639	714,187
Total			\$ 63,141,952	\$ 5,701,521

(concluded)

CITY OF WORCESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Worcester, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Indirect Costs

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

Note 3 – U.S. Department of Agriculture

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

Note 4 – U.S. Department of Transportation

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

Note 5 – U.S. Department of Health and Human Services

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

Note 6 – U.S. Department of Homeland Security

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

CITY OF WORCESTER, MASSACHUSETTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X None reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

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

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

Identification of Major Programs:

10.553 and 10.555	Child Nutrition Cluster
17.258, 17.259 and 17.278	WIOA Cluster
84.365	Title III - English Language Acquisition
84.367	Title IIA - Improving Teacher Quality
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,894,259

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, 2017

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

DEPARTMENT OF EDUCATION

2017-001 Title III - English Language Acquisition - CFDA No. 84.365; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

Criteria: For employees who work on a Federal grant program, semi-annual time and effort certifications, personnel activity forms, or time sheets must support the portion of time and effort dedicated to the grant.

Condition and Context: Time and effort was not documented for 1 of 40 payroll transactions tested. For 1 of 40 payroll transactions tested, time and effort approval was not dated.

Cause: Procedures were not in place to consistently document time and effort that is reflective of actual salary charges to the grant. In addition, procedures were not in place to consistently date time and effort approvals to provide evidence that approval occurred prior to the payroll disbursement.

Effect: In the absence of accurate time and effort documentation, it is possible that salaries charged to the grant are overstated or understated resulting in noncompliance of certain allowable cost requirements.

Questioned Costs: Less than the reportable threshold (\$200,516 of the Uniform Guidance)

Auditors' Recommendation: Procedures must be implemented to ensure that time and effort certifications are prepared and approved timely and accurately, using personnel activity reports or time sheets for employees whose salary is charged to various cost objectives or other revenue sources.

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: The district has revised the procedures to ensure that time and effort certifications are prepared and approved timely, as well as accurately. The finance department will incorporate an additional quarterly review process to determine that all certifications are being completed for required staff.

Responsible Party: Worcester Public Schools Budget Office will monitor expenditure transactions to ensure proper procedures are being completed.

Planned completion date for corrective action plan: Already in Process

Plan to monitor completion of corrective action plan: The Worcester Public Schools Budget Office will continue to review expenditures and incorporate all required documentation with corresponding journal entries in the district's electronic filing system.

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-002 Title III - English Language Acquisition - CFDA No. 84.365; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Reporting

Criteria: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of reporting. The pass-through entity (Massachusetts Department of Elementary and Secondary Education, or DESE) requires Final Financial Reports (FR-1) be submitted within 60 days of the grant period end date.

Condition/Context: The FR-1 reports for the fiscal year 2015 and 2016 grant awards were not filed timely.

Effect: Noncompliance with reporting requirements.

Cause: Procedures were not in place to file all required reports timely.

Questioned Costs: None.

Auditors' Recommendation: Procedures must be implemented to file all required reports timely.

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: The district has revised the procedures to ensure that the confirmation of all FR-1 reports for prior fiscal years are completed within the guidelines.

Responsible Party: Worcester Public Schools Budget Office will monitor all financial grant reporting and confirm that reports are being completed in a timely manner.

Planned completion date for corrective action plan: Already in Process

Plan to monitor completion of corrective action plan: The Worcester Public Schools Budget Office has taken necessary action steps to restructure processes that have allowed these reports to remain unfiled after the deadline.

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-003 Title IIA - Improving Teacher Quality - CFDA No. 84.367; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

Criteria: For employees who work on a Federal grant program, semi-annual time and effort certifications, personnel activity forms, or time sheets must support the portion of time and effort dedicated to the grant.

Condition and Context: Time and effort was not documented for 1 of 40 payroll transactions tested.

Cause: Procedures were not in place to consistently document time and effort that is reflective of actual salary charges to the grant.

Effect: In the absence of accurate time and effort documentation, it is possible that salaries charged to the grant are overstated or understated resulting in noncompliance of certain allowable cost requirements.

Questioned Costs: Less than the reportable threshold (\$200.516 of the Uniform Guidance)

Auditors' Recommendation: Procedures must be implemented to ensure that time and effort certifications are prepared and approved timely and accurately, using personnel activity reports or time sheets for employees whose salary is charged to various cost objectives or other revenue sources.

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: The district has revised the procedures to ensure that time and effort certifications are prepared and approved timely, as well as accurately. The finance department will incorporate an additional quarterly review process to determine that all certifications are being completed for required staff.

Responsible Party: Worcester Public Schools Budget Office will monitor expenditure transactions to ensure proper procedures are being completed.

Planned completion date for corrective action plan: Already in Process

Plan to monitor completion of corrective action plan: The Worcester Public Schools Budget Office will continue to review expenditures and incorporate all required documentation with corresponding journal entries in the district's electronic filing system.

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-004 Title IIA - Improving Teacher Quality - CFDA No. 84.367; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Reporting

Criteria: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of reporting. The pass-through entity (Massachusetts Department of Elementary and Secondary Education, or DESE) requires Final Financial Reports (FR-1) be submitted within 60 days of the grant period end date.

Condition/Context: The FR-1 report for the fiscal year 2016 grant award was not filed timely.

Effect: Noncompliance with reporting requirements.

Cause: Procedures were not in place to file all required reports timely.

Questioned Costs: None.

Auditors' Recommendation: Procedures must be implemented to file all required reports timely.

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: The district has revised the procedures to ensure that the confirmation of all FR-1 reports for prior fiscal years are completed within the guidelines.

Responsible Party: Worcester Public Schools Budget Office will monitor all financial grant reporting and confirm that reports are being completed in a timely manner.

Planned completion date for corrective action plan: Already in Process

Plan to monitor completion of corrective action plan: The Worcester Public Schools Budget Office has taken necessary action steps to restructure processes that have allowed these reports to remain unfiled after the deadline.

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-005 Title IIA - Improving Teacher Quality - CFDA No. 84.367; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Special Tests and Provisions

Criteria: Federal guidelines require that schools participating under a schoolwide program have schoolwide plans that must include the following components: (1) schoolwide reform strategies (section 200.28(a)), (2) instruction by highly qualified professional staff (section 200.28(b)), (3) strategies to increase parental involvement (section 200.28(c)), (4) additional support to students experiencing difficulty (section 200.28(d)) and (5) transition plans for assisting preschool children in the successful transition to the schoolwide program (section 200.28(e)).

Condition/Context: All four (4) schoolwide plans tested did not include transition plans for assisting preschool children in the successful transition to the schoolwide program.

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

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

Questioned Costs: None.

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

Views of Responsible Officials and Corrective Action:

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

Actions planned in response to finding: The district has revised the guidance provided to schools for 2017-2018 related to inclusion of all components required in School Accountability Plans, including transition plans for assisting preschool children in the successful transition to schoolwide Title I programs. (However, the relationship of schoolwide plans to Title IIA is unclear, and further official guidance has been requested.)

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

Planned completion date for corrective action plan: Guidance to the schools has already been provided in the instructions for the preparation of subsequent School Accountability Plans.

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

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-006 Head Start Cluster - CFDA No. 93.600; Fiscal year ended June 30, 2017

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

Criteria: For employees who work on a Federal grant program, semi-annual time and effort certifications, personnel activity forms, or time sheets must support the portion of time and effort dedicated to the grant.

Condition and Context: For 10 of 40 payroll transactions tested, time and effort documentation did not reconcile to the charges to the grant.

Cause: Procedures were not in place to consistently document time and effort that is reflective of actual salary charges to the grant.

Effect: In the absence of accurate time and effort documentation, it is possible that salaries charged to the grant are overstated or understated resulting in noncompliance of certain allowable cost requirements.

Questioned Costs: Less than the reportable threshold (\$200.516 of the Uniform Guidance)

Auditors' Recommendation: Procedures must be implemented to ensure that time and effort certifications are prepared and approved timely and accurately, using personnel activity reports or time sheets for employees whose salary is charged to various cost objectives or other revenue sources.

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

Actions planned in response to finding: The district has revised the procedures to ensure that time and effort certifications are prepared and approved timely, as well as accurately. The finance department will incorporate an additional quarterly review process to determine that all certifications are being completed for required staff.

Responsible Party: Worcester Public Schools Budget Office will monitor expenditure transactions to ensure proper procedures are being completed.

Planned completion date for corrective action plan: Already in Process

Plan to monitor completion of corrective action plan: The Worcester Public Schools Budget Office will continue to review expenditures and incorporate all required documentation with corresponding journal entries in the district's electronic filing system.

Corrective Action Plan: As described previously.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

D. Summary of Prior Audit Findings

MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

Noncompliance and Significant Deficiency in the Internal Control over Major Programs

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

Compliance Requirement: Allowable Costs/Cost Principles

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

Current Status: While this program did not meet the criteria of a major program in fiscal year 2017, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, this finding has been resolved.

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

Compliance Requirement: Special Tests and Provisions

Condition: Two (2) of five (5) schoolwide plans did not include all required elements.

Current Status: While this program did not meet the criteria of a major program in fiscal year 2017, compliance testing was performed to follow up on this prior year audit finding. Based on our follow up procedures, the status remains unchanged.