

**CITY OF WORCESTER, MASSACHUSETTS**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Certified Public Accountants

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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 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, 2008 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2007), which collectively comprise the City of Worcester, Massachusetts' basic financial statements and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Worcester, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Worcester, Massachusetts' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Worcester, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Worcester, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the City of Worcester, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Worcester, Massachusetts' internal control.

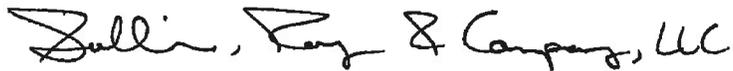
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Worcester, Massachusetts' financial statements are free of 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*.

We noted certain matters that we reported to management of the City of Worcester, Massachusetts, in a separate letter dated October 27, 2008.

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 27, 2008



Certified Public Accountants

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**Independent Auditors' Report on Compliance with Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Worcester, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Worcester, Massachusetts' management. Our responsibility is to express an opinion on the City of Worcester, Massachusetts' compliance based on our audit.

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. Our audit does not provide a legal determination of the City of Worcester, Massachusetts' compliance with those requirements.

As described in item 08-1 in the accompanying schedule of findings and questioned costs, the City of Worcester, Massachusetts did not comply with requirements regarding allowable costs/cost principles that are applicable to its Centers for Disease Control & Prevention – Investigations and Technical Assistance program. Compliance with such requirements is necessary, in our opinion, for the City of Worcester, Massachusetts to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Worcester, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

## Internal Control Over Compliance

The management of the City of Worcester, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Worcester, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance as described above to be a material weakness.

## 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, 2008 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2007), and have issued our report thereon dated October 27, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Worcester, Massachusetts' basic financial statements. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of Worcester, Massachusetts' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Worcester, Massachusetts' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sullivan, King & Company, LLC*

October 27, 2008

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Education:</u>			
Food Distribution Program	10.550	14-348	\$ 536,874
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	14-348	2,235,698
National School Lunch Program	10.555	14-348	5,793,527
Total U.S. Department of Agriculture			<u>8,566,099</u>
<b>U.S. Department of Commerce</b>			
<u>Direct Program:</u>			
Economic Development Administration Grant	11.302	Not Applicable	<u>64,460</u>
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct programs:</u>			
Community Development Block Grant	14.218	Not Applicable	4,858,871
Emergency Shelter Grants Program	14.231	Not Applicable	215,134
Supportive Housing Program	14.235	Not Applicable	1,558,503
Shelter Plus Care	14.238	Not Applicable	239,069
HOME Program	14.239	Not Applicable	4,294,080
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	381,784
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	Not Applicable	36,921
<u>Passed through the State Department of Housing and Community Development:</u>			
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	<u>296,382</u>
Total U.S. Department of Housing and Urban Development			<u>11,880,744</u>
<b>U.S. Department of Justice</b>			
<u>Direct programs:</u>			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	117,357
Weed and Seed Program	16.595	Not Applicable	148,103
Bulletproof Vest Partnership Program	16.607	Not Applicable	56,800
COPS Universal Hiring Grant	16.710	Not Applicable	186,624
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Applicable	180,401
<u>Passed through the State Executive Office of Public Safety:</u>			
Juvenile Justice and Delinquency Prevention	16.540	SCEPS 8100WORCSTARCAP	17,363
Violence Against Women Discretionary Grants	16.587	SCEPS 3001	<u>19,560</u>
Total U.S. Department of Justice			<u>726,208</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department of Labor</b>			
<u>Passed through the State Division of Career Services:</u>			
Employment Service	17.207	CT EOL 3250 06OSCC01WORC01	141,495
Unemployment Insurance	17.225	CT EOL 3250 06OSCC01WORC01	714
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	CT EOL 3250 06OSCC01WORC02	1,032,570
WIA Youth Activities	17.259	CT EOL 3250 06OSCC01WORC02	1,099,350
WIA Dislocated Workers	17.260	CT EOL 3250 06OSCC01WORC03	1,316,326
Work Incentive Grants	17.266	CT EOL 3250 06OSCC01WORC01	44,467
Incentive Grants - WIA Section 503	17.267	7483	19,592
Disabled Veterans' Outreach Program	17.801	CT EOL 3250 06OSCC01WORC01	1,820
Local Veterans' Employment Representative Program	17.804	CT EOL 3250 06OSCC01WORC01	736
<u>Passed through Senior Service America, Inc.:</u>			
Senior Community Service Employment Program	17.235	AD-16177-07-60	<u>371,993</u>
Total U.S. Department of Labor			<u>4,029,063</u>
<b>U.S. Department of Transportation</b>			
<u>Direct Program:</u>			
Federal Transit - Capital Investment Grants	20.500	Not Applicable	6,050,006
<u>Passed through Massachusetts Aeronautics Commission:</u>			
Airport Improvement Program	20.106	3-25-0053-36-2008	<u>478,083</u>
Total U.S. Department of Transportation			<u>6,528,089</u>
<b>National Endowment for the Humanities</b>			
<u>Direct Program:</u>			
Our Living Past Grant	45.167	Not Applicable	<u>44,716</u>
<b>Environmental Protection Agency</b>			
<u>Direct Program:</u>			
Environmental Policy and Innovation Grants	66.811	Not Applicable	<u>184,132</u>
<b>U.S. Department of Education</b>			
<u>Direct Programs:</u>			
Safe & Drug Free Schools and Communities - National Program	84.184	Not Applicable	498,446
Partners for Success Program	84.215E	Not Applicable	51,469
Smaller Learning Communities Program	84.215L	Not Applicable	119,579
Teaching American History Grant	84.215X	Not Applicable	447,118
Research in Special Education	84.324	Not Applicable	61,510
Early Reading First	84.359	Not Applicable	225
Literacy Through School Libraries	84.364	Not Applicable	223,858

(continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department of Education (continued)</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Adult Education State Grant Program (fiscal year 2007)	84.002	345-002-7-1512-H	15,298
Adult Education State Grant Program (fiscal year 2008)	84.002	345-002-8-1512-I	37,912
Title I Distribution (fiscal year 2007)	84.010	305-012-7-0348-H	3,204,569
Title I Distribution (fiscal year 2008)	84.010	305-094-8-0348-I	6,702,519
Title I School Support (fiscal year 2007)	84.010	323-015-7-0348-H	43,118
Title I School Support (fiscal year 2008)	84.010	323-011-8-0348-I	101,849
Title I School Support (fiscal year 2008)	84.010	323-020-8-0348-I	13,825
Title I Comprehensive School Reform (fiscal year 2007)	84.010	573-009-7-0348-H	12,369
<i>Special Education Cluster:</i>			
SPED 94-142 Allocation (fiscal year 2007)	84.027	240-175-7-0348-H	397,167
SPED 94-142 Allocation (fiscal year 2008)	84.027	240-246-8-0348-I	6,488,771
SPED Program Improvement (fiscal year 2007)	84.027	274-244-7-0348-H	118,578
SPED Program Improvement (fiscal year 2008)	84.027	274-067-8-0348-I	25,287
SPED Secondary Reading (fiscal year 2007)	84.027	267-021-7-0348-H	41,986
SPED Secondary Reading (fiscal year 2008)	84.027	267-013-8-0348-I	58,097
SPED Mass Urban (fiscal year 2007)	84.027	240-260-7-0348-H	11,438
SPED Mass Urban (fiscal year 2008)	84.027	240-251-8-0348-I	24,697
SPED Electronic Portfolio (fiscal year 2007)	84.027	242-034-7-0348-H	95
SPED Supplemental Deaf (fiscal year 2008)	84.027	241-003-8-0348-I	1,132
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued):</i>			
SPED Early Childhood Allocation (fiscal year 2007)	84.173	26207 Worcester Public	241
SPED Early Childhood Allocation (fiscal year 2008)	84.173	26208 Worcester Public	279,196
Occupational Education-Vocational Skills (fiscal year 2007)	84.048	400-035-7-0348-H	85,150
Occupational Education-Vocational Skills (fiscal year 2008)	84.048	400-055-8-0348-I	442,659
Title V (fiscal year 2007)	84.151	302-252-7-0348-H	19,592
Title V (fiscal year 2008)	84.151	302-107-8-0348-I	50,785
Safe and Drug-Free Schools (fiscal year 2007)	84.186	331-012-7-0348-H	45,498
Safe and Drug-Free Schools (fiscal year 2008)	84.186	331-097-8-0348-I	43,363
Education for Homeless Children & Youth (fiscal year 2007)	84.196	310-004-7-0348-H	27,213
Education for Homeless Children & Youth (fiscal year 2008)	84.196	310-006-8-0348-I	65,332
Technical Preparation Education (fiscal year 2007)	84.243	468-007-7-0348-H	41,102
Technical Preparation Education (fiscal year 2008)	84.243	468-004-8-0348-I	146,861
21st Century Community Learning Centers (fiscal year 2007)	84.287	647-027-7-0348-H	296,414
21st Century Community Learning Centers (fiscal year 2008)	84.287	647-006-8-0348-I	400,000
21st Century Community Learning Centers (fiscal year 2008)	84.287	647-047-8-0348-I	174,047
21st Century Community Learning Centers (fiscal year 2008)	84.287	647-039-8-0348-I	510,214
Enhanced Education Through Technology (fiscal year 2007)	84.318	160-023-7-0348-H	29,516
Enhanced Education Through Technology (fiscal year 2008)	84.318	160-066-8-0348-I	80,216
Integrated Technology Models (fiscal year 2007)	84.318	165-003-7-0348-H	60,998
Technology Enhancement - Options (fiscal year 2007)	84.318	170-024-7-0348-H	64,419
Technology Data Driven Decisions (fiscal year 2008)	84.318	164-013-8-0348-I	68,247
Transition to Teaching (fiscal year 2007)	84.350	DOE7WORCEPUBLISCH177511	30,340
Transition to Teaching (fiscal year 2008)	84.350	72400WORCESTERPS0066	36,461
Reading First (fiscal year 2007)	84.357	728-028-7-0348-H	257,408
Reading First (fiscal year 2008)	84.357	728-024-8-0348-I	424,048
Title III - English Language Acquisition (fiscal year 2007)	84.365	180-034-7-0348-H	120,136

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department of Education (continued)</b>			
Title III - English Language Acquisition (fiscal year 2008)	84.365	180-066-8-0348-I	606,448
Title III - English Language Acquisition (fiscal year 2008)	84.365	180-004-8-0348-I	5,000
Title III - English Language Acquisition (fiscal year 2008)	84.365	180-094-8-0348-I	50
Mathematics and Science Partnerships (fiscal year 2007)	84.366	150-003-7-0348-H	95,383
Title IIA - Improving Teacher Quality (fiscal year 2007)	84.367	140-015-7-0348-H	1,514,128
Title IIA - Improving Teacher Quality (fiscal year 2008)	84.367	140-179-8-0348-I	551,802
			<hr/>
Total U.S. Department of Education			25,273,179
<b>U.S. Department of Health and Human Services</b>			
<u>Direct Programs:</u>			
Head Start	93.600	Not Applicable	5,748,534
Consolidated Knowledge Development and Application Program	93.230	Not Applicable	181,075
<u>Passed through the State Department of Social Services:</u>			
Promoting Safe and Stable Families	93.556	INTF0000009950719142	134,973
<u>Passed through the State Department of Public Health:</u>			
Public Health and Social Services Emergency Fund Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.003	INTF6207P01W55707675	6,947
	93.283	INTF6208P01RFR459031	1,136,017
<u>Passed through the State Department of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1950622	5,631,897
			<hr/>
Total U.S. Department of Health and Human Services			12,839,443
<b>Corporation for National and Community Service</b>			
<u>Direct Program:</u>			
Retired Senior Volunteer Program	94.002	Not Applicable	37,163
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Learn and Serve America - School and Community Based Programs (fiscal year 2007)	94.004	354-035-7-0348-H	5,771
Learn and Serve America - School and Community Based Programs (fiscal year 2007)	94.004	354-010-7-0348-H	769
Learn and Serve America - School and Community Based Programs (fiscal year 2007)	94.004	355-004-7-0348-H	11,789
Learn and Serve America - School and Community Based Programs (fiscal year 2008)	94.004	354-005-8-0348-H	2,815
Learn and Serve America - School and Community Based Programs (fiscal year 2008)	94.004	355-011-8-0348-H	9,934
			<hr/>
Total Corporation for National and Community Service			68,241

(continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<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>Passed through the State Executive Office of Public Safety &amp; Homeland Security:</u>			
Homeland Security Grant Program (fiscal year 2006)	97.004	SCEPSMMRS06WORCESTER	46,321
Homeland Security Grant Program (fiscal year 2007)	97.067	SCEPSMMRS07WORCESTER	3,419
<u>Passed through the State Office of Emergency Management:</u>			
Assistance to Firefighters	97.044	EMW-2007-FO-06324	79,829
Total U. S. Department of Homeland Security			<u>129,569</u>
Total			\$ <u>70,333,943</u>
			(concluded)

See notes to schedule of expenditures of federal awards.

**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 cash 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 Food Distribution 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 and National School Lunch Program represents cash receipts from federal reimbursements.

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

The amounts reported for the Airport Improvement Program and Federal Transit – Capital Investment 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 cash receipts.

**Note 5 – Sub-recipients**

The City of Worcester, Massachusetts provided the following awards to sub-recipients for the fiscal year ended June 30, 2008:

Program Description	CFDA Number	Amount
Community Development Block Grant	14.218	\$ 3,308,911
Emergency Shelter Grants Program	14.231	205,139
Supportive Housing Program	14.235	1,522,262
Shelter Plus Care	14.238	239,069
HOME Program	14.239	3,866,147
Housing Opportunities for Persons with AIDS	14.241	370,989
Community Development Block Grant/ Brownfields Economic Development Initiative	14.246	15,764
Juvenile Justice and Delinquency Prevention	16.540	17,190
Violence Against Women Discretionary Grants	16.587	19,375
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	112,874
Weed and Seed Program	16.595	133,464
Bulletproof Vest Partnership Program	16.607	56,800
Edward Byrne Memorial Justice Assistance Grant Program	16.738	131,923
Senior Community Service Employment Program	17.235	371,993
WIA Youth Activities	17.259	759,063
Public Health and Social Services Emergency Fund	93.003	6,947
Promoting Safe and Stable Families	93.556	126,174
Assistance to Firefighters Grant	97.044	79,829
		\$ 11,343,914

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Worcester, Massachusetts.
2. There were no significant deficiencies disclosed during the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements of the City of Worcester, Massachusetts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency (considered to be a material weakness) in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Worcester, Massachusetts expresses a qualified opinion on the Centers for Disease Control & Prevention - Investigations and Technical Assistance program and an unqualified opinion on all other major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule on page 15.
7. The programs tested as major programs were:

<u>Program Description</u>	<u>CFDA Number</u>
<i>Child Nutrition Cluster:</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Community Development Block Grant	14.218
HOME Program	14.239
<i>WIA Cluster:</i>	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Federal Transit - Capital Investment Grants	20.500
Title I Distribution Program	84.010
Title I School Support	84.010
Title I Comprehensive School Reform	84.010
Partners for Success Program	84.215E
Smaller Learning Communities Program	84.215L
Teaching American History Program	84.215X
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283
Head Start Program	93.600
School-Based Medicaid Reimbursement Program	93.778

8. The threshold used for distinguishing between Type A and B programs was \$2,110,018.
9. The City of Worcester, Massachusetts did not qualify as a low-risk auditee.

#### B. Findings – Financial Statement Audit

None.

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

##### DEPARTMENT OF HEALTH AND HUMAN SERVICES

##### *Significant Deficiency Considered to be a Material Weakness*

- 08-1 Centers for Disease Control & Prevention – Investigations and Technical Assistance – CFDA No. 93.283; Fiscal year ended June 30, 2008

*Condition and Criteria:* Program management does not maintain the required documentation related to the support of salaries and wages related to its major programs as prescribed in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. Procedures to ensure accountability for authorization of federal grant charges must be in place to determine allowable costs and cost principles.

*Cause:* Procedures are not in place to accumulate the required documentation.

*Effect:* As a result of the required documentation not being maintained, the salary charges are subject to disallowance and, therefore, are considered a questioned cost.

*Questioned Costs:* Questioned costs related to this finding total \$30,618.

*Auditors' Recommendation:* Procedures must be implemented to ensure that appropriate supporting documentation is maintained and program management is aware of all compliance requirements of its major programs, including the allowable cost/cost principles requirements noted above. For employees that work on both the Centers for Disease Control & Prevention - Investigations and Technical Assistance program and other non-grant related activities, personnel activity reports must be maintained that (1) reflect an after-the-fact distribution of the actual activity of the employee, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly and coincide with one or more pay periods, and (4) must be signed by the employee.

*Grantee Response:* As required by OMB Circular A-87, the City shall maintain the prerequisite semiannual certifications or personnel activity reports to account for all payroll expenses charged to any federal program.

**D. Summary of Prior Audit Findings****FINANCIAL STATEMENT AUDIT***Significant Deficiencies*

## 07-1 Cash Receipts – Parking Garages

*Condition:* Procedures (internal controls) were not in place to submit deposit transmittal forms for parking garage receipts to the Treasurer/Collector's department on a timely basis.

*Current Status:* During fiscal year 2008, procedures were implemented to alleviate this finding.

## 07-2 Cash Receipts – Parking Meters

*Condition:* Procedures (internal controls) were not in place to submit deposit transmittal forms for parking meter receipts to the Treasurer/Collector's department on a timely basis.

*Current Status:* During fiscal year 2008, procedures were implemented to alleviate this finding.

**MAJOR FEDERAL AWARD PROGRAMS AUDIT****Department of Health and Human Services***Significant Deficiencies Considered to be Material Weaknesses*

## 07-3 Centers for Disease Control &amp; Prevention – Investigations and Technical Assistance – CFDA No. 93.283; Fiscal year ended June 30, 2007

*Condition:* Program management did not enter into formal written agreements when procuring consulting services paid from federal grant funds. Additionally, program management did not use formal advertising to solicit open competition for purchases of consulting services paid from federal grant funds, as prescribed in Massachusetts General Law (MGL) Chapter 30, Section B (Uniform Procurement Act).

*Current Status:* During fiscal year 2008, procedures were implemented to alleviate this finding.

## 07-4 Centers for Disease Control &amp; Prevention – Investigations and Technical Assistance – CFDA No. 93.283; Fiscal year ended June 30, 2007

*Condition:* Program management did not maintain the required documentation related to the support of salaries and wages related to its major programs as prescribed in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. Procedures to ensure accountability for authorization of federal grant charges must be in place to determine allowable costs and cost principles.

*Current Status:* The status has remained unchanged. Please see current year finding 08-1.