

CITY OF WORCESTER, MASSACHUSETTS

**REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CITY OF WORCESTER, MASSACHUSETTS
REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	Page
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	1
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	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	12
Schedule of Findings and Questioned Costs	13



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

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, 2009 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2008), which collectively comprise the City of Worcester, Massachusetts' basic financial statements and have issued our report thereon dated October 31, 2009. 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 31, 2009.

This report is intended solely for the information and use of management, the Mayor, 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.

A handwritten signature in black ink that reads "Julie J. & Company, LLC". The signature is written in a cursive, flowing style.

October 31, 2009



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

**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, 2009. 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 09-6 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, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that 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 09-2, 09-3, and 09-4.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-1 and 09-5 to be significant deficiencies.

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 deficiencies in internal control over compliance as described above to be material weaknesses.

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, 2009 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2008), and have issued our report thereon dated October 31, 2009. 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' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Worcester, Massachusetts' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, 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 & Co., LLC

October 31, 2009

This page left intentionally blank.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Food Distribution Program	10.550	14-348	\$ 585,466
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	14-348	2,416,554
National School Lunch Program	10.555	14-348	6,006,422
Summer Food Service Program for Children	10.559	14-348	85,577
Fruit and Vegetable Program	10.582	14-348	<u>49,975</u>
Total U.S. Department of Agriculture			<u>9,143,994</u>
U.S. Department of Housing and Urban Development			
<u>Direct programs:</u>			
Community Development Block Grant	14.218	Not Applicable	5,353,816
Emergency Shelter Grants Program	14.231	Not Applicable	207,318
Supportive Housing Program	14.235	Not Applicable	1,543,160
Shelter Plus Care	14.238	Not Applicable	247,650
HOME Program	14.239	Not Applicable	1,402,613
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	421,158
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	Not Applicable	592
<u>Passed through the State Department of Housing and Community Development:</u>			
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	<u>1,593,330</u>
Total U.S. Department of Housing and Urban Development			<u>10,769,637</u>
U.S. Department of Justice			
<u>Direct programs:</u>			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	285,980
Weed and Seed Program	16.595	Not Applicable	202,868
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Applicable	410,738
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.804	Not Applicable	223,684
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Discretionary Grants	16.587	SCEPS 3001	<u>18,525</u>
Total U.S. Department of Justice			<u>1,141,795</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ <u>Pass-Through Grantor/</u> Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Labor			
<u>Direct Program:</u>			
H-1B High Growth Job Training Grants	17.268	Not Applicable	31,586
<u>Passed through the State Division of Career Services:</u>			
Employment Service	17.207	CT EOL 3250 06OSCC01WORC01	103,048
Unemployment Insurance	17.225	CT EOL 3250 06OSCC01WORC01	1,510
<u>WIA Cluster:</u>			
WIA Adult Program	17.258	CT EOL 3250 06OSCC01WORC02	1,295,607
WIA Adult Program - Admin Costpool	17.258	CT EOL 3250 06OSCC01WORC02	115,672
WIA Adult Program - Recovery Act	17.258	CT EOL 3250 09STIMWORC01	2,113
WIA Adult Program - Recovery Act Admin Costpool	17.258	CT EOL 3250 09STIMWORC01	879
WIA Youth Activities	17.259	CT EOL 3250 06OSCC01WORC02	1,294,969
WIA Youth Activities - Admin Costpool	17.259	CT EOL 3250 06OSCC01WORC02	116,255
WIA Youth Activities - Recovery Act	17.259	CT EOL 3250 09STIMWORC01	790,724
WIA Youth Activities - Recovery Act Admin Costpool	17.259	CT EOL 3250 09STIMWORC01	14,194
WIA Dislocated Workers	17.260	CT EOL 3250 06OSCC01WORC03	1,468,459
WIA Dislocated Workers - Admin Costpool	17.260	CT EOL 3250 06OSCC01WORC03	111,405
WIA Dislocated Workers - Recovery Act	17.260	CT EOL 3250 09STIMWORC01	40,604
WIA Dislocated Workers - Recovery Act Admin Costpool	17.260	CT EOL 3250 09STIMWORC01	10,998
Work Incentive Grants	17.266	CT EOL 3250 06OSCC01 WORC01	7,083
Incentive Grants - WIA Section 503	17.267	7483	54,605
Disabled Veterans' Outreach Program	17.801	CT EOL 3250 06OSCC01WORC01	530
Veterans' Employment Program	17.802	CT EOL 3250 06TAA 001A - F0000	2,400
Local Veterans' Employment Representative Program	17.804	CT EOL 3250 06OSCC01WORC01	3,362
<u>Passed through Senior Service America, Inc.:</u>			
Senior Community Service Employment Program	17.235	AD-16177-07-60	300,229
Total U.S. Department of Labor			<u>5,766,232</u>
U.S. Department of Transportation			
<u>Direct Programs:</u>			
Federal Transit - Capital Investment Grants	20.500	Not Applicable	1,700,097
Small Community Air Service Development	20.930	Not Applicable	353,775
<u>Passed through Massachusetts Aeronautics Commission:</u>			
Airport Improvement Program	20.106	3-25-0053-36-2008	9,746,084
Total U.S. Department of Transportation			<u>11,799,956</u>
Environmental Protection Agency			
<u>Direct Program:</u>			
Environmental Policy and Innovation Grants	66.811	Not Applicable	31,328
U.S. Department of Education			
<u>Direct Programs:</u>			
Safe & Drug Free Schools and Communities - National Program	84.184	Not Applicable	269
Partners for Success Program	84.215E	Not Applicable	613,836
Teaching American History Grant	84.215X	Not Applicable	571,005
Early Reading First	84.359	Not Applicable	136,852
Literacy Through School Libraries	84.364	Not Applicable	265,034

(continued)

*Reports on IC over Financial Reporting,
Compliance and Federal Award Programs*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education (continued)			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title I Distribution (fiscal year 2008)	84.010	305-094-8-0348-I	4,962,217
Title I Distribution (fiscal year 2009)	84.010	305-225-9-0348-J	7,882,124
Title I School Support (fiscal year 2008)	84.010	323-011-8-0348-I	162,018
Title I School Support Carryover Grant (fiscal year 2008)	84.010	323-020-8-0348-I	69,126
Title I School Support (fiscal year 2009)	84.010	323-004-9-0348-J	196,562
<i>Special Education Cluster:</i>			
SPED 94-142 Allocation (fiscal year 2008)	84.027	240-246-8-0348-I	461,824
SPED 94-142 Allocation (fiscal year 2009)	84.027	240-269-9-0348-J	6,528,248
SPED Program Improvement (fiscal year 2008)	84.027	274-067-8-0348-I	111,413
SPED Program Improvement (fiscal year 2009)	84.027	274-153-9-0348-J	17,075
SPED Secondary Reading (fiscal year 2008)	84.027	267-013-8-0348-I	13,903
SPED Secondary Reading (fiscal year 2009)	84.027	267-004-9-0348-J	29,139
SPED Mass Urban (fiscal year 2008)	84.027	240-251-8-0348-I	12,303
SPED Mass Urban (fiscal year 2009)	84.027	240-270-9-0348-J	26,732
SPED Supplemental Deaf (fiscal year 2008)	84.027	241-003-8-0348-I	50
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued):</i>			
SPED Early Childhood Allocation (fiscal year 2008)	84.173	26208 Worcester Public	193
SPED Early Childhood Allocation (fiscal year 2009)	84.173	26209 Worcester Public	193,171
Kindergarten Curriculum Development (fiscal year 2009)	84.173	264-012-9-0348-J	66
Occupational Education-Vocational Skills (fiscal year 2008)	84.048	400-055-8-0348-I	168,492
Occupational Education-Vocational Skills (fiscal year 2009)	84.048	400-053-9-0348-J	409,342
Title V (fiscal year 2008)	84.151	302-107-8-0348-I	22,708
Safe and Drug-Free Schools (fiscal year 2008)	84.186	331-097-8-0348-I	193,179
Safe and Drug-Free Schools (fiscal year 2009)	84.186	331-083-9-0348-J	60,210
Education for Homeless Children & Youth (fiscal year 2008)	84.196	310-006-8-0348-I	13,372
Education for Homeless Children & Youth (fiscal year 2009)	84.196	310-035-9-0348-J	55,649
Technical Preparation Education (fiscal year 2008)	84.243	468-004-8-0348-I	11,479
21st Century Community Learning Centers (fiscal year 2008)	84.287	647-047-8-0348-I	25,801
21st Century Community Learning Centers (fiscal year 2009)	84.287	647-006-9-0348-J	219,363
21st Century Community Learning Centers (fiscal year 2008)	84.287	647-039-8-0348-I	80,108
21st Century Community Learning Centers (fiscal year 2009)	84.287	647-057-9-0348-J	985,794
Enhanced Education Through Technology (fiscal year 2008)	84.318	160-066-8-0348-I	28,678
Enhanced Education Through Technology (fiscal year 2009)	84.318	160-165-9-0348-J	75,077
Integrated Technology Models (fiscal year 2009)	84.318	165-010-9-0348-J	163
Technology Enhancement - Options (fiscal year 2009)	84.318	170-009-9-0348-J	58,704
Technology Data Driven Decisions (fiscal year 2008)	84.318	164-013-8-0348-I	80,042
Technology Data Driven Decisions (fiscal year 2009)	84.318	164-009-9-0348-J	70,410
Transition to Teaching (fiscal year 2008)	84.350	72400WORCESTERPS0066	2,941
Reading First (fiscal year 2008)	84.357	728-024-8-0348-I	233,671
Reading First (fiscal year 2009)	84.357	728-011-9-0348-J	261,042
Title III - English Language Acquisition (fiscal year 2008)	84.365	180-066-8-0348-I	228,737

*Reports on IC over Financial Reporting,
Compliance and Federal Award Programs*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education (continued)			
Title III - English Language Acquisition (fiscal year 2009)	84.365	180-022-9-0348-J	646,627
Title III - English Language Acquisition (fiscal year 2009)	84.365	180-068-9-0348-J	3,252
Title III - English Language Acquisition (fiscal year 2009)	84.365	180-083-9-0348-J	5,000
Title IIA - Improving Teacher Quality (fiscal year 2008)	84.367	140-179-8-0348-I	1,609,386
Title IIA - Improving Teacher Quality (fiscal year 2009)	84.367	140-073-9-0348-J	471,527
School Design and Restructuring Program (fiscal year 2009)	84.377	510-009-9-0348-J	10,431
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Fund (SFSF)	84.394	783-006-9-0348-J	<u>18,981,512</u>
Total U.S. Department of Education			<u>47,265,857</u>
U.S. Department of Health and Human Services			
<u>Direct Programs:</u>			
Consolidated Knowledge Development and Application Program	93.230	Not Applicable	79,329
Head Start	93.600	Not Applicable	5,857,329
<u>Passed through the State Department of Social Services:</u>			
Promoting Safe and Stable Families	93.556	INTF0000009950719142	118,367
<u>Passed through the State Department of Public Health:</u>			
Public Health and Social Services Emergency Fund	93.003	INTF6207P01W55707675	5,787
Public Health Emergency Preparedness	93.069	INTF6208P01902414056	427,318
Childhood Lead Poisoning Prevention Program	93.197	INTF7900MM3701516135	7,338
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	INTF6208P01RFR459031	495,997
Opioid Grants	93.450	INTF2354MM3900913011	89,397
National Bioterrorism Hospital Preparedness Program	93.889	INTF6207P01906110929	2,300
Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959	INTF2354MM3901115036	76,492
<u>Passed through the State Department of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1950622	<u>1,302,610</u>
Total U.S. Department of Health and Human Services			<u>8,462,264</u>
Corporation for National and Community Service			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Learn and Serve America - School and Community Based Programs (fiscal year 2008)	94.004	354-005-8-0348-I	1,185
Learn and Serve America - School and Community Based Programs (fiscal year 2009)	94.004	354-016-9-0348-J	1,765
Learn and Serve America - School and Community Based Programs (fiscal year 2008)	94.004	355-011-8-0348-I	5,066
Learn and Serve America - School and Community Based Programs (fiscal year 2009)	94.004	355-012-9-0348-J	<u>8,374</u>
Total Corporation for National and Community Service			<u>16,390</u>

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
<u>Passed through the State Executive Office of Public Safety & Homeland Security:</u>			
Homeland Security Grant Program (fiscal year 2006)	97.004	SCEPSMMRS06WORCESTER	8,660
Homeland Security Grant Program (fiscal year 2007)	97.067	SCEPSMMRS07WORCESTER	215,492
<u>Passed through the State Office of Emergency Management:</u>			
Public Assistance Grants	97.036	CT CDA 09FEMA1813WORC	1,167,643
Assistance to Firefighters	97.044	EMW-2007-FO-06324	179
			<hr/>
Total U. S. Department of Homeland Security			1,391,974
			<hr/>
Total			\$ 95,789,427
			<hr/> <hr/>
			(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, National School Lunch Program, and Fruit and Vegetable Program represent cash receipts from federal reimbursements.

Note 3 - U.S. Department of Transportation

The amounts reported for the Airport Improvement Program and the Federal Transit - Capital Investment Grants Program represent 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, 2009:

Program Description	CFDA Number	Amount
Community Development Block Grant	14.218	\$ 488,695
Senior Community Service Employment Program	17.235	300,228
WIA Youth Activities	17.259	913,600
WIA Youth Activities - Recovery Act	17.259	299,982
		\$ 2,002,505

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. A 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 pages 15-18.

7. The programs tested as major programs were:

Program Description	CFDA Number
<i>Child Nutrition Cluster:</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
<i>WIA Cluster:</i>	
WIA Adult Program	17.258
WIA Adult Program - Admin Costpool	17.258
WIA Adult Program - Recovery Act	17.258
WIA Adult Program - Recovery Act Admin Costpool	17.258
WIA Youth Activities	17.259
WIA Youth Activities - Admin Costpool	17.259
WIA Youth Activities - Recovery Act	17.259
WIA Youth Activities - Recovery Act Admin Costpool	17.259
WIA Dislocated Workers	17.260
WIA Dislocated Workers - Admin Costpool	17.260
WIA Dislocated Workers - Recovery Act	17.260
WIA Dislocated Workers - Recovery Act Admin Costpool	17.260
Airport Improvement Program	20.106
Title I Distribution Program	84.010
Title I School Support	84.010
<i>Special Education Cluster:</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Secondary Reading	84.027
SPED Mass Urban	84.027
SPED Supplemental Deaf	84.027
SPED Early Childhood Allocation	84.173
Kindergarten Curriculum Development	84.173
Title III - English Language Acquisition	84.365
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Fund (SFSF)	84.394
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283

8. The threshold used for distinguishing between Type A and B programs was \$2,873,683.

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 EDUCATION***Significant Deficiency in the Internal Control over Major Programs Considered to be a Material Weakness*

09-1 American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) Grants – CFDA No. 84.394; Fiscal year ended June 30, 2009

Condition and Criteria: The results of our audit of the original Final Financial Report disclosed that the City had not complied with the federal period of availability compliance requirements related to the program. As a result, the City filed an amended Final Financial Report with the Massachusetts Department of Elementary and Secondary Education (DESE) with revised expenditures that were obligated during the allowable period of availability. Our audit of the amended Final Financial Report filed with DESE did not identify any findings that are required to be reported.

Cause: Procedures were not in place to adhere to all federal compliance requirements related to the program.

Effect: Noncompliance with the federal program's period of availability requirements occurred and were not detected and corrected until the initial audit of the program was performed.

Auditors' Recommendation: Procedures must be implemented to adhere to all federal compliance requirements related to the program.

Grantee Response: Information originally received from the MA DESE indicated that expenses from the date the ARRA was signed, February 17, 2009 were eligible to be charged to the SFSF grant. Subsequent guidance revised the start date of the period of eligibility to April 1, 2009. Upon realizing that charges to the SFSF grant included costs incurred between February 17 and April 1, 2009, an adjusting entry was made to accurately reflect only eligible fourth quarter expenses. An amended Final Financial Report was submitted with all costs occurring within the period of eligibility.

Noncompliance Related to Major Programs

09-2 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition and Criteria: Program management did not file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. This condition is a violation of the cash management requirements prescribed in OMB Circular A-133.

Cause: Policies and procedures are not in place to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Effect: Management is not in compliance with federal cash management requirements. The awarding agencies could limit or refuse grant awards.

Questioned Costs: There are no questioned costs related to this finding.

Auditors' Recommendation: Procedures must be implemented to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Grantee Response: Procedures have been implemented to file all Requests for Funds so as to minimize the time elapsing between the receipt and disbursement of grant funds. Copies of supporting expense documentation for time sheets, IC's, and purchase orders are now being maintained for every Request for Funds. The requests include only the amount of funds needed for the upcoming month.

09-3 Title I Distribution and Title I School Support - CFDA No. 84.010; Fiscal year ended June 30, 2009

Condition and Criteria: Program management did not file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. This condition is a violation of the cash management requirements prescribed in OMB Circular A-133.

Cause: Policies and procedures are not in place to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Effect: Management is not in compliance with federal cash management requirements. The awarding agencies could limit or refuse grant awards.

Questioned Costs: There are no questioned costs related to this finding.

Auditors' Recommendation: Procedures must be implemented to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Grantee Response: Procedures have been implemented to file all Requests for Funds so as to minimize the time elapsing between the receipt and disbursement of grant funds. Copies of supporting expense documentation for time sheets, IC's, and purchase orders are now being maintained for every Request for Funds. The requests include only the amount of funds needed for the upcoming month.

09-4 Title III - English Language Acquisition - CFDA No. 84.365; Fiscal year ended June 30, 2009

Condition and Criteria: Program management did not file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. This condition is a violation of the cash management requirements prescribed in OMB Circular A-133.

Cause: Policies and procedures are not in place to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Effect: Management is not in compliance with federal cash management requirements. The awarding agencies could limit or refuse grant awards.

Questioned Costs: There are no questioned costs related to this finding.

Auditors' Recommendation: Procedures must be implemented to file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Grantee Response: Procedures have been implemented to file all Requests for Funds so as to minimize the time elapsing between the receipt and disbursement of grant funds. Copies of supporting expense documentation for time sheets, IC's, and purchase orders are now being maintained for every Request for Funds. The requests include only the amount of funds needed for the upcoming month.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Significant Deficiency in the Internal Control over Major Programs Considered to be a Material Weakness

09-5 Centers for Disease Control & Prevention – Investigations and Technical Assistance – CFDA No. 93.283; Fiscal year ended June 30, 2009

Condition and Criteria: The City did not comply with the allowable costs/cost principles compliance requirements related to the program. Internal controls should be designed and implemented to ensure that the City adheres to the compliance requirements of federal award programs as outlined in OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133), and OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87).

Cause: Procedures are not in place to adhere to all federal compliance requirements related to the program.

Effect: Noncompliance with the federal award program's requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls surrounding the federal award program must be implemented to adhere to all federal compliance requirements as prescribed in OMB Circulars A-87 and A-133.

Grantee Response: During our audit by your company two years ago, this discrepancy was identified, which outlined the lack of percentages used to fund percentages of staff salary. When questioned by the office representative at that time (MMRS Coordinator) we felt that both agencies were in agreement, that since the Regional Public Health Preparedness Coordinator and the Regional Hospital Coordinator dedicate 100% of their time strictly to their respective programs, there was not a need for the time sheets to reflect this status.

Regarding the last audit, it is now apparent that there was some miscommunications from the previous audit and that this status is required on the timesheet and that it should reflect the amount of time each individual dedicates to the program (even if it's 100%). Modifications to the timesheets have been made and they were implemented immediately upon notification during this last audit.

A sample has been provided to the auditing company for their input and suggestions if additional modifications need to be made.

Material Noncompliance Related to Major Programs

09-6 Centers for Disease Control & Prevention - Investigations and Technical Assistance - CFDA No. 93.283; Fiscal year ended June 30, 2009

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 Principals 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 \$94,820. This is considered material to the program.

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: During our audit by your company two years ago, this discrepancy was identified, which outlined the lack of percentages used to fund percentages of staff salary. When questioned by the office representative at that time (MMRS Coordinator) we felt that both agencies were in agreement, that since the Regional Public Health Preparedness Coordinator and the Regional Hospital Coordinator dedicate 100% of their time strictly to their respective programs, there was not a need for the time sheets to reflect this status.

Regarding the last audit, it is now apparent that there was some miscommunications from the previous audit and that this status is required on the timesheet and that it should reflect the amount of time each individual dedicates to the program (even if it's 100%). Modifications to the timesheets have been made and they were implemented immediately upon notification during this last audit.

A sample has been provided to the auditing company for their input and suggestions if additional modifications need to be made.

D. Summary of Prior Audit Findings**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: 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 Principals 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 09-6.