

**CITY OF WORCESTER, MASSACHUSETTS**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2007 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2006), which collectively comprise the City of Worcester, Massachusetts' basic financial statements and have issued our report thereon dated October 31, 2007. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in items 07-1 and 07-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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. However, we do not consider the significant deficiencies described above to be material weaknesses.

#### 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, 2007.

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 31, 2007



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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, 2007. 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 on the City of Worcester, Massachusetts' compliance with those requirements.

As described in items 07-3 and 07-4 in the accompanying schedule of findings and questioned costs, the City of Worcester, Massachusetts did not comply with requirements regarding procurement and 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, 2007.

## 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 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 07-3 and 07-4 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, 2007 (except for the Worcester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2006), which collectively comprise the City of Worcester, Massachusetts' basic financial statements and have issued our report thereon dated October 31, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Worcester, Massachusetts' basic financial statements taken as a whole. 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 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.

Handwritten signature in black ink, appearing to read "Sullivan & Company, LLC".

October 31, 2007

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>		
<u>Passed through the State Department of Education:</u>		
Food Distribution Program	10.550	\$ 503,960
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	2,159,484
National School Lunch Program	10.555	5,823,283
Cooperative Forestry Assistance	10.664	11,157
Total U.S. Department of Agriculture		<u>8,497,884</u>
<b>U.S. Department of Commerce</b>		
<u>Direct Program:</u>		
Economic Development Administration Grant	11.302	<u>25,512</u>
<b>U.S. Department of Housing and Urban Development</b>		
<u>Direct Programs:</u>		
Community Development Block Grant	14.218	5,036,286
Emergency Shelter Grants Program	14.231	201,918
Supportive Housing Program	14.235	1,672,937
Shelter Plus Care	14.238	187,808
HOME Program	14.239	2,114,809
Housing Opportunities for Persons with AIDS	14.241	391,353
<u>Passed through the State Department of Housing and Community Development:</u>		
Lead-Based Paint Hazard Control Grant	14.900	<u>146,479</u>
Total U.S. Department of Housing and Urban Development		<u>9,751,590</u>
<b>U.S. Department of the Interior</b>		
<u>Direct Program:</u>		
Historic Preservation Fund Grants-In-Aid	15.904	<u>304,035</u>
<b>U.S. Department of Justice</b>		
<u>Direct Programs:</u>		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	162,346
Local Law Enforcement Block Grant	16.592	35,606
Weed and Seed Program	16.595	155,742
COPS Universal Hiring Grant	16.710	550,707
Edward Byrne Memorial Justice Assistance Grant Program	16.738	60,605
<u>Passed through the State Executive Office of Public Safety:</u>		
Key Program	16.450	62,537
Juvenile Justice and Delinquency Prevention	16.540	111,326

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Justice (continued)</b>		
Byrne Formula Grant Program	16.579	18,959
Violence Against Women Discretionary Grants	16.587	21,272
Violence Against Women Formula Grants	16.588	127
Project Safe Neighborhoods	16.609	24,500
		<hr/>
Total U.S. Department of Justice		1,203,727
<b>U.S. Department of Labor</b>		
<u>Direct Program:</u>		
Veterans' Employment Program	17.802	11,395
<u>Passed through the State Division of Career Services:</u>		
Employment Service	17.207	235,018
Unemployment Insurance	17.225	2,196
<u>WIA Cluster:</u>		
WIA Adult Program	17.258	543,219
WIA Youth Activities	17.259	1,029,033
WIA Dislocated Workers	17.260	2,170,566
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	227,968
Local Veterans' Employment Representative Program	17.804	138
<u>Passed through Senior Service America, Inc.:</u>		
Senior Community Service Employment Program	17.235	389,782
		<hr/>
Total U.S. Department of Labor		4,609,315
<b>U.S. Department of Transportation</b>		
<u>Passed through Massachusetts Aeronautics Commission:</u>		
Airport Improvement Program	20.106	551,021
<b>National Endowment for the Humanities</b>		
<u>Direct Program:</u>		
Our Living Past Grant	45.167	100,212
<b>Environmental Protection Agency</b>		
<u>Direct Program:</u>		
Environmental Policy and Innovation Grants	66.811	139,236
<u>Passed through the State Executive Office of Environmental Affairs:</u>		
Performance Partnership Grants	66.605	115,478
		<hr/>
Total Environmental Protection Agency		254,714

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Education</b>		
<u>Direct Programs:</u>		
Safe & Drug Free Schools and Communities - National Program	84.184	2,302,567
Training for all Teachers	84.195B	50,213
Smaller Learning Communities Program	84.215L	466,445
Teaching American History Grant	84.215X	270,164
Research in Special Education	84.324	169,083
<u>Passed through the State Department of Education:</u>		
Adult Education State Grant Program	84.002	25,252
Title I Distribution	84.010	10,965,007
Title I School Support	84.010	154,210
Title I Comprehensive School Reform	84.010	280,733
 <i>Special Education Cluster :</i>		
SPED 94-142 Allocation	84.027	6,752,119
SPED Program Improvement	84.027	31,422
SPED Early Childhood Mental Health	84.027	2,629
SPED Autistic Program	84.027	2,080
SPED Secondary Reading	84.027	96,479
SPED Mass Urban	84.027	41,480
SPED Electronic Portfolio	84.027	2,800
SPED Early Childhood Allocation	84.173	542,908
 Impact Aid	 84.041	 25,437
Vocational Education - Grants to States	84.048	509,755
Title V	84.151	87,251
Safe and Drug-Free Schools	84.186	192,241
Education for Homeless Children & Youth	84.196	74,555
School Support Program	84.218	7,985
Technical Preparation Education	84.243	141,636
Eisenhower Professional Development - State Grants	84.281	6,423
21st Century Community Learning Centers	84.287	1,318,199
Enhanced Education Through Technology	84.318	286,848
Integrated Technology Models	84.318	223,899
Content Institutes	84.318	67,099
Advanced Placement Program	84.330	11,935
Transition to Teaching	84.350	39,660
Reading First	84.357	606,227
Title III - English Language Acquisition	84.365	751,062
Mathematics and Science Partnerships	84.366	124,813
Title IIA - Improving Teacher Quality	84.367	2,143,173
 Total U.S. Department of Education		 <u>28,773,789</u>

(continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>		
<u>Direct Programs:</u>		
Head Start	93.600	5,502,236
Consolidated Knowledge Development and Application Program	93.230	11,091
<u>Passed through the State Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	140,929
<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	8,174
	93.283	571,194
<u>Passed through the State Department of Health and Human Services:</u>		
School-Based Medicaid Reimbursement Program	93.778	<u>5,002,244</u>
Total U.S. Department of Health and Human Services		<u>11,235,868</u>
<b>Corporation for National and Community Service</b>		
<u>Direct Program:</u>		
Retired Senior Volunteer Program	94.002	201,460
<u>Passed through the State Department of Education:</u>		
Learn and Serve America - School and Community Based Programs	94.004	<u>37,306</u>
Total Corporation for National and Community Service		<u>238,766</u>
<b>U.S. Department of Homeland Security</b>		
<u>Direct Program:</u>		
Metropolitan Medical Response System	97.071	33,337
<u>Passed through the State Office of Public Safety:</u>		
State Domestic Preparedness Program	97.004	<u>201,906</u>
Total U. S. Department of Homeland Security		<u>235,243</u>
Total		<u>\$ 65,781,676</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 included in the 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 Programs**

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 represent cash receipts from federal reimbursements.

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

The amount reported for the Airport Improvement Program represents federal cash receipts.

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

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts.

**Note 5 - Subrecipients**

The City provided the following awards to subrecipients for the fiscal year ended June 30, 2007:

Program Description	CFDA Number	Amount
Community Development Block Grant	14.218	3,178,882
Emergency Shelter Grants Program	14.231	184,755
Supportive Housing Program	14.235	1,635,895
Shelter Plus Care	14.238	187,808
HOME Program	14.239	1,788,796
Housing Opportunities for Persons with AIDS	14.241	380,354
Key Program	16.450	62,516
Juvenile Justice and Delinquency Prevention	16.540	107,763
Byrne Formula Grant Program	16.579	18,959
Violence Against Women Discretionary Grants	16.587	21,184
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	160,861
Local Law Enforcement Block Grant	16.592	22,253
Weed and Seed Program	16.595	136,770
Edward Byrne Memorial Justice Assistance Grant Program	16.738	60,353
Senior Community Service Employment Program	17.235	389,782
WIA Youth Activities	17.259	778,959
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	227,929
Public Health and Social Services Fund	93.003	8,174
Promoting Safe and Stable Families	93.556	135,201
Retired Senior Volunteer Program	94.002	196,901
		\$ 9,684,095

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Worcester, Massachusetts.
2. There were two significant deficiencies disclosed during the audit of the basic financial statements.
3. No instances of noncompliance material to the basic 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. Two significant deficiencies (considered to be material weaknesses) were disclosed during the audit of the major federal award programs.
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 14-15.
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
Community Development Block Grant	14.218
Supportive Housing Program	14.235
HOME Program	14.239
COPS Universal Hiring Grant	16.710
<i>Special Education Cluster:</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Early Childhood Mental Health	84.027
SPED Autistic Program	84.027
SPED Secondary Reading	84.027
SPED Mass Urban	84.027
SPED Electronic Portfolio	84.027
SPED Early Childhood Allocation	84.173
Enhanced Education Through Technology	84.318
Integrated Technology Models	84.318
Content Institutes	84.318
Title IIA - Improving Teacher Quality	84.367
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283
School-Based Medicaid Reimbursement Program	93.778

8. The threshold used for distinguishing between Type A and B programs was \$1,973,450.
9. The City of Worcester, Massachusetts qualified as a low-risk auditee.

## B. Findings – Financial Statement Audit

### *Significant Deficiencies*

#### 07-1 Cash Receipts – Parking Garages

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

*Criteria:* Procedures must be in place to provide for accurate and timely financial reporting of revenues.

*Effect:* Potential understatement of revenues and fund balance on the City's financial statements that is more than inconsequential.

*Auditors' Recommendation:* Procedures must be implemented to submit deposit transmittal forms for parking garage receipts to the Treasurer/Collector's department on a timely basis (bi-weekly, at a minimum).

*Grantee Response:* The City shall implement procedures whereas their respective contractors adhere to the minimum receipt reporting criteria of the respective Request for Proposal (RFP) for which their services were contracted. Where such minimum reporting criteria is not clearly delineated, the City and the respective contractor shall implement procedures which adhere to proper accounting and cash management principles (at a minimum, biweekly).

The City shall commence with the implementation of its central cash module in the Department of Public Works. Concurrent with this implementation the City shall develop a comprehensive policy and procedures manual which shall address:

- Supervisor verification and sign off on garage receipts
- Timely reporting of parking garage receipts (not more than 5 working days) to the Treasurers & Collectors Office

With the implementation of the central cash module additional reporting capabilities shall be available to monitor and ensure that there is compliance to the relative provisions of the respective contracts as well as review City personnel performance.

#### 07-2 Cash Receipts – Parking Meters

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

*Criteria:* Procedures must be in place to provide for accurate and timely financial reporting of revenues.

*Effect:* Potential understatement of revenues and fund balance on the City's financial statements that is more than inconsequential.

*Auditors' Recommendation:* Procedures must be implemented to submit deposit transmittal forms for parking meter receipts to the Treasurer/Collector's department on a timely basis (bi-weekly, at a minimum).

*Grantee Response:* The City shall implement procedures whereas their respective contractors adhere to the minimum receipt reporting criteria of the respective Request for Proposal (RFP) for which their services were contracted. Where such minimum reporting criteria is not clearly delineated, the City and the respective contractor shall implement procedures which adhere to proper accounting and cash management principles (at a minimum, biweekly).

The City shall commence with the implementation of its central cash module in the Department of Public Works. Concurrent with this implementation the City shall develop a comprehensive policy and procedures manual which shall address:

- Supervisor verification and sign off on garage receipts
- Timely reporting of parking meter receipts (not more than 5 working days) to the Treasurers & Collectors Office

With the implementation of the central cash module additional reporting capabilities shall be available to monitor and ensure that there is compliance to the relative provisions of the respective contracts as well as review City personnel performance.

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

#### DEPARTMENT OF HEALTH AND HUMAN SERVICES

##### *Significant Deficiencies Considered to be Material Weaknesses*

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

*Condition and Criteria:* Program management does not enter into formal written agreements when procuring consulting services paid from federal grant funds. As prescribed in the A-102 Common Rule, a contract administration system which ensures that consultants and contractors perform in accordance with the terms and conditions of the contracts must be maintained. Additionally, program management does 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).

*Cause:* Policies and procedures are not in place to obtain formal written agreements with consultants who provide services for the grant program and are paid from federal grant funds. Procedures also are not in place to adhere to the MGL Chapter 30, Section B (Uniform Procurement Act) requirements when procuring consulting services related to the federal grants.

*Effect:* Without contracts supporting the amounts paid for consulting services, the consulting service expenditures charged to the grant program are subject to disallowance and are therefore considered a questioned cost. Program management is not in compliance with federal grant and state procurement requirements.

*Questioned Costs:* Questioned costs related to this finding total \$313,960. This is considered material to the grant program.

*Auditors' Recommendation:* Procedures must be implemented to ensure that formal written contracts are obtained for all expenditures paid from federal grant funds, and that a contract administration system is maintained to ensure that the contracted service expenditures are in accordance with the written contracts and are for allowable costs. Procedures must also be implemented to ensure that MGL Chapter 30, Section B (Uniform Procurement Act) requirements are adhered to and that formal advertising is used to solicit open competition when procuring consulting services related to the federal grants.

*Grantee Response:* During fiscal year 2008, procedures were implemented to obtain formal contract agreements with all consultants. Additionally, MGL Chapter 30, Section B requirements will be followed when entering into formal contracts with the consultants.

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

*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 \$26,803.

*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 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 fiscal year 2008, employee time sheets were developed that break down where the salaries are being paid from for all activities by week, which in turn will tie to the City's accounting ledgers.

#### D. Summary of Prior Audit Findings

##### DEPARTMENT OF AGRICULTURE

06-1 Child Nutrition Cluster – CFDA No.'s 10.553 and 10.555; Fiscal year ended June 30, 2006

*Condition:* Seven of the 40 (18%) student files tested had the incorrect eligibility status based on the income documentation used to determine eligibility for receiving free and/or reduced lunches.

*Current Status:* This finding has been resolved.

**DEPARTMENT OF EDUCATION**06-2 21<sup>ST</sup> Century Community Learning Centers - CFDA No. 84.287; Fiscal year ended June 30, 2006

*Condition:* The financial reports submitted to the Massachusetts Department of Education were not completed based upon expenditures processed and recorded in the City's general ledger and, therefore, did not represent an accurate, current, and complete disclosure of financial results.

*Current Status:* This finding has been resolved.

## 06-3 Reading First - CFDA No. 84.357; Fiscal year ended June 30, 2006

*Condition:* The financial reports submitted to the Massachusetts Department of Education were not completed based upon expenditures processed and recorded in the City's general ledger and, therefore, did not represent an accurate, current, and complete disclosure of financial results.

*Current Status:* This finding has been resolved.

## 06-4 Title IIA - Improving Teacher Quality - CFDA No. 84.367; Fiscal year ended June 30, 2006

*Condition:* The financial reports submitted to the Massachusetts Department of Education were not completed based upon expenditures processed and recorded in the City's general ledger and, therefore, did not represent an accurate, current, and complete disclosure of financial results.

*Current Status:* This finding has been resolved.