

**CITY OF WORCESTER, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2023**



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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**

Honorable Mayor and City Council
City of Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements, and have issued our report thereon dated February 13, 2024. The financial statements of Upper Blackstone Clean Water were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Upper Blackstone Clear Water.

Report on Internal Control Over Financial Reporting

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

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

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

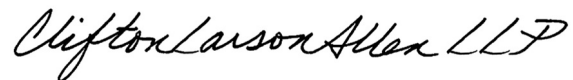
Honorable Mayor and City Council
City of Worcester, Massachusetts

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Boston, Massachusetts
February 13, 2024



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

Honorable Mayor and City Council
City of Worcester, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Worcester, Massachusetts' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Worcester, Massachusetts' major federal programs for the year ended June 30, 2023. 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.

In our opinion, the City of Worcester, Massachusetts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Worcester, Massachusetts and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Worcester, Massachusetts' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Worcester, Massachusetts' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Worcester, Massachusetts' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Worcester, Massachusetts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Worcester, Massachusetts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Worcester, Massachusetts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Worcester, Massachusetts' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Worcester, Massachusetts' response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Worcester, Massachusetts' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, to be significant deficiencies.


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements. We have issued our report thereon dated February 13, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System, Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District. The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 15, 2024

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program Name	Federal ALN Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
U.S. Department of Agriculture				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<u>Child Nutrition Cluster</u>				
National School Lunch Program - Cash Assistance	10.555	14-348	\$ 14,762,894	\$ -
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	1,624,128	-
Subtotal ALN 10.555 and Child Nutrition Cluster			16,387,022	-
Supplemental Nutrition Assistance Program	10.561	14-348	2,222	-
Total U.S. Department of Agriculture			16,389,244	-
U.S. Department of Defense				
<u>Direct programs:</u>				
Research in Science and Engineering	12.630	Not Applicable	12,101	-
U.S. Department of Housing and Urban Development				
<u>Direct programs:</u>				
Community Development Block Grant	14.218	Not Applicable	6,686,937	-
Emergency Shelter Grants Program	14.231	Not Applicable	1,445,236	1,191,114
HOME Investment Partnerships Program	14.239	Not Applicable	1,693,942	1,593,602
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	1,101,222	1,071,832
Moving to Work Demonstration Program	14.881	Not Applicable	70,299	-
Total U.S. Department of Housing and Urban Development			10,997,636	3,856,548
U.S. Department of Justice				
<u>Direct programs:</u>				
Coronavirus Emergency Supplemental Funding Program	16.034	Not Applicable	3,508	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	173,163	-
<u>Passed through the Executive Office of Public Safety and Security</u>				
Violence Against Women Formula Grants	16.588	Not Available	265,345	60,530
Total U.S. Department of Justice			442,016	60,530
U.S. Department of Labor				
<u>Passed through the State Department of Career Services:</u>				
Employment Service/Wagner-Peyser Funded Activities	17.207	CT EOL CCWORCWP	227,644	-
Unemployment Insurance	17.225	CT EOL CCWORCVETSU	90,958	-
Trade Adjustment Assistance	17.245	CT EOL CCWORCTrade	36,611	-
WIOA Adult Program	17.258	CT EOL CCWORCWIA	1,216,936	-
WIOA Youth Activities	17.259	CT EOL CCWORCWIA	1,196,078	864,012
Trade Adjustment Assistance	17.268	HG-33043-19-60-A-25	445,874	-
Trade Adjustment Assistance	17.277	MB-2022-002	135	-
WIOA Dislocated Workers	17.278	CT EOL CCWORCWIA	1,043,146	-
Disabled Veterans' Outreach Program	17.801	CT EOL CCWORCVETSUI	8,324	-
Total U.S. Department of Labor			4,265,706	864,012
U.S. Department of Treasury				
<u>Direct programs:</u>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	16,783,985	851,750
Total U.S. Department of Treasury			16,783,985	851,750
National Endowment for the Arts				
<u>Direct Programs:</u>				
Promotion of the Arts	45.024	Not Applicable	161,910	-
Environmental Protection Agency				
<u>Direct Programs:</u>				
Brownfields Job Training Cooperative Agreements	66.815	Not Applicable	104,876	-
ARRA - Brownfields Cleanup and Assessment Cooperative Agreements	66.818	Not Applicable	15,911	-
Total Environmental Protection Agency			120,787	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program Name	Federal ALN Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
U.S. Department of Education				
<u>Passed through the State Department of Early Education and Care:</u>				
Adult Education	84.002	MA DESE Code 359	108,453	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Title I Distribution	84.010	MA DESE Code 305	16,646,860	-
Special Education Cluster				
SPED 94-142 Allocation	84.027	MA DESE Code 240	7,967,373	-
<u>Passed through the State Department of Early Education and Care:</u>				
Special Education Cluster (continued)				
SPED Early Childhood Program Improvement	84.173	MA DESE Code 274	275,181	-
Subtotal Special Education Cluster			8,242,554	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Perkins Secondary	84.048	MA DESE Code 400	513,561	-
McKinney-Vento Homeless Education	84.196	MA DESE Code 310	43,187	-
Massachusetts 21st Century Community Learning Centers	84.287	MA DESE Code 645	72,585	-
Title III - English Language Acquisition	84.365	MA DESE Code 180	1,166,786	-
Title IIA - Improving Teacher Quality	84.367	MA DESE Code 140	1,060,111	-
Title IV	84.424	MA DESE Code 309	639,954	-
COVID-19 - Education Stabilization Fund	84.425D	MA DESE Code 423	44,038,612	-
Total U.S. Department of Education			72,532,663	-
U.S. Department of Health and Human Services				
<u>Direct Programs:</u>				
Head Start Program	93.600	Not Applicable	7,355,307	-
Racial and Ethnic Approaches to Community Health Program	93.738	Not Applicable	1,399,283	659,993
<u>Passed through the State Department of Public Health:</u>				
Partnership for the Enhancement of the Regional Preparedness	93.074	4510-0404/4516-1021	910,029	-
National Center for Injury Prevention and Control	93.136	Not Available	88,572	68,405
Childhood Lead Poisoning Prevention Program	93.197	180627	21,341	-
COVID Vaccination	93.268	Not Available	34,147	21,495
COVID Contract Tracing	93.323	Not Available	284,510	-
Public Health Emergency Response	93.354	Not Available	101,499	-
Mass in Motion	93.758	502925	9,012	-
Opioid Fund	93.788	Not Available	72,959	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4512-9069	194,508	21,541
Total U.S. Department of Health and Human Services			10,471,167	771,434
U.S. Department of Homeland Security				
<u>Direct Programs:</u>				
FEMA Public Assistance	97.036	Not Applicable	112,775	101,535
Lead Hazard Grant	97.044	Not Applicable	762,791	-
Assistance to Firefighters	97.044	Not Applicable	549,922	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not Applicable	1,963,710	-
<u>Passed through the State Office of Emergency Management:</u>				
Emergency Management Performance Grants	97.042	EMPG	58,352	-
Total U. S. Department of Homeland Security			3,447,550	101,535
Total			\$ 135,624,765	\$ 6,505,809

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF WORCESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Worcester, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 INDIRECT COSTS

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

NOTE 3 U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

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

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

A. Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

• Material weakness(es) identified? _____ Yes x No
 • Significant deficiency(ies) identified? _____ Yes x None reported

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

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? _____ Yes x No
 • Significant deficiency(ies) identified? x Yes _____ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ x _____ Yes _____ No

Identification of Major Programs:

Name of federal program or cluster	Assistance Listing Number
Child Nutrition Cluster	10.555
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
COVID-19 - Education Stabilization Fund	84.425D
Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000 Type A
\$ 750,000 Type B

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

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

UNITED STATES DEPARTMENT OF AGRICULTURE

Significant Deficiency in Internal Control over Compliance

2023-001 Child Nutrition Cluster; ALN # 10.555

Award Period: July 1, 2022 – June 30, 2023

Compliance Requirement: Suspension and Debarment

Criteria or Specific Requirement: The Code of Federal Regulations (CFR) Title 2 Part 200.214 states that nonfederal entities are subject to the nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition and Context: For two (2) of five vendors in our audit sample, documentation provided did not support that the City's verifications of vendor status was performed timely for the period under audit.

Questioned Costs: None. The vendors were not suspended or debarred.

Cause: Procedures were not in place to verify vendors' status timely for all vendors.

Effect: While this did not occur in the instances identified in this finding, lack of timely verification of vendors' debarment or suspension status could cause federal grant funds to be expended with vendors that are excluded from participation in Federal assistance programs or activities.

Repeat Finding: No.

Recommendation: We recommend procedures be strengthened to timely document the verification that all vendors are not suspended or debarred from participation in Federal assistance programs or activities.

Views of Responsible Officials: Management agrees with the finding.

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

Significant Deficiency in Internal Control over Compliance and Other Matter

2023-002 Head Start Program; ALN # 93.600

Award Period: July 1, 2022 – June 30, 2023

Compliance Requirement: Reporting

Criteria or Specific Requirement: The SF-429 report is a required annual report.

Condition and Context: The SF-429 for the period under audit had not been filed at the time of our audit.

Questioned Costs: None.

Cause: Procedures were not in place to file the report timely.

Effect: Noncompliance with reporting requirements.

Repeat Finding: No.

Recommendation: We recommend procedures be implemented to file all required reports timely.

Views of Responsible Officials: Management agrees with the finding.

