

The following items will be discussed at the meeting of the Standing Committee on Finance and Operations to be held on Monday, April 30, 2018 at 5:00 p.m. in Room 410 at the Durkin Administration Building:

gb #7-342 - Administration (September 29, 2017)

To review the status of the FY18 Budget and make appropriate transfers as required.

gb #8-17 - Administration (January 5, 2018)

To consider the findings and recommendations of the Facilities Master Plan Report as prepared by Symmes Maini & McKee Association Inc., Architects, (SMMA).

gb #8-33 - Administration (January 19, 2018)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting Firm of CliftonLarsenAllen, LLP for the year that ended on June 30, 2017 which included the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2016-17, prepared by Robert C. Alario, CPA, P.C.

gb #8-72 - Administration (February 14, 2018)

Request that the Administration set a date to hold a Joint Meeting of the City Council's Standing Committee on Education and the School Committee's Standing Committee on Finance and Operations to discuss the FY19 Budget.

Committee Members

John L. Foley, Chairman
Molly O. McCullough, Vice-Chairman
Dante Comparetto

Administrative
Representatives
Brian Allen

OFFICE OF THE
CLERK OF THE SCHOOL COMMITTEE
WORCESTER PUBLIC SCHOOLS
20 IRVING STREET
WORCESTER, MA 01609

AGENDA #2

The Standing Committee on FINANCE AND OPERATIONS will hold a meeting:

on: Monday, April 30, 2018
at: 5:00 p.m.
in: Room 410, Durkin Administration Building

ORDER OF BUSINESS

- I. CALL TO ORDER
- II. ROLL CALL
- III. GENERAL BUSINESS

gb #6-203 - Mr. O'Connell/Ms. Colorio/Mr. Monfredo/Miss Biancheria (May 23, 2016)

To install welcoming messages at the main entrances of each of the Worcester Public Schools.

gb #6-281 - Mr. O'Connell/Mr. Monfredo/Miss McCullough/Miss Biancheria (August 10, 2016)

To implement the provisions of the November 1995 letter of the Commissioner of Education, and the Advisory on School Governance which accompanied it, that "the school committee remains the body responsible for approving and transmitting school department expenditures to the municipal accountant for the drawing of warrants. The Department of Revenue's Division of Local Services has advised that all school department bills must be approved by the school committee. When the superintendent, or principal and superintendent, have statutory authority to incur expense, the Department of Revenue advises that the bills must be approved by them as well as by the committee."

gb #6-411 - Miss Biancheria/Mr. O'Connell/Mr. Monfredo/Ms. Colorio
(December 1, 2016)

Request that the Administration develop a process to address the issues of older school buildings to include examinations of:

- water systems
- foundations
- leaking roofs
- heating systems and
- wrapped pipes

gb #7-3 - Mr. O'Connell/Mr. Foley/Mr. Monfredo/Miss McCullough (December
16, 2016)

To review the 2016 Successor Settlement Agreement between the United States of America and the Worcester Public Schools, and to determine the programmatic requirements of implementing it in full.

ros #7-3 - Administration (January 25, 2017)

FY18 PRELIMINARY BUDGET ESTIMATE

gb #7-136 - Ms. Colorio/Mr. O'Connell/Mr. Monfredo/Miss Biancheria (March
23, 2017)

Request that the Administration study the feasibility of establishing a Hotel and Restaurant within a vacant Worcester public school and authorize the electrical, plumbing and other appropriate divisions of Worcester Technical High School to rehabilitate the property and then realize the profit from this enterprise.

gb #7-280 - Mr. O'Connell/Mr. Monfredo/Miss Biancheria/Ms. Colorio
(August 1, 2017)

To request energy audits of the facilities which are used but not owned by the Worcester Public Schools.

gb #7-342 - Administration (September 29, 2017)

To review the status of the FY18 Budget and make appropriate transfers as required.

gb #7-343 - Administration (October 2, 2017)

To consider an update to the Building Use Fee Schedule for the rental of space within the Worcester Public Schools.

gb #7-364 - Mr. Monfredo (October 20, 2017)

Request that the Administration consider changing the pay scale for day-by-day substitutes in the Worcester Public Schools.

gb #8-17 - Administration (January 5, 2018)

To consider the findings and recommendations of the Facilities Master Plan Report as prepared by Symmes Maini & McKee Association Inc., Architects, (SMMA).

gb #8-33 - Administration (January 19, 2018)

To review the reports on compliance and internal controls for the City of Worcester, including the Worcester Public Schools, from the Certified Public Accounting Firm of CliftonLarsenAllen, LLP for the year that ended on June 30, 2017 which included the GAO and OMB A-133 Reports and the Management Letter and the Independent Accountants' Report on Applying Agreed Upon Procedures for the Department of Elementary and Secondary Education End of Year Financial Report for fiscal year 2016-17, prepared by Robert C. Alario, CPA, P.C.

gb #8-72 - Administration (February 14, 2018)

Request that the Administration set a date to hold a Joint Meeting of the City Council's Standing Committee on Education and the School Committee's Standing Committee on Finance and Operations to discuss the FY19 Budget.

gb #8-73 - Administration (February 14, 2018)

To set a date for the public hearing on the FY19 Budget.

IV. ADJOURNMENT

Helen A. Friel, Ed.D.
Clerk of the School Committee

**FY18
 BUDGET STATUS
 Third Quarter Report**

The status of all Salary and Ordinary Maintenance accounts as of March 31, 2018 are shown in Annex B. Presented for each account is the amount budgeted for the current fiscal year, the amount expended or committed as of March 31st, and the projected balance at the closing on June 30, 2018. Salary and Ordinary Maintenance Account totals are:

<u>Budget Title</u>	<u>Adopted Budget Amount</u>	<u>Expended or Encumbered 03/31/18</u>	<u>Projected Balance 06/30/18</u>
Salaries	\$219,110,992	\$136,831,091	\$239,619
Ordinary Maintenance	<u>\$116,006,198</u>	<u>\$104,584,413</u>	<u>-\$362,482</u>
Total General Fund	\$335,120,190	\$241,415,504	-\$122,863

At this point in the fiscal year, a total of \$241,415,504 (72%) has been expended or committed. A description of the projected balances is as follows:

Budget Impacts:

Personal Services (-\$338,489): This account includes the projected increase to the district's legal consultation (-\$100,000) for special education services of the State's IDEA funding requirements, as well as contract negotiations and labor relations for the district. This line also reflects various unbudgeted (-\$40,366) settlement agreements. The district's legal consultation line item was reduced by \$30,000 during the FY18 budget deliberations. Also, the account reflects additional security services (-\$22,977) and an increase of expenditures for district-wide translation services being provided by third party vendors (-\$163,000), as well as an increase (-\$12,146) of automated services for human resources.

Tuition (-\$543,225): The tuition account reflects unanticipated and unbudgeted out-of-district tuition costs for several new student placements to the district that have occurred since the budget was approved in June.

Workers Compensation (-\$509,366): The current deficit is based on actual or known expenditures, as well as projections through the end of June. The weekly salary has continued to maintain an average of approximately forty-five staff collecting weekly benefits at an average of \$25,000 per week since July. Medical bills and paid or anticipated settlements are also included in this projection.

Instructional Assistant Salaries (-\$408,395): This salary account projected deficit is based on actual contractual expenditures of the newly settled agreement. This account also includes projections for the remaining pay periods, as well as contractual items paid at the end of the year.

Custodial Overtime Salaries (-\$273,484): The custodial overtime account reflects an average weekly cost of approximately \$25,000 to cover building related overtime, snow removal, and contractual manpower.

Accounts with Projected Balances to Offset Deficit Accounts:

Health Insurance (\$1,021,570): This account balance projection is based on lower plan enrollments for several months of the fiscal year. All adjustments of the newly settled contracts have been completed and this projected amount includes the upcoming premium holiday.

Maintenance Service Salaries (\$357,409): The projected balance is based on several positions that are currently paid through workers compensation through the end of March and have created vacancy savings in this particular line item. The Facilities Department is in the process of backfilling some of these positions to provide necessary maintenance services for the district.

Teacher Salaries (\$213,424): The projected balance in this account represents an additional 0.13% vacancy and attrition savings within the \$162.5 million salary line item

Teacher Substitute Salaries (\$153,525): This account balance projection represents savings within the long-term substitute placements that have been occurring in district this year. This amount is based upon actual expenditures through the end of March and the projected amount through June.

Crossing Guards (\$81,869): The projected amount is based on vacant positions through the end of March.

Based on information and projections through the Third Quarter, the Administration recommends the following transfer of funds:

<u>Amount</u>	<u>From Account</u>	<u>Account Title</u>	<u>To Account</u>	<u>Account Title</u>
\$50,000	500123-96000	Health Insurance	540-97201	Transportation Overtime Salaries
\$250,000	500123-96000	Health Insurance	500-97203	Custodial Overtime Salaries
\$300,000	500123-96000	Health Insurance	500130-92000	Personal Services
\$400,000	500123-96000	Health Insurance	500132-92000	Tuition

**WORCESTER PUBLIC SCHOOLS
 2017-2018 BUDGET
 ACCOUNT SUMMARY
 THIRD QUARTER REPORT**

<u>Account</u>	<u>Account Title</u>	<u>Adopted</u>	<u>Transfers</u>	<u>Budget</u>	<u>Expended</u>	<u>Projected</u>
500-91110	Administration Salaries	\$12,479,673		\$12,479,673	\$9,220,449	\$14,486
500-91111	Teacher Salaries	\$158,746,870	\$3,789,489	\$162,536,359	\$94,532,017	\$213,424
500-91112	School Committee Salaries	\$82,195		\$82,195	\$57,718	\$4,334
500-91114	Teacher Substitutes Salaries	\$2,448,440		\$2,448,440	\$1,404,500	\$153,525
500-91115	Instructional Assistants Salaries	\$9,922,823		\$9,922,823	\$9,270,821	-\$408,395
500-91116	Coach Salaries	\$556,153		\$556,153	\$429,825	\$290
540-91117	Transportation Salaries	\$2,580,432		\$2,580,432	\$1,784,620	\$4,865
500-91118	Supplemental Program Salaries	\$1,600,286		\$1,600,286	\$1,223,438	\$17,573
500-91119	Custodial Salaries	\$6,775,066		\$6,775,066	\$5,005,824	\$105,409
500-91120	Maintenance Service Salaries	\$2,157,363		\$2,157,363	\$1,311,948	\$357,409
500-91121	Administrative Clerical Salaries	\$3,101,232		\$3,101,232	\$2,372,316	-\$47,250
500-91122	School Clerical Salaries	\$2,116,156	\$70,600	\$2,186,756	\$1,426,744	\$62,918
500-91123	Non Instructional Salaries	\$2,188,539	\$15,700	\$2,204,239	\$2,028,722	-\$22,387
540-91124	Crossing Guard Salaries	\$552,934		\$552,934	\$322,085	\$81,869
500-91133	School Nurse Salaries	\$4,246,690	\$74,145	\$4,320,835	\$2,500,614	\$2,118
500-91134	Educational Support Salaries	\$3,839,571		\$3,839,571	\$2,350,501	\$91,275
540-97201	Transportation Overtime Salaries	\$478,473		\$478,473	\$374,478	-\$66,505
500-97203	Custodial Overtime Salaries	\$1,057,334		\$1,057,334	\$985,112	-\$273,484
500-97204	Maintenance Overtime Salaries	\$152,305		\$152,305	\$151,188	-\$51,855
500-97205	Support Overtime Salaries	\$69,525		\$69,525	\$78,170	\$0
	Salary Total	\$215,152,058	\$3,949,934	\$219,101,992	\$136,831,091	\$239,619
500101-96000	Retirement	\$17,022,698		\$17,022,698	\$17,833,419	\$0
540103-92000	Transportation	\$15,319,163		\$15,319,163	\$14,491,109	\$22,624
500122-92000	Athletic Ordinary Maintenance	\$105,494		\$105,494	\$362,391	\$0
500123-96000	Health Insurance	\$47,146,319	-\$6,927,945	\$40,218,374	\$32,495,550	\$1,021,570
500125-92000	Other Insurance Programs	\$52,938		\$52,938	\$58,183	-\$4,022
500129-96000	Workers Compensation	\$1,452,305		\$1,452,305	\$647,246	-\$509,366
500130-92000	Personal Services	\$2,346,356	\$78,500	\$2,424,856	\$2,309,928	-\$338,489
500132-92000	Tuition	\$18,674,409	\$349,206	\$19,023,615	\$19,239,488	-\$543,225
500133-92000	Printing & Postage	\$256,654		\$256,654	\$248,491	\$0
500-92204	Instructional Materials	\$3,908,997	\$2,840,000	\$6,748,997	\$4,259,770	\$0
500136-92000	Miscellaneous Educational OM	\$2,825,752	\$410,000	\$3,235,752	\$2,866,686	-\$26,354
500137-96000	Unemployment Compensation	\$318,226		\$318,226	\$298,653	-\$95,562
500138-92000	In-State Travel	\$59,500		\$59,500	\$34,316	\$1,838
500141-92000	Vehicle Maintenance	\$430,513		\$430,513	\$461,487	-\$1,471
500146-92000	Building Utilities	\$5,994,477		\$5,994,477	\$5,897,934	\$109,975
500152-92000	Facilities Ordinary Maintenance	\$3,204,637	\$150,000	\$3,354,637	\$3,079,761	\$0
	Non Salary Total	\$119,118,437	-\$3,100,239	\$116,018,198	\$104,584,413	-\$362,482
	Total General Fund Budget	\$334,270,495	\$849,695	\$335,120,190	\$241,415,504	-\$122,863

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

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the year ended June 30, 2017 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements, and have issued our report thereon dated December 19, 2017. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2016) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2017). Our audit described below, did not include operations of those entities because those entities engaged for their own separate audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Boston, Massachusetts
December 19, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Worcester, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Worcester, Massachusetts' major federal programs for the fiscal year ended June 30, 2017. The City of Worcester, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Redevelopment Authority, which received \$490,788 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Worcester Redevelopment Authority because they engaged for a separate audit and their audit did not meet the requirements of OMB.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

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

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

Report on Internal Control over Compliance

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

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005 and 2017-006 to be significant deficiencies.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Worcester, Massachusetts' basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2016) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2017). The federal expenditures, where applicable, for these entities are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

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

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

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
U.S. Department of Agriculture				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program - Cash Assistance	10.553	14-348	\$ 3,301,599	\$ -
National School Lunch Program - Cash Assistance	10.555	14-348	9,178,017	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	1,181,601	-
Subtotal CFDA 10.555			10,359,618	-
Subtotal Child Nutrition Cluster			13,661,217	-
Fruit and Vegetable Program	10.582	14-348	320,323	-
Total U.S. Department of Agriculture			13,981,540	-
U.S. Department of Commerce				
<u>Direct programs:</u>				
Economic Development Support for Planning Organizations	11.302	Not Applicable	1,910	-
U.S. Department of Housing and Urban Development				
<u>Direct programs:</u>				
Community Development Block Grant	14.218	Not Applicable	6,984,744	2,154,699
Emergency Shelter Grants Program	14.231	Not Applicable	340,312	290,401
HOME Investment Partnerships Program	14.239	Not Applicable	770,911	679,267
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	548,673	536,954
<u>Passed through the State Department of Housing and Community Development:</u>				
Lead-Based Paint Hazard Control Grant	14.900	SCOCD542065605160000	36,113	31,370
Total U.S. Department of Housing and Urban Development			8,680,753	3,692,691
U.S. Department of Justice				
<u>Direct programs:</u>				
Youth Gang Prevention	16.544	Not Applicable	17,695	10,853
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	Not Applicable	26,999	-
Office of Violence Against Women Improving Criminal Justice Responses	16.590	Not Applicable	40,468	18,448
Subtotal CFDA 16.590			67,467	18,448
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	79,776	-
ARRA - Edward Byrne Memorial Justice Assistance Grant/Grants to State and Territories	16.803	Not Applicable	1,643	-
Edward Byrne Memorial Criminal Justice Innovative Program	16.817	Not Applicable	38,880	-
<u>Passed through the Executive Office of Public Safety and Security</u>				
Violence Against Women Formula Grants (fiscal 17)	16.588	2017-WF-AX-0011	8,779	8,603
Violence Against Women Formula Grants (fiscal 16)	16.588	2016-WF-AX-0011	25,894	25,262
Subtotal CFDA 16.588			34,673	33,865
<u>Passed through the DOJ to Worcester County Sheriff's Office</u>				
Residential Substance Abuse Treatment	16.593	SDW	(2,853)	-
Total U.S. Department of Justice			237,281	63,166
U.S. Department of Labor				
<u>Passed through the State Department of Career Services:</u>				
Employment Service/Wagner-Peyser Funded Disabled Veterans' Outreach Program	17.207	CT EOL 17CCWORCWP/CT EOL 16CCWORCWP	120,556	-
	17.801	CTEOL17CCWORCVETSUI/CTEOL16CCWORCVETSUI	49,611	-
Unemployment Insurance	17.225	CT EOL 16CCWORCVETSUI/CT EOL 17CCWORCVETSUI/CT EOL 16CCWORCWP/CT EOL 17CCWORCWP	35,175	-
Emergency Unemployment Compensation Reemployment & Eligibility Assessment	17.225	CT EOL 17CCWORCNEGREA/CT EOL 16CCWORCNEGREA	225,348	-
Subtotal CFDA 17.225			260,523	-
Trade Adjustment Assistance	17.245	CT EOL 15CCWORCTRADE/CT EOL 16CCWORCTRADE	35,434	-

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

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Awards to Subrecipients
<i>WIA Cluster:</i>				
WIA Adult Program	17.258	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA/CT EOL 15CCWORCWIA	1,001,494	-
WIA Youth Activities	17.259	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA/CT EOL 15CCWORCWIA	1,327,254	893,477
WIA Dislocated Workers	17.278	CT EOL 17CCWORCWIA/CT EOL 16CCWORCWIA\CT EOL 15CCWORCWIA	995,740	-
Subtotal WIA Cluster			<u>3,324,488</u>	<u>893,477</u>
Workforce Innovation	17.283	CT EOL 15CCWORCNEGREA	207,356	-
Total U.S. Department of Labor			<u>3,997,968</u>	<u>893,477</u>
U.S. Department of Transportation				
<u>Passed through the State Office of Emergency Management:</u>				
Public Transportation Research	20.514	49USC5322	100,810	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2015 2016 HMEP/2016 2017 HMEP	4,176	-
Total U.S. Department of Transportation			<u>104,986</u>	<u>-</u>
Environmental Protection Agency				
<u>Direct Programs:</u>				
Environmental Policy and Innovation Grants	66.811	Not Applicable	366,535	338,000
U.S. Department of Education				
<u>Passed through the State Department of Early Education and Care:</u>				
<u>Adult Education:</u>				
Community Adult Learning Centers	84.002	340-079-5-0348-P	258	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Title I Distribution (fiscal year 2017)	84.010	323-007-7-0348-R	8,926,842	-
Title I Distribution (fiscal year 2016)	84.010	305-075149-2016-0348	2,591,102	-
Title I School Redesign (fiscal year 2017)	84.010	511-061-7-0348-R	441,717	-
Title I School Support (fiscal year 2016)	84.010	320-151-6-0348-Q	44,765	-
Title I School Support	84.010	320-176-6-0348-Q	1,200	-
Title I School Support	84.010	321-013-6-0348-Q	1,600	-
Title I School Support	84.010	321-002-7-0348-R	124	-
Title I School Support	84.010	323-007-7-0348-R	174,965	-
Title I School Support	84.010	321-005-7-0348-R	70	-
Title I School Support	84.010	321-014-6-0348-Q	5,508	-
Title I School Support	84.010	323-008-6-0348-Q	77,300	-
Subtotal Title I and CFDA 84.010			<u>12,265,193</u>	<u>-</u>
Title I, Part D, Subpart 1 Neglected or Delinquent	84.013	CT SDW 10241000000000 1397 SDW	(1,000)	-
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-095231-2017-0348	7,287,331	-
SPED 94-142 Allocation (fiscal year 2016)	84.027	240-092-6-0348-Q	62,431	-
SPED Program Improvement (fiscal year 2017)	84.027	274-257-7-0348-R	6,106	-
SPED Program Improvement (fiscal year 2016)	84.027	274-207-6-0348-Q	43,136	-
SPED Mass Urban (fiscal year 2017)	84.027	240-136408-2017-0318-1.0	32,373	-
SPED Mass Urban (fiscal year 2016)	84.027	240-327-6-0348-Q	13,203	-
SPED Project Prep	84.027	240-407-6-0348-Q	8,494	-
Subtotal CFDA 84.027			<u>7,453,074</u>	<u>-</u>
SPED Early Childhood Program Improvement	84.173	298-573-5-0348-P	5,270	-
<u>Passed through the State Department of Early Education and Care:</u>				
<i>Special Education Cluster (continued)</i>				
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217WORCESTER	6,282	-
SPED Early Childhood Allocation (fiscal year 2016)	84.173	298-733-6-0348-Q	2,470	-
Subtotal CFDA 84.173			<u>14,022</u>	<u>-</u>
Subtotal Special Education Cluster			<u>7,467,096</u>	<u>-</u>
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Career and Technical Education	84.048	405-007-7-0348-R	8,684	-
CTE Partnership	84.048	406-006-7-0348-R	15,848	-
Perkins Secondary (fiscal year 2017)	84.048	400-006-7-0348	388,610	-
Perkins Secondary (fiscal year 2016)	84.048	400-005-6-0348-Q	128,902	-
Subtotal CFDA 84.048			<u>542,044</u>	<u>-</u>

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

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
Education for Homeless Children & Youth (fiscal year 2017)	84.196	310-092-7-0348	24,833	-
Education for Homeless Children & Youth (fiscal year 2016)	84.196	310-015-6-0348-Q	22,198	-
Subtotal CFDA 84.196			<u>47,031</u>	<u>-</u>
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-183-7-0348-R/647-205-6-0348-Q	3,959	-
Massachusetts 21st Century CLC - Summer	84.287	647-014-7-0348-R	40,882	-
Massachusetts 21st Century CLC - Burncoat	84.287	647-134-7-0348-R	69,407	-
21st Century CLC (fiscal year 2017)	84.287	647-038-7-0348	66,258	-
21st Century CLC (fiscal year 2016)	84.287	647-152-6-0348-Q	8,570	-
Subtotal CFDA 84.287			<u>189,076</u>	<u>-</u>
High School Graduation Initiative (fiscal year 2015)	84.360	12CRJC3	22,717	-
Title III - English Language Acquisition (ELA) (fiscal year 2017)	84.365	180-041-7-0348/180-036-7-0348-R	913,845	-
Title III - ELA (fiscal year 2016)	84.365	180-032-6-0348-Q/180-131-6-0348-Q	275,533	-
Title III - ELA - Summer (fiscal year 2017)	84.365	184-010-7-0348-R	32,583	-
Title III - ELA - Supplemental (fiscal year 2016)	84.365	182-007-6-0348-Q	12,158	-
Subtotal CFDA 84.365			<u>1,234,119</u>	<u>-</u>
Title IIA - Improving Teacher Quality (ITQ) (fiscal year 2017)	84.367	0140-096278-2017-0348	1,591,868	-
Title IIA - ITQ (fiscal year 2016)	84.367	140-077370-2016-0348	93,772	-
Title IIA - ITQ (fiscal year 2015)	84.367	140-008701-2015-0348	38,370	-
Subtotal CFDA 84.367			<u>1,724,010</u>	<u>-</u>
PD Framework	84.370	144-010-7-0348-R	333	-
Total U.S. Department of Education			<u>23,490,877</u>	<u>-</u>
U.S. Department of Health and Human Services				
<u>Direct Programs:</u>				
Head Start Program	93.600	Not Applicable	5,688,992	-
<u>Passed through the State Department of Public Health:</u>				
Medical Reserve Corps Grant	93.008	4516-1010	10,948	-
Public Health Emergency Preparedness Partnership for the Enhancement of the Regional Preparedness	93.069	45100404/45161024	550,003	-
Early Childhood Mental Health	93.074	4516-1021/4516-1010	540,086	-
Childhood Lead Poisoning Prevention Program	93.104	4512-9069	76,484	-
Substance Abuse and Mental Health Services Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.197	INTF7900MM3701516135	41,975	-
The Patient Protection and Affordable Care Act Mass in Motion	93.243	W30816	74,563	-
National Bioterrorism Hospital Preparedness	93.283	4512-9069	1,683	-
Block Grants for Prevention and Treatment of Substance Abuse	93.541	INTF1100P01203816181	4,208	-
Maternal and Child Health Services	93.758	502925	58,759	-
	93.889	4510-0404	119,565	-
	93.959	4512-9068/4512-9069	403,477	-
	93.994	4512-9069	739	-
<u>Passed through the State Department of Health and Human Services:</u>				
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	CT ORI 0100 15 TAG000003	184,918	-
School-Based Medicaid Reimbursement Program	93.778	1950622	1,832,454	-
Total U.S. Department of Health and Human Services			<u>9,588,854</u>	<u>-</u>
Office of National Drug Control Policy				
<u>Direct Programs:</u>				
High Intensity Drug Trafficking Areas Program	95.001	Not Applicable	61,609	-
U.S. Department of Homeland Security				
<u>Direct Programs:</u>				
Staffing for Adequate Fire and Emergency Response	97.083	Not Applicable	1,272,106	-
Lead Hazard Grant	97.044	Not Applicable	1,010,036	551,060
FEMA	97.044	Not Applicable	200,500	163,127
Subtotal CFDA 97.044			<u>1,210,536</u>	<u>714,187</u>
<u>Passed through the State Office of Emergency Management:</u>				
Emergency Management Performance Grants	97.042	CT CDA FY 15EMPG1000000WORC	64,862	-
Emergency Management Performance Grants	97.042	FY17EMPG1600000WORC	7,161	-
Subtotal CFDA 97.042			<u>72,023</u>	<u>-</u>

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

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

(concluded)

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

Note 1 – Basis of Presentation

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

Note 2 – Indirect Costs

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

Note 3 – U.S. Department of Agriculture

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

Note 4 – U.S. Department of Transportation

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

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

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

Note 6 – U.S. Department of Homeland Security

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

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

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

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

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs:

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

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

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

B. Findings - Financial Statement Audit

None

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

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

DEPARTMENT OF EDUCATION

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

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

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

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

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

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

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

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

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

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

Planned completion date for corrective action plan: Already in Process

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

Corrective Action Plan: As described previously.

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

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Reporting

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

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

Effect: Noncompliance with reporting requirements.

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

Questioned Costs: None.

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

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

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

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

Planned completion date for corrective action plan: Already in Process

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

Corrective Action Plan: As described previously.

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

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

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

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

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

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

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

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

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

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

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

Planned completion date for corrective action plan: Already in Process

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

Corrective Action Plan: As described previously.

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

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Reporting

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

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

Effect: Noncompliance with reporting requirements.

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

Questioned Costs: None.

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

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

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

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

Planned completion date for corrective action plan: Already in Process

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

Corrective Action Plan: As described previously.

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

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Special Tests and Provisions

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

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

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

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

Questioned Costs: None.

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

Views of Responsible Officials and Corrective Action:

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

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

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

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

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

Corrective Action Plan: As described previously.

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

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

Noncompliance and Significant Deficiency in Internal Control Over Major Programs

Compliance Requirement: Allowable Costs/Cost Principles

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

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

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

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

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

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

Views of Responsible Officials and Corrective Action:

Explanation of disagreement with audit finding: None.

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

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

Planned completion date for corrective action plan: Already in Process

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

Corrective Action Plan: As described previously.

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

D. Summary of Prior Audit Findings

MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

Noncompliance and Significant Deficiency in the Internal Control over Major Programs

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

Compliance Requirement: Allowable Costs/Cost Principles

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

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

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

Compliance Requirement: Special Tests and Provisions

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

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

CITY OF WORCESTER SCHOOL DEPARTMENT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2017

CITY OF WORCESTER SCHOOL DEPARTMENT

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Superintendent of Schools
City of Worcester
Worcester, MA

We have performed the procedures enumerated in the accompanying Summary of Procedures and Findings section of the Special Report that follows and is incorporated by reference herein, which were agreed to by the City of Worcester School Department (the District), on evaluating if the District completely and thoroughly prepared and filed the Department of Secondary and Elementary Education annual End of Year Pupil and Financial Report for the year ended June 30, 2017. The City of Worcester's (the City) management is responsible for their accounting records. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying Summary of Procedures and Findings section that follows either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on any of the account totals included in the District's annual report or any other records of the City that may be referenced in our procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Worcester School Department and governmental users of the End of Year Report, and is not intended to be and should not be used by anyone other than these specified parties.

Robert C. Alario, Certified Public Accountants, P.C.

Worcester, MA
March 6, 2018

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

INTRODUCTION AND BACKGROUND

In accordance with a contract with the City of Worcester School Department (the District), Robert C. Alario CPA, P.C. has performed the procedures enumerated in the Summary of Procedures and Findings section, which follows, with respect to the District's compliance with the Massachusetts Department of Elementary and Secondary Education (DESE) End of Year Pupil and Financial Report (EOYR). Public school districts in Massachusetts are required to report financial and non-financial data annually to the DESE in the EOYR, in accordance with DESE Regulations on School Finance and Accountability (603 CMR 10.00). We have performed the procedures detailed in DESE's *Compliance Supplement for Massachusetts School Districts Agreed Upon Engagements: (Updated December 2016)*, which was issued in accordance with 603 CMR 10.00, in order to determine fiscal compliance with the DESE and filing of the EOYR. The procedures performed and the associated findings are described in the section which follows.

Our field work was conducted at the District's administrative offices located on Irving Street in Worcester, Massachusetts. Our contacts at the District were Brian E. Allen, Chief Financial Officer, Sara Consalvo, Budget Director, and Mohammed Siddiqui, Senior Financial Analyst.

The City of Worcester (the City) has a population of approximately 185,000. During the 2016-2017 school year, the Worcester Public Schools had approximately 25,000 full-time equivalent pupils, including approximately 11,200 elementary, 7,100 middle school and 7,100 senior high. The school department's general fund budget for fiscal 2016-2017 was \$322,965,803. Instructional staff includes approximately 1,800 full time teachers.

ACCOUNTING SYSTEM SUMMARY

End of Year Report information comes primarily from Excel based worksheets prepared by the budget office of the City of Worcester School Department. These worksheets translate information received from the City's Hera accounting system into the format required for state reporting. Separate worksheets exist for each of the various DESE functions reported on the EOYR. This is needed because of significant differences in the City's chart of accounts and DESE's reporting requirements.

Typically each amount reported on the EOYR for a given function is a combination of accounts from the City's system. In some cases, numerous accounts from the City's system had to be combined to determine the amount reported for a single DESE function.

DESE programs, within each function, were determined either by assignment of directly related costs, allocation of costs, or otherwise distributed costs, depending on the nature of the function, as explained in the detailed procedures that follow. The City's Hera system is maintained by the City Auditor's office. The District submits documentation supporting its expenditures to the City Auditor's office, which in turn reviews the information and posts transactions to the system. District personnel have the ability to query the system to generate basic reports, but do not post transactions.

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SCOPE AND OBJECTIVES

The scope of the agreed-upon procedures was to determine whether:

- Financial data reported on all EOYR schedules are traceable to the detail contained in the municipal or district accounting ledgers or records or to a documented methodology.
- Non-financial data reported on all EOYR schedules are traceable to the district's records or to a documented methodology.
- There are documented methodologies supporting the financial and other reported information contained in these schedules, whether these methodologies were followed, and whether the methodologies are reasonable.
- Internal controls exist to provide reasonable assurance that the revenues, expenditures and other data are accounted for consistent with Department regulations and guidelines.

The objective of the agreed-upon procedures was to review the City of Worcester School Department's records to determine whether required reports for Massachusetts School Districts include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with State requirements.

For all EOYR schedules containing information we:

- Ascertained if the financial information was prepared in accordance with the budgetary basis of accounting.
- Verified that amounts reported to accounting and other records that support the audited financial statements and verified agreement or performed alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.
- Verified that the non-financial data agreed to the supporting records that accumulate and summarize the data.
- Performed tests of the underlying data to verify that the data was accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the schedules. For Schedule 7, tested eligibility criteria for reimbursable riders.
- When intervening computations or calculations were required between the records and the schedules, traced reported data elements to supporting worksheets or other documentation that linked the schedules to the data.
- Determined if the District used an accounting system that provides for the reporting of all instructional costs by school location.

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SCOPE AND OBJECTIVES (Continued)

- Determined if the accounting system was supported by up-to-date written policies and procedures and that the policies and procedures were followed on a uniform and consistent basis.
- Determined if the district maintained written policies and procedures related to the classification of salaries and expenses by program, function and object and that the policies and procedures were followed on a uniform and consistent basis.
- Obtained a written representation from management that the reports provided to us were true copies of the EOYR submitted or electronically transmitted to the Department of Elementary and Secondary Education.

GENERAL COMPLIANCE REQUIREMENTS

Districts must use the standard financial reporting schedules contained in the End of Year Report. These schedules include financial and non-financial data. The financial information must be traceable to the accounting ledgers of the district or of the municipality or to a documented methodology. If a "crosswalk" exists between the municipal and district ledgers, this crosswalk should be documented. The non-financial information must be traceable to records or to a documented methodology that demonstrates the information was compiled from existing records. Each district must report income on the modified accrual basis and expenditures on the modified accrual plus encumbrance basis.

Each district must use an accounting system that provides for the reporting of all instructional costs by school location and is supported by up to date written policies and procedures. The policies and procedures are to be followed on a uniform and consistent basis.

Finding: The City has uniform and consistent procedures in place surrounding their accounting system; however, they are not always documented as up-to-date.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1

Procedure 1:

We traced revenue from Local Sources reported on Schedule 1 to the City's accounting ledgers and the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

Finding 1:

Amounts reported on Schedule 1, block A, appear to be supported by the City's accounting ledgers, Hera reports and the District's records.

Procedure 2:

We traced the revenue from state aid, federal grants, state grants, and revolving and special funds to the detail in the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Finding 2:

Revenue amounts reported for state aid, federal grants, state grants, state aid, and revolving and special funds appear to agree to the detail in the District's records.

Procedure 3:

We traced the amounts reported for general fund education expenditures from Schedule 1 line 1850 to the municipal accounting ledgers and to the District accounting ledgers. We also traced the expenditures reported on the District's records to expenditures reported on Schedule 1.

Finding 3:

General fund education expenditure totals as reported on Schedule 1 line 1850 were supported by the District's records.

Procedure 4:

We traced the amounts reported for a sample of DESE functions, State Objects, and DESE programs in Schedule 1 to the detail in the accounting ledgers, or to the crosswalk, if applicable.

Finding 4:

The amounts reported on the EOYR that were selected for testing were supported by the District's records and the City's accounting ledgers. The DESE functions that were sampled were also traced to District account details.

Procedure 5:

We tested Extraordinary Maintenance expenditures for the following: Verify that expenditures did not include salaries; verify that the expenditures included applicable principal portions of a loan or the cost of a lease/purchase agreement; verify that expenditures classified as Extraordinary Maintenance (4300) did not exceed the per project dollar limit for extraordinary maintenance (\$150,000); and trace the expenditures to the detail in the accounting ledgers.

Finding 5:

Extraordinary maintenance expenditures (4300) as reported by the Worcester Public Schools appear to be in compliance with DESE requirements.

Procedure 6:

We determined how expenditures for fringe benefits were assigned or allocated to Schedule 1 Employee Benefits and Insurance (5100, 5200). We traced the reported cost to the detail in the District's records using the methodology indicated. We determined if the District reported insurance for Retired Employees (5260) separately and appropriately.

Finding 6:

It appears that the District is properly reporting the fringe benefits and properly segregating those benefits paid to retired employees per the compliance requirements.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Procedure 7:

We verified that expenditures charged to Lines 1683 and 2060 – Short-term Interest (5400) related exclusively to Revenue Anticipation Notes (RAN's).

Finding 7:

The EOYR does not include any amounts for debt services charged to Line(s) 1683 and 2060 - Short-term Interest (5400) relate exclusively to Revenue Anticipation Notes (RAN's).

Procedure 8:

We verified that expenditures charged to Lines 1684 and 2065 – Short-term Interest – BAN's (5450) related exclusively to Bond Anticipation Notes (BAN's).

Finding 8:

The EOYR does not include any amounts on Line 1684 - Short-term Interest – BAN's (5450). Expenditures charged to Line 2065 – Short-term Interest – BAN's (5450) as reported by the Worcester Public Schools relate exclusively to Bond Anticipation Notes (BAN's).

Procedure 9:

We identified expenditures reported as long-term School Construction debt for principal (8100) and interest (8200) and verified that bond anticipation notes were not included in these functions. We traced the reported costs to the Treasurer's debt schedule. We traced the reported amount to the detail in the accounting ledgers. Note: If the District received a lump sum wait list or progress payment from Massachusetts School Building Authority, we verified that the revenue was reported on line 130 and that expenses were reported for pay down of principal (8100), or Purchase of Land and Buildings (7100, 7200), if applicable.

Finding 9:

The EOYR expenditures reported as long-term School Construction debt for principal (8100) and interest (8200), and Massachusetts School Building Authority contract revenue and related expenses agreed to the City's accounting ledgers, were supported by the District's records and appear to be in compliance with DESE requirements.

Procedure 10:

We traced the expenditures for tuition payments: to other school districts in state (9100), to out of state schools (9200), to non-public schools (9300), to member collaboratives (9400), and assessments to member regional school districts (9500), to the detail in the accounting ledgers.

Finding 10:

Reported expenditures for tuition payments tested agreed to the City's accounting ledgers and were supported by the District's records. We also verified that the District did not have any prepaid tuition.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

Procedure 11:

For municipal expenditures that resulted in services directly related to the school committee we obtained a copy of a written agreement between the School Committee and Municipal officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Municipal expenditures to the District. We tested the amounts reported using the documented methodology.

Finding 11:

Methodology was reviewed during the testing of Schedules 1 and 19. It appears that the City has properly allocated municipal expenditures in accordance with the agreement between the School Committee and Municipal officials.

Procedure 12:

We traced the expenditures from Federal Grants, State Grants and Special Funds and determined amounts reported in column 1 by expenditure classification agreed with filed Final Grant Expenditure reports and traced amounts claimed as Circuit Breaker expenses on line 3080, column 7 to the accounting ledgers or journals.

Finding 12:

The compliance supplement calls for reviewing column 1, however the EOYR uses columns 1 through 5. We were able to agree the amounts reported on line 3080, column 1 through 5, to the City's accounting records and District records, as well as the Final Grant Expenditure Report. Circuit Breaker expenses on line 3080, column 7 agreed to the City's accounting ledgers and District records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3

Procedure 13:

We traced the amounts reported by school location on the linked file to the accounting ledgers. We determined if the District maintained a payroll system or spreadsheet to document the assignment of staff salaries by school location. We determined the allocation was supported by a documented methodology. We determined the District maintained a documented methodology for consistency in application and the allocations are acceptable.

Finding 13:

The expenditures reported on Schedule 3 agree to the DESE functions detailed on Schedule 1 for all items tested and the expenditures agreed to the City's accounting ledgers and were supported by the District's account details. The District maintains a payroll system that breaks items down by pay code and assigns the staff salaries by school location.

Supervisory Costs:

These assignments are based on the duties performed per position and payroll reports. Other expenditures represent assignment of direct costs for special education consultants. The stated methodologies appeared to be applied appropriately and consistently.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3 (Continued)

Teaching Costs:

These costs are determined by teachers' individual disciplines within the school, which is most often determined by their area of certification. This information is obtained from bi-weekly payroll reports which have cost center codes for both teaching level and discipline. Other expenditures represent direct costs to teaching as reported by the individual schools, the District's records and the City's accounting ledgers.

Guidance and Psychological Costs:

These costs consist entirely of salary expenditures. The Special Education Director, Manager of Student Support Services/Alternative Programs and Bilingual Director work out percentages that form the basis for allocating these costs. For the year under review, the percentages were as follows:

	<u>Guidance</u>	<u>Psychological</u>
Regular	60%	60%
Special Education	40%	40%

Percentages were confirmed by recalculating selected Schedule 1 and Schedule 3 amounts. The stated methodologies appeared to be applied appropriately and consistently.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 4

Procedure 14:

We ascertained the methodology used to allocate, distribute or assign Special Education (SPED) costs to the placement on Schedule 4 and reviewed the propriety of the methodology. We tested the amounts reported on Schedule 4 using this methodology.

Finding 14:

Instructional services were allocated based on percentages supplied by the Special Education Director using professional judgment. Payments were allocated based on tuition expenditures furnished by the Special Education Director. Based on our tests, it appears that the allocation of Special Education costs to prototypes agreed to the percentages determined by the Special Education Director. We determined that amounts tested agreed to the City's accounting ledgers and were supported by the District records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7

Procedure 15:

We traced the transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. We determined the methodology used to allocate transportation expenditures on Schedule 7 and verified the accuracy of the allocations.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7 (Continued)

Finding 15:

Transportation expenditures were allocated based on pupil headcounts. The amounts tested on Schedule 7 were supported by District records and agreed to the City's accounting ledgers. All numbers were traced to the EOYR without exception.

Procedure 16:

We traced the pupils reported on Schedule 7 to the detailed transportation records and verified that the amounts reported on Schedule 7 are accurate and consistent with the detailed records.

Finding 16:

The amounts reported on Schedule 7 agreed to the detailed transportation records and were supported by the City's accounting ledgers and the District's records.

Procedure 17:

We determined that the District's records separate costs in order to facilitate reporting as outlined in Schedule 7 (In or Out of District, Pre-School, Non-Public, School Choice and Charter School). We also determined reimbursable expenditures reported on Line 4283 (Homeless From Outside the District) and Line 4285 (Homeless To Outside the District) were supported by adequate documentation. We reviewed the propriety of the cost allocation plan and tested the expenditures reported.

Finding 17:

Based on our testing of the EOYR, we determined that the accounting system separately accounts for each of the school locations and they can be easily separated out based on the type of cost. We were able to agree the amounts reported on Lines 4283 and 4285 to the City's accounting ledgers and District's records.

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19

Procedure 18:

We determined if the School District has reported all changes to Schedule 19 Part A.1 – Appropriation by School Committee to the DESE. We compared the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended and determined if all changes were reported.

Finding 18:

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.1, and that it reflects the final amended School Committee Appropriation. It appears that no further changes are necessary to Schedule 19, Part A.1.

Procedure 19:

We determined the amounts budgeted in Schedule 19 Part A.2 are consistent with methodologies outlined in the agreement noted in procedure II A.4.a (Procedure 4).

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19 (Continued)

Finding 19:

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.2, and that it properly reflects the final amended School Committee Appropriation.

Procedure 20:

We determined that retiree health insurance (5250) is reported separately.

Finding 20:

We were able to agree the amounts reported for retiree health insurance (5250) to the City's accounting ledgers and District records and noted that it is reported separately.