

The following items will be discussed at the meeting of the Standing Committee on Finance and Operations to be held on Wednesday, May 22, 2019 at 12:00 p.m. in Room 410 at the Durkin Administration Building:

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 #8-233 - Administration (July 18, 2018)

To review the status of the FY19 Budget and make appropriate transfers as required.

gb #9-10 - Administration (January 2, 2019)

To review the annual audit and agreed upon procedures report 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, 2018 which included the Government Accountability Office (GAO) and the Office of Management and Budget (OMB) A-133 Reports and the Management Letter.

gb #9-11 - Administration (January 2, 2019)

To review the annual audit and agreed upon procedures on the Independent Accountant's Report on Applying Agreed Upon Procedures for Student Activity Fund Testing for fiscal years 2016, 2017, and 2018 prepared by CliftonLarsenAllen, LLP.

gb #9-12 - Administration (January 2, 2019)

To review the annual audit and agreed upon procedures on 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 2017-18, prepared by Robert C. Alario, CPA, P.C.

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 #3

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

on: Wednesday, May 22, 2019
at: 12:00 p.m.
in: Room 410, Durkin Administration Building

ORDER OF BUSINESS

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

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 #7-343 - 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)

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gb #9-59 - Administration (February 13, 2019)

To review bid specifications for student transportation services and award contract to lowest responsive and responsible bidder for a contract term to begin in June 2020.

gb #9-95 - Miss Biancheria/Miss McCullough/Mr. Monfredo/Mr. O'Connell
March 13, 2019)

Request that the Administration survey the schools without air conditioning to verify their supply of fans for classrooms and availability of bottled water for students and staff for excessively hot days.

IV. ADJOURNMENT

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

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Wednesday, May 22, 2019

ITEM: Mr. Monfredo/Miss McCullough/Ms. Colorio/Mr. O'Connell/Mr. Foley/
Miss Biancheria (October 20, 2017)

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

PRIOR ACTION:

11-2-17 - SCHOOL COMMITTEE MEETING
Referred to the Standing Committee on Finance and Operations.
Mr. Monfredo made the following motion:
Request that the Administration provide a report relative to a possible salary adjustment for day-by-day substitute teachers.
On a voice vote, the motion was approved.
Miss Biancheria made the following motions:
Request that the Administration contact other districts to request the salary scale for day-by-day substitute teachers.
Request that the Administration provide a report on the system established for providing substitute teachers at schools.
On a voice vote, the motions were approved.

BACKUP:

The FY20 Budget includes a \$5 per day increase in the pay scale for day-by-day substitutes from \$70 to \$75 per day. The cost of the increase is \$60,000. The Administration recommends an additional \$5 per day increases in FY21 and FY22 to a rate of \$80 and \$85 per day, respectively.

The Administration recommends that the item be filed.

STANDING COMMITTEE: FINANCE AND OPERATIONS

DATE OF MEETING: Wednesday, May 22, 2019

ITEM: Administration (July 18, 2018)

To review the status of the FY19 Budget and make appropriate transfers as required.

PRIOR ACTION:

- 8-23-18 - Referred to the Standing Committee on Finance and Operations.
- 12-17-18 - STANDING COMMITTEE ON FIANANCE AND OPERATIONS
Mr. Allen provided an update on the First Quarter Report for the FY19 Budget.

It was moved to approve the following transfers:

Amount	From Account	Account Title	To Account	Account Title
\$90,000	500122-92000	Athletics OM	500103-97201	Transportation Salaries
\$400,000	500-91111	Teacher Salaries	500130-92000	Personal Services
\$250,746	500-91111	Teacher Salaries	500136-92000	Miscellaneous OM
\$9,254	500-91111	Teacher Salaries	540136-92000	Miscellaneous OM
\$300,000	500-91111	Teacher Salaries	500129-92000	Workers Compensation
\$300,000	500-91111	Teacher Salaries	500132-92000	Special Education Tuition
\$130,000	500-91111	Teacher Salaries	500152-92000	Facilities Ordinary Maintenance
\$20,000	500-91111	Teacher Salaries	500-92204	Instructional Supplies
\$100,000	500-91111	Teacher Salaries	500-91110	Administration

On a roll call of 2-0-1 (absent Miss McCullough), the motion was approved.

BACKUP:

- Annex A (2 pages) contains a copy of the FY19 Budget Status Third Quarter Report.
- Annex B (1 page) contains a copy of the FY19 Budget Account Summary Third Quarter Report.

The Administration recommends approval of the Transfer of Funds and hold for the final report.

PRIOR ACTION (continued)

12-20-18 - SCHOOL COMMITTEE MEETING - The School Committee approved the action of the Standing Committee as stated.

3-11-19 - STANDING COMMITTEE ON FINANCE AND OPERATIONS
Mr. Allen provided an update on the Second Quarter Report for the FY19 Budget.

It was moved to approve the following transfers:

Amount	From Account	From Account Title	To Account	To Account Title
\$813,250	500-91111	Teacher Salaries	500-92204	Instructional Supplies
\$110,000	500-91111	Teacher Salaries	500136-92000	Miscellaneous OM (School Safety)
\$100,000	500-91111	Teacher Salaries	500152-92000	Facilities OM (Building Repairs)
\$65,000	500-91111	Teacher Salaries	500152-92000	Facilities OM (Environmental Management)
\$300,000	500-91111	Teacher Salaries	540103-97000	Transportation Overtime
\$210,000	500-91120	Maintenance Service Salaries	500-97201	Custodial Overtime
\$155,000	500146-92000	Building Utilities	500152-92000	Facilities OM (Trash Removal)

On a roll call of 3-0 the motion was approved.

Hold for the third quarter report.

3-21-19 - SCHOOL COMMITTEE MEETING - The School Committee approved the action of the Standing Committee as amended.

It was moved to approve the following transfers:

Amount	From Account	From Account Title	To Account	To Account Title
\$813,250	500-91111	Teacher Salaries	500-92204	Instructional Supplies
\$110,000	500-91111	Teacher Salaries	500136-92000	Miscellaneous OM (School Safety)
\$100,000	500-91111	Teacher Salaries	500152-92000	Facilities OM (Building Repairs)
\$65,000	500-91111	Teacher Salaries	500152-92000	Facilities OM (Environmental Management)
\$300,000	500-91111	Teacher Salaries	540103-97000	Transportation Overtime
\$210,000	500-91120	Maintenance Service Salaries	500-97201	Custodial Overtime
\$155,000	500146-92000	Building Utilities	500152-92000	Facilities OM (Trash Removal)

On a roll call of 7-0 the motion was approved.

**FY19
 BUDGET STATUS
 Third Quarter Report**

The status of all Salary and Ordinary Maintenance accounts as of March 31, 2019 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, 2019. Salary and Ordinary Maintenance Account totals are:

<u>Budget Title</u>	<u>Budget Amount</u>	<u>Expended or Encumbered 03/31/19</u>	<u>Projected Balance 06/30/19</u>
Salaries	\$227,683,233	\$140,796,362	\$304,020
Ordinary Maintenance	\$117,375,443	\$103,997,237	\$204,030
Total General Fund	\$345,058,676	\$244,793,599	\$508,050

At this point during the fiscal year, a total of \$244,793,599 (71%) has been expended or committed. A description of the projected balances is as follows:

Budget Impacts:

Health Insurance (-\$303,186): The projected deficit in this account is based on final enrollments through the month May, as well as actual grant reimbursement amounts.

Custodial Salaries (-\$185,713): The projected deficit in this account is attributed to the full staffing of custodial coverage throughout the district. The facilities department has backfilled vacant positions of staff collecting workers compensation benefits to ensure that all buildings are continuously cleaned and monitored.

Educational Support (-\$141,023): The projected deficit in this account is attributed to the conversion of ESL teaching staff to five ESL tutor positions, as well as additional hours necessary for the EPL testers to accommodate testing requirements in a timely manner. This account also includes an additional BCBA position that has been added for increased caseloads.

School Clerical Salaries (-\$50,862): The projected deficit in this account is attributed to additional substitute coverage that has been expended for school based clerical staff. This includes short and long-term absences, as well as any additional coverage required for individual schools.

Accounts with Projected Balances to Offset Deficit Accounts:

Teachers (\$280,717): The projected balance represents vacancy savings of payrolls through the end of April. This is less than 1% of the total budgeted amount. The projection includes the cost of any replacement positions through the end of the school year.

Supplemental Salaries (\$149,737): The projected balance represents the actual expenditures of the various line items through the end of April, including special education summer school, translations, ABA home servicing and AVID programming.

Maintenance Salaries (\$118,874): The projected balance represents the vacancy savings of payrolls through the end of April. The projection includes the cost of any replacement positions through the end of the school year.

Based on the projected balance, the Administration recommends the following actions:

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
500136-92000	Miscellaneous OM (Line G. Instructional Technology) For the purchase of school-based projectors, document cameras, I-Pads, Chromebooks and carts	\$300,000
500-92204	Textbook Purchases For the purchase of various school textbooks, curriculum and classroom materials	\$200,000

In order to provide funds necessary to reflect recent actions, 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	500152-92000	Facilities OM	500152-93000	Facilities OM
\$115,000	500136-92000	Miscellaneous OM	500136-93000	Miscellaneous OM
\$62,680	500146-92000	Utilities	500146-93000	Utilities
\$45,000	540-91117	Transportation Salary	540-97203	Transportation Overtime

**WORCESTER PUBLIC SCHOOLS
2018-2019 BUDGET
ACCOUNT SUMMARY
THIRD QUARTER REPORT**

<u>Account</u>	<u>Account Title</u>	<u>Adopted</u>	<u>Transfers</u>	<u>Budget</u>	<u>Expended or Encumbered</u>	<u>Balance</u>
500-91110	Administration Salaries	\$12,774,786	\$100,000	\$12,874,786	\$9,450,302	\$101,045
500-91111	Teacher Salaries	\$167,661,400	-\$2,898,250	\$164,763,150	\$95,992,771	\$280,717
500-91112	School Committee Salaries	\$88,692		\$88,692	\$60,432	\$8,116
500-91114	Teacher Substitutes Salaries	\$2,198,440		\$2,198,440	\$1,441,289	-\$38,345
500-91115	Instructional Assistants Salaries	\$10,783,639		\$10,783,639	\$9,238,388	-\$50,336
500-91116	Coach Salaries	\$595,719		\$595,719	\$446,830	\$35,989
540-91117	Transportation Salaries	\$3,554,542		\$3,554,542	\$2,371,968	\$103,557
500-91118	Supplemental Program Salaries	\$1,809,487		\$1,809,487	\$1,225,908	\$149,737
500-91119	Custodial Salaries	\$6,870,788		\$6,870,788	\$5,307,609	-\$185,713
500-91120	Maintenance Service Salaries	\$2,208,423	-\$210,000	\$1,998,423	\$1,393,469	\$118,874
500-91121	Administrative Clerical Salaries	\$3,195,272		\$3,195,272	\$2,457,283	-\$4,927
500-91122	School Clerical Salaries	\$2,181,610		\$2,181,610	\$1,496,482	-\$50,862
500-91123	Non Instructional Salaries	\$2,353,025		\$2,353,025	\$2,119,318	\$18,402
540-91124	Crossing Guard Salaries	\$506,745		\$506,745	\$333,569	\$14,664
500-91133	School Nurse Salaries	\$5,156,099		\$5,156,099	\$2,784,016	\$105,702
500-91134	Educational Support Salaries	\$3,901,776		\$3,901,776	\$2,747,118	-\$141,023
540-97201	Transportation Overtime Salaries	\$538,043	\$390,000	\$928,043	\$709,340	-\$27,626
500-97203	Custodial Overtime Salaries	\$1,078,481	\$210,000	\$1,288,481	\$1,019,158	-\$97,371
500-97204	Maintenance Overtime Salaries	\$155,351		\$155,351	\$125,767	-\$28,498
500-97205	Support Overtime Salaries	\$70,915		\$70,915	\$75,344	-\$8,083
	Salary Total	\$227,683,233	-\$2,408,250	\$225,274,983	\$140,796,362	\$304,020
500101-96000	Retirement	\$17,615,995		\$17,615,995	\$17,668,637	-\$9,040
540103-92000	Transportation	\$15,431,224		\$15,431,224	\$15,353,799	\$114,925
500122-92000	Athletic Ordinary Maintenance	\$454,052	-\$90,000	\$364,052	\$293,469	\$14,262
500123-96000	Health Insurance	\$44,322,761		\$44,322,761	\$30,329,644	-\$303,186
500125-92000	Other Insurance Programs	\$59,589		\$59,589	\$58,876	\$714
500129-96000	Workers Compensation	\$1,653,061	\$300,000	\$1,953,061	\$1,507,978	-\$33,332
500130-92000	Personal Services	\$1,861,487	\$400,000	\$2,261,487	\$2,195,778	\$29,923
500132-92000	Tuition	\$19,180,340	\$300,000	\$19,480,340	\$18,773,246	\$314,990
500133-92000	Printing & Postage	\$257,432		\$257,432	\$267,748	-\$12,906
500-92204	Instructional Materials	\$3,809,986	\$833,250	\$4,643,236	\$3,597,429	\$0
500136-92000	Miscellaneous Educational OM	\$2,887,951	\$370,000	\$3,257,951	\$3,314,507	\$26,597
500137-96000	Unemployment Compensation	\$511,463		\$511,463	\$410,856	-\$34,829
500138-92000	In-State Travel	\$57,500		\$57,500	\$37,363	-\$600
500146-92000	Building Utilities	\$5,782,741	-\$155,000	\$5,627,741	\$6,623,229	\$96,512
500152-92000	Facilities Ordinary Maintenance	\$3,489,861	\$450,000	\$3,939,861	\$3,564,680	\$0
	Non Salary Total	\$117,375,443	\$2,408,250	\$119,783,693	\$103,997,237	\$204,030
	Total General Fund Budget	\$345,058,676	\$0	\$345,058,676	\$244,793,599	\$508,050

ITEM: gb #9-10

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Wednesday, May 22, 2019

ITEM: Administration (January 2, 2019)

To review the annual audit and agreed upon procedures report 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, 2018 which included the Government Accountability Office (GAO) and the Office of Management and Budget (OMB) A-133 Reports and the Management Letter.

PRIOR ACTION:

1-17-19 - Referred to the Standing Committee on Finance and Operations.

BACKUP:

Annex A (15 pages) contains a copy of the Government Accountability Office and Uniform Guidance Reports.

**CITY OF WORCESTER, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2018**



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**CITY OF WORCESTER, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
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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 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, 2018 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2017), 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 January 11, 2019. The City of Worcester, Massachusetts' financial statements include the operations of the Worcester Retirement System (as of and for the year ended December 31, 2017) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2018). 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.

Honorable Mayor and City Council
City of Worcester, Massachusetts

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 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 result 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
January 11, 2019



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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**

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 year ended June 30, 2018. 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 \$721,947 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2018. 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards.

Auditors' 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.

Honorable Mayor and City Council
City of Worcester, Massachusetts

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 year ended June 30, 2018.

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 2018-001 and 2018-002. 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 above. 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 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.

Honorable Mayor and City Council
City of Worcester, Massachusetts

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 2018-001 and 2018-002 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.

Report on 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 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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Worcester, Massachusetts. We issued our report thereon dated January 11, 2019, 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 (as of and for the year ended December 31, 2017) and the Worcester Redevelopment Authority and Upper Blackstone Water Pollution Abatement District (as of and for the year ended June 30, 2018). 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
March 12, 2019, except for the schedule of federal awards
which is dated January 11, 2019

**CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>	<u>Awards to Subrecipients</u>
U.S. Department of Agriculture				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program - Cash Assistance	10.553	14-348	\$ 4,059,887	\$ -
National School Lunch Program - Cash Assistance	10.555	14-348	11,247,100	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	14-348	1,053,580	-
Subtotal CFDA 10.555			<u>12,300,680</u>	<u>-</u>
Subtotal Child Nutrition Cluster			<u>16,360,567</u>	<u>-</u>
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	14-348	8,525	-
Fruit and Vegetable Program	10.582	14-348	<u>322,858</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>16,691,950</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<u>Direct programs:</u>				
Community Development Block Grant	14.218	Not Applicable	3,697,455	1,286,055
Emergency Shelter Grants Program	14.231	Not Applicable	428,557	339,408
HOME Investment Partnerships Program	14.239	Not Applicable	1,430,047	1,314,756
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	<u>506,880</u>	<u>489,442</u>
Total U.S. Department of Housing and Urban Development			<u>6,062,939</u>	<u>3,429,661</u>
U.S. Department of Justice				
<u>Direct programs:</u>				
Office of Juvenile Justice and Delinquency Prevention - Youth Gang Prevention	16.544	Not Applicable	225,198	124,916
Office of Violence Against Women Improving Criminal Justice Responses	16.590	Not Applicable	95,944	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Not Applicable	152,754	-
Edward Byrne Memorial Criminal Justice Innovative Program	16.817	Not Applicable	36,920	-
<u>Passed through the Executive Office of Public Safety and Security</u>				
Violence Against Women Formula Grants (fiscal year 2016)	16.588	2016-WF-AX-0029	25,400	24,892
<u>Passed through the DOJ to Worcester County Sheriff's Office</u>				
Residential Substance Abuse Treatment	16.593	SDW	<u>2,868</u>	<u>-</u>
Total U.S. Department of Justice			<u>539,084</u>	<u>149,808</u>
U.S. Department of Labor				
<u>Passed through the State Department of Career Services:</u>				
		CT EOL 18CCWORCWP		
		CT EOL 17CCWORCWP		
		CT EOL 16CCWORCWP		
		CT EOL 15CCWORCNEGREA		
		CT EOL 17CCWORCNEGREA		
Employment Service/Wagner-Peyser Funded	17.207	CT EOL 18CCWORCNEGREA	424,371	-
		CT EOL 18CCWORCVETSUI		
		CT EOL 17CCWORCVETSUI		
Unemployment Insurance	17.225	CT EOL 17CCWORCNEGREA	96,620	-
		CT EOL 16CCWORCTRADE		
Trade Adjustment Assistance	17.245	CT EOL 18CCWORCTRADE	39,104	-
<u>WIA Cluster:</u>				
		CT EOL 17CCWORCWIA		
WIA Adult Program	17.258	CT EOL 18CCWORCWIA	588,313	-
		CT EOL 17CCWORCWIA		
WIA Youth Activities	17.259	CT EOL 18CCWORCWIA	1,121,877	788,337
		CT EOL 17CCWORCWIA		
WIA Dislocated Workers	17.278	CT EOL 18CCWORCWIA	723,391	-
Subtotal WIA Cluster			<u>2,433,581</u>	<u>788,337</u>
		CT EOL 17CCWORCVETSUI		
Disabled Veterans' Outreach Program	17.801	CT EOL 18CCWORCVETSUI	45,601	-
Total U.S. Department of Labor			<u>3,039,277</u>	<u>788,337</u>

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, 2018**

U.S. Department of Transportation				
<u>Passed through the State Department of Transportation:</u>				
Public Transportation Research	20.514	49USC5322	6,716	-
<u>Passed through the State Office of Emergency Management:</u>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2017 2018 HMEP	3,199	-
Total U.S. Department of Transportation			9,915	-
National Endowment for the Humanities				
<u>Direct Programs:</u>				
Division of Preservation and Access	45.149	Not Applicable	5,997	-
Environmental Protection Agency				
<u>Direct Programs:</u>				
Environmental Policy and Innovation Grants	66.811	Not Applicable	30,873	-
ARRA - Brownfields Cleanup and Assessment Cooperative Agreements	66.818	Not Applicable	5,944	-
Total Environmental Protection Agency			36,817	-
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	359-022-7-0348-R 184-138234-2018-0348-1.0	92,182	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Title I Distribution (fiscal year 2018)	84.010	6305-094062-2018-0348	6,619,221	-
Title I Distribution (fiscal year 2017)	84.010	6305-094062-2017-0348	2,385,450	-
Title I Distribution (fiscal year 2016)	84.010	305-075149-2016-0348	24,680	-
Title I School Redesign (fiscal year 2018)	84.010	511-047-8-0348	382,296	-
Title I School Support	84.010	323-201842-2018-0348	65,949	-
Title I School Support	84.010	321-002-7-0348-R	37,093	-
Title I School Support	84.010	323-007-7-0348-R	62,280	-
Title I School Support	84.010	321-005-7-0348-R	3,433	-
Subtotal Title I and CFDA 84.010			9,580,402	-
Title I, Part D, Subpart 1 Neglected or Delinquent	84.013	320-198771-2018-0348SDW	1,228	-
<i>Special Education Cluster</i>				
SPED 94-142 Allocation (fiscal year 2018)	84.027	240-095231-2018-0348	7,105,499	-
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-095231-2017-0348	197,598	-
SPED Program Improvement (fiscal year 2018)	84.027	274-204560-2018-0348	13,102	-
SPED Program Improvement (fiscal year 2017)	84.027	274-257-7-0348-R	84,648	-
SPED Mass Urban (fiscal year 2018)	84.027	240-202452-2018-0348	38,987	-
SPED Mass Urban (fiscal year 2017)	84.027	240-136408-2017-0318-1.0	10,027	-
Secondary Transition	84.027	243-189-7-0348-R	28,596	-
Subtotal CFDA 84.027			7,478,457	-
SPED Early Childhood Program Improvement (fiscal year 2018)	84.173	298-204559-2018-0348	636	-
SPED Early Childhood Program Improvement (fiscal year 2017)	84.173	298-003-7-0348-R	4,177	-
<u>Passed through the State Department of Early Education and Care:</u>				
<i>Special Education Cluster (continued)</i>				
SPED Early Childhood Allocation (fiscal year 2018)	84.173	26218WORCESTER	261,147	-
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217WORCESTER	268,141	-
Subtotal CFDA 84.173			534,101	-
Subtotal Special Education Cluster			8,012,558	-
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Career and Technical Education	84.048	406-006-7-0348-R	103,248	-
Perkins Secondary (fiscal year 2018)	84.048	400-098241-2018-0348	302,860	-
Perkins Secondary (fiscal year 2017)	84.048	400-006-7-0348	111,782	-
Subtotal CFDA 84.048			517,890	-
Education for Homeless Children & Youth (fiscal year 2018)	84.196	310-002-8-0348	22,375	-
Education for Homeless Children & Youth (fiscal year 2017)	84.196	310-092-7-0348	34,327	-
Education for Homeless Children & Youth Emergency Support	84.196	313-201842-2018-0348	693	-
Subtotal CFDA 84.196			57,395	-

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, 2018**

Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle-Summer	84.287	647-183-7-0348-R	2,779	-
Massachusetts 21st Century Community Learning Centers (CLC) - Sullivan Middle	84.287	647-091-8-0348	31,380	-
Massachusetts 21st Century CLC - Summer	84.287	644-205826-2018-0348-4.0	40	-
Massachusetts 21st Century CLC - Bumcoat	84.287	647-030-8-0348	35,000	-
Massachusetts 21st Century CLC - Bumcoat	84.287	647-087-8-0348	39,298	-
Massachusetts 21st Century CLC - Bumcoat	84.287	647-134-7-0348-R	7,742	-
Massachusetts 21st Century CLC - Out-of-School-Time	84.287	647-118-8-0348	72,060	-
21st Century CLC (fiscal year 2018)	84.287	0647-096578-2018-0348	91,906	-
21st Century CLC (fiscal year 2017)	84.287	647-038-7-0348	9,436	-
Subtotal CFDA 84.287			<u>289,641</u>	-
Title III - English Language Acquisition (ELA) (fiscal year 2018)	84.365	180-153676-2018-0348	451,125	-
Title III - English Language Acquisition (ELA) (fiscal year 2018)	84.365	186-201911-2018-0348	8,106	-
Title III - English Language Acquisition (ELA) (fiscal year 2017)	84.365	180-041-7-0348	388,489	-
Title III - ELA - Summer (fiscal year 2018)	84.365	184-080-8-0348	23,738	-
Title III - ELA - Continuation	84.365	180-036-7-0348-R	98,823	-
Subtotal CFDA 84.365			<u>970,281</u>	-
Title IA - Improving Teacher Quality (ITQ) (fiscal year 2018)	84.367	0140-096278-2018-0348	1,202,091	-
Title IA - Improving Teacher Quality (ITQ) (fiscal year 2017)	84.367	0140-096278-2017-0348	100,996	-
Title IA - Improving Teacher Quality (ITQ) (fiscal year 2016)	84.367	140-077370-2016-0348	1,303	-
Title IA - Improving Teacher Quality (ITQ) - High Quality Instructional	84.367	144-206186-2018-0348-1.0	40	-
Subtotal CFDA 84.367			<u>1,304,430</u>	-
Professional Development for Frameworks & Standards	84.370	144-010-7-0348-R	46,099	-
School Improvement Grants	84.377	539-045-8-0348	285,323	-
Title IV	84.424	309-070115-2018-0348	108,049	-
Impact Aid Temporary Emergency Impact Aid for Displaced Students	84.938C	312-258231-2019-0348	2,075,906	-
Total U.S. Department of Education			<u>23,341,384</u>	-
U.S. Department of Health and Human Services				
<u>Direct Programs:</u>				
Head Start Program	93.600	Not Applicable	6,545,097	-
<u>Passed through the State Department of Public Health:</u>				
Medical Reserve Corps Grant	93.008	4516-1010	1,279	-
Public Health Emergency Preparedness	93.069	45100404/45161024	376,218	-
		4516-1021		
Partnership for the Enhancement of the Regional Preparedness	93.074	4516-1010	538,275	-
Early Childhood Mental Health	93.104	4512-9069	78,863	-
		180627		
Childhood Lead Poisoning Prevention Program	93.197	701516	37,540	-
Substance Abuse and Mental Health Services	93.243	W50091	85,100	-
Mass in Motion	93.758	502925	53,190	-
National Bioterrorism Hospital Preparedness	93.889	45100404/45161024	64,086	-
		200218		
		4512-9068		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4512-9069	318,208	-
<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	75,869	-
School-Based Medicaid Reimbursement Program	93.778	1950622	1,803,127	-
Total U.S. Department of Health and Human Services			<u>9,976,852</u>	-
Executive Office of the President				
<u>Direct Programs:</u>				
High Intensity Drug Trafficking Areas Program	95.001	Not Applicable	88,350	-
U.S. Department of Homeland Security				
<u>Direct Programs:</u>				
Staffing for Adequate Fire and Emergency Response	97.083	Not Applicable	973,241	-
Lead Hazard Grant	97.044	Not Applicable	945,212	101,717
FEMA	97.044	Not Applicable	8,602	-
Subtotal CFDA 97.044			<u>953,814</u>	101,717
<u>Passed through the State Office of Emergency Management:</u>				
Emergency Management Performance Grants	97.042	FY18EMPG1000000WORC	8,987	-
Emergency Management Performance Grants	97.042	FY17EMPG1600000WORC	62,143	-
Subtotal CFDA 97.042			<u>71,130</u>	-
<u>Passed through the State Executive Office of Public Safety & Homeland Security:</u>				
Homeland Security Grant Program	97.067	80004700	1,001	-
Total U. S. Department of Homeland Security			<u>1,999,186</u>	101,717
Total			<u>\$ 61,791,751</u>	<u>\$ 4,469,523</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF WORCESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Worcester, Massachusetts under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Worcester, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Worcester, Massachusetts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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 – Noncash Assistance (Commodities) represents nonmonetary assistance and is reported in the Schedule at the fair market value of the commodities received. The amounts reported for the National School Breakfast, National School Lunch – 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 amounts reported for the Emergency Management Performance Grants programs represent federal cash receipts.

**CITY OF WORCESTER, MASSACHUSETTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|---|------------|---|
| 1. Type of auditors' report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <input checked="" type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <input checked="" type="checkbox"/> no |

Federal Awards

- | | | |
|---|---|--|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ <input checked="" type="checkbox"/> yes | _____ none reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ <input checked="" type="checkbox"/> yes | _____ no |

Identification of Major Federal Programs

14.218	Community Development Block Grant
84.027 and 84.173	Special Education Cluster
84.938C	Impact Aid Temporary Emergency Impact Aid for Displaced Students

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 1,853,753

Auditee qualified as low-risk auditee pursuant
to Uniform Guidance? x yes no

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

2018-001

Federal agency: U.S. Department of Education

Federal program title: Special Education Cluster

CFDA Number: 84.027 and 84.173

Pass-Through Agency: Massachusetts Departments of Education and Early Education and Care

Pass-Through Number(s): Various – See Schedule of Expenditures of Federal Awards

Award Period: July 1, 2017 through June 30, 2018

Type of Finding: Other Matter and Significant Deficiency in Internal Control Over Major Programs

Compliance requirement: Allowable Costs/Cost Principles.

Criteria or specific requirement: 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: Signed time and effort certifications identified certain employees’ time as 100% dedicated to the Special Education Cluster grant. For 5 of 40 transactions tested, employees on the certifications were paid from funding sources other than the Special Education Cluster grant.

Questioned costs: None.

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

Repeat Finding: No.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

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

Recommendation: We recommend procedures be implemented to ensure that time and effort certifications are accurately maintained, 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: Management agrees with the finding. Please refer to the Corrective Action Plan.

2018-002

Federal agency: U.S. Department of Education

Federal program title: Special Education Cluster

CFDA Number: 84.027 and 84.173

Pass-Through Agency: Massachusetts Departments of Education and Early Education and Care

Pass-Through Number(s): Various – See Schedule of Expenditures of Federal Awards

Award Period: July 1, 2017 through June 30, 2018

Type of Finding: Other Matter and Significant Deficiency in Internal Control Over Major Programs

Compliance requirement: Reporting.

Criteria or specific requirement: 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 and Context: 1 of 2 reports tested was not filed timely.

Questioned costs: None.

Effect: Noncompliance with reporting requirements.

Repeat Finding: No.

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

Views of responsible officials: Management agrees with the finding. Please refer to the Corrective Action Plan.

CITY OF WORCESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Section IV – Prior Year Findings and Questioned Costs – Major Federal Programs

2017 – 001 – Allowable Costs/Cost Principles – Title III – English Language Acquisition

Condition: This finding was a significant deficiency related to time and effort documentation and approvals.

Status: Corrected.

2017 – 002 – Reporting – Title III – English Language Acquisition

Condition: This finding was a significant deficiency related to timeliness of filing financial reports.

Status: Corrected.

2017 – 003 – Allowable Costs/Cost Principles – Title IIA – Improving Teacher Quality

Condition: This finding was a significant deficiency related to time and effort documentation.

Status: Corrected.

2017 – 004 – Reporting – Title IIA – Improving Teacher Quality

Condition: This finding was a significant deficiency related to timeliness of filing financial reports.

Status: Corrected.

2017 – 005 – Special Tests and Provisions – Title IIA – Improving Teacher Quality

Condition: This finding was a significant deficiency related to school wide plans not containing all required elements.

Status: Corrected.

2017 – 006 – Allowable Costs/Cost Principles – Head Start Cluster

Condition: This finding was a significant deficiency related to time and effort documentation.

Status: Corrected.

ITEM: gb #9-11

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Wednesday, May 22, 2019

ITEM: Administration (January 2, 2019)

To review the annual audit and agreed upon procedures on the Independent Accountant's Report on Applying Agreed Upon Procedures for Student Activity Fund Testing for fiscal years 2016, 2017, and 2018 prepared by CliftonLarsenAllen, LLP.

PRIOR ACTION:

1-17-19 - Referred to the Standing Committee on Finance and Operations.

BACKUP:

Annex A (30 pages) contains a copy of the Report on Applying Agreed-Upon Procedures Student Activity Fund Testing for the Fiscal Year Ended June 30, 2016.

The Administration recommends that the item be held for the 2017 and 2018 reports.

CITY OF WORCESTER, MASSACHUSETTS
REPORT ON APPLYING AGREED-UPON PROCEDURES
STUDENT ACTIVITY FUND TESTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



CITY OF WORCESTER, MASSACHUSETTS
REPORT ON APPLYING AGREED-UPON PROCEDURES
STUDENT ACTIVITY FUND TESTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable School Committee
Worcester Public Schools
City of Worcester, Massachusetts

We have performed the procedures, as listed in the attached Schedule of Student Activity Funds Testing Results and Recommendations, which were agreed to by the Worcester Public Schools (WPS, the specified party), on the administration of WPS' student activity funds in accordance with the Massachusetts Student Activity Law (Massachusetts General Law (MGL) Chapter 71, Section 47) for the period July 1, 2015 through June 30, 2016. The WPS' management is responsible for the administration of its student activity funds in accordance with the Massachusetts Student Activity Law. The sufficiency of these procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the attached Schedule of Student Activity Funds Testing Results and Recommendations either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are identified in the attached Schedule of Student Activity Funds Testing Results and Recommendations.

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 the WPS' administration of its student activity funds in accordance with the Massachusetts Student Activity Law. 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 WPS and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 16, 2018

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Burncoat Middle School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed with the following exception: 1 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund a receipt relates to within the supporting documentation for each receipt.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 1 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.

CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016

Agreed-Upon Procedures	Results	Recommendation
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Burncoat High School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 3 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Claremont Academy		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception: 1 of 6 reconciliations selected for testing were not dated by the preparer or the reviewer.	We recommend procedures be implemented to have the preparer and reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed with the following exception: Due to the fact that 1 reconciliation selected for testing was not dated by the preparer or reviewer, we could not determine if the reconciliation was completed no later than 30 days after month end.	See recommendation in step 3.a. above
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed with the following exception: 4 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund a receipt relates to within the supporting documentation for each receipt.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 3 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Doherty High School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of	The procedures were performed with the following exceptions: We identified fund balances for the Classes of 2013 and 2015. Based on the MASBO's SAAG, funds related to graduated classes should be closed out.	The WPS has policies and procedures for graduated class balances, and many of the School's graduated class funds were closed out in fiscal year 2016. We recommend the High School follow these policies and procedures related to all graduated class balances still outstanding.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception: 1 out of the 6 Checking Account reconciliations selected were not dated by the reviewer.	We recommend procedures be implemented to have the preparer and reviewer date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception: 1 out of the 6 reconciliations selected for testing was not completed within 30 days of month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Forest Grove Middle School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception: 1 out of the 6 reconciliations selected for testing was not completed within 30 days of month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	Procedure performed with the following exception: 1 of 10 transactions selected for testing was not fully supported by the documentation provided.	We recommend procedures be implemented to maintain full supporting documentation for all expenses that substantiates the total amount of the disbursement.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 1 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
North High School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exceptions: None of the reconciliations selected for testing were dated by the preparer or the reviewer.	We recommend procedures be implemented to have the preparer and reviewer date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Due to the fact that none of the reconciliations were dated by the preparer, we could not determine if the reconciliations were completed no later than 30 days after month end.	See recommendation in step 3.a. above
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account.	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 2 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
South High School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception: 1 of 6 reconciliations selected for testing was not dated by the preparer or the reviewer.	We recommend procedures be implemented to have the preparer and reviewer date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception: 2 out of the 6 reconciliations selected for testing were not completed within 30 days after month end and 1 of 6 reconciliations was not dated and we could not determine if the reconciliation was completed no later than 30 days after month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Sullivan Middle School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	A separate student activity fund is not used to post interest income.	We recommend a separate fund be established for interest earnings.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed with the following exception: 2 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund a receipt relates to within the supporting documentation for each receipt.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
University Park Campus		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed with the following exception: 1 of 2 reconciliations selected for testing were not signed and dated by a reviewer.	We recommend procedures be implemented to have a reviewer sign and date all Checking Account reconciliations.
b. Reconciliations were completed no later than 30 days after month-end	Procedure performed with the following exception: 1 out of the 2 reconciliations selected for testing was not completed within 30 days of month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 2 out of the 10 transactions selected for testing did not identify the proper fund on the supporting documentation.	We recommend procedures be implemented to identify the accurate and specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Worcester East Middle School		
1. Determine that the banking and accounting		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed with the following exception: 2 out of the 6 reconciliations selected for testing were not completed within 30 days after month end.	We recommend procedures be implemented to document the completion of all reconciliations no later than 30 days after month-end.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed with the following exception: 1 out of the 10 transactions selected for testing did not identify a fund on the supporting documentation.	We recommend procedures be implemented to identify the specific student activity fund an expense relates to within the supporting documentation for each disbursement.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
 SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
Worcester Technical High School		
1. Determine that the banking and accounting systems related to the Schools' student activity funds have been established in accordance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47). Specifically, we will:		
a. Obtain from the Chief Financial and Operations Officer a list of Student Activity Checking Accounts maintained at the Schools and verify they have been authorized by the School Committee and said School Committee has authorized a maximum balance that may be on hand in such accounts through review of minutes and other documentation to be defined in our findings if applicable.	The procedure was performed without exception.	None.
b. Verify that student activity fund deposits are made to an interest bearing bank account (Student Activity Agency Account) maintained by the City Treasurer by obtaining a copy of three months bank statements for each of the schools.	The procedure was performed without exception.	None.
c. Verify that interest earned on the Agency Account is retained in a separate student activity fund and spent by direction of the School Committee by observing interest income postings to said separate account as maintained in the individual student activity funds detailed general ledger.	The procedure was performed without exception.	None.
d. Verify that deposits and/or transfers made to the Checking Account represented the initial funding of the Checking Account from the Agency Account or the reimbursement of expenses from the Agency Account through the City's warrant process by obtaining the applicable support for all deposits.	The procedure was performed without exception.	None.
e. Verify that the principal is bonded to secure the faithful performance of his/her duties in connection with such account by obtaining a copy of such bond.	The procedure was performed without exception.	None.

**CITY OF WORCESTER MASSACHUSETTS
SCHEDULE OF STUDENT ACTIVITY FUNDS TESTING RESULTS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Agreed-Upon Procedures	Results	Recommendation
2. Obtain (from each Schools' Principal) and evaluate each of the student activity funds maintained at the Schools for the purpose of identifying any individual funds that fall outside the definition of student activity funds in accordance with the Massachusetts Student Activity Law and the Student Activity Accounts Guidelines for Massachusetts School Districts issued by the Massachusetts Association of School Business Officials.	The procedure was performed without exception.	None.
3. Obtain and evaluate a sample of 6 student activity Checking Account reconciliation(s) for each School during the engagement period to determine the following:		
a. Reconciliations were signed and dated by the preparer and reviewer	The procedure was performed without exception.	None.
b. Reconciliations were completed no later than 30 days after month-end	The procedure was performed without exception.	None.
c. Outstanding checks identified on the reconciliations were supported by a detailed listing	The procedure was performed without exception.	None.
4. Obtain and evaluate the June 30, 2016 student activity Checking and Agency Account reconciliations for each School and trace the balances per the bank reconciliations to the detailed balances of the individual student activity funds.	Procedure performed with the following exception: A formal reconciliation of bank reconciliation balances to the detailed balances of the individual student activity funds was not performed.	We recommend procedures be implemented to reconcile bank reconciliation balances to the detailed balances of the individual student activity funds.
5. Select a sample of 10 receipts to determine that they were:		
a. Credited to the applicable student activity account	The procedure was performed without exception.	None.
b. Deposited to the applicable Agency Account	The procedure was performed without exception.	None.
6. Select a sample of 10 disbursements to determine that they were:		
a. Supported by an approved invoice or other documentation	The procedure was performed without exception.	None.
b. Charged to the applicable student activity account	The procedure was performed without exception.	None.
c. Appear to be related to the purpose for which the student activity fund was created	The procedure was performed without exception.	None.



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.

ITEM: gb #9-12

STANDING COMMITTEE: **FINANCE AND OPERATIONS**

DATE OF MEETING: Wednesday, May 22 2019

ITEM: Administration (January 2, 2019)

To review the annual audit and agreed upon procedures on 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 2017-18, prepared by Robert C. Alario, CPA, P.C.

PRIOR ACTION:

1-17-19 - Referred to the Standing Committee on Finance and Operations.

BACKUP:

Annex A (12 pages) contains a copy of the Independent Accountants' Report on Applying Agreed-Upon Procedures for the Year Ended June 30, 2018.

Administration recommends that this item be filed.

CITY OF WORCESTER SCHOOL DEPARTMENT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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.

Spinelli CPA, PC

Worcester, MA
February 22, 2019

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

INTRODUCTION AND BACKGROUND

In accordance with a contract with the City of Worcester School Department (the District), Spinelli, 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 November 2017)*, 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 185,500. During the 2017-2018 school year, the Worcester Public Schools had approximately 25,200 full-time equivalent pupils, including approximately 11,000 elementary, 7,100 middle school and 7,100 senior high. The school department's general fund budget for fiscal 2017-2018 was \$335,120,190. 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.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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 and program manuals are 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.

CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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 with the exception of prepopulated lines 170 and 180. These lines will be corrected by the Massachusetts DESE after report is filed.

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 other 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 expenses were charges to 5150 Employee Separation Costs. We determined if the District reported Insurance for Retired Employees (5250 and 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.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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).

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. Note: If the district prepaid FY'19 Special Education Tuition, verify prepaid tuition was not included as an FY'18 expense. If the District prepaid FY'18 tuition from FY'17, that amount should be included as an FY'18 expense.

Finding 10:

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

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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 2 and 4 by expenditure classification agreed with filed Final Grant Expenditure reports for DESE administered Federal grants and traced amounts claimed as Circuit Breaker expenses on line 3080, column 5 to the accounting ledgers or journals. We determined if the district charged a restricted indirect rate to grants.

Finding 12:

The compliance supplement calls for reviewing column 2 and 4, however the EOYR uses columns 1, 2, 3 and 4 for Federal grants. 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. We noted that indirect costs are charged to grants at a rate of 2% for the grants that allow for indirect charges according to the District's annual budget.

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. We ensured amounts reports as District-wide cannot be assigned to a specific school.

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.

**CITY OF WORCESTER SCHOOL DEPARTMENT
SPECIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3 (Continued)

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.

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 schools 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 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 to districts 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.

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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.

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 number of pupils and 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 ESE. We compared the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended and determined if all changes were reported.

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SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19 (Continued)

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 6).

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.