

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2012

CITY OF NEW BEDFORD

JUNE 30, 2012

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Honorable Mayor and Members
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City of New Bedford
New Bedford, Massachusetts

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2012 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements and have issued our report thereon dated March 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of New Bedford, Massachusetts is responsible for establishing and maintaining effective internal control over financial report. In planning and performing our audit, we considered the City of New Bedford, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Bedford, Massachusetts' internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 07-01 and 07-06. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance.

Continued

Compliance and Other Matters

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

We also noted certain other matters that we reported to management of the City of New Bedford in a separate letter dated March 13, 2013.

The City of New Bedford's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Bedford, Massachusetts' response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, the School Committee, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sahady & Co. PC

March 13, 2013

HAGUE, SAHADY & CO., P.C.

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Compliance

We have audited the compliance of the City of New Bedford, Massachusetts with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of New Bedford, Massachusetts' major federal programs for the year ended June 30, 2012. The City of New Bedford, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of New Bedford, Massachusetts' management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Bedford, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New Bedford, Massachusetts' compliance with those requirements.

As described in item 12-01 in the accompanying schedule of findings and questioned costs, the City of New Bedford, Massachusetts did not comply with requirements regarding Subrecipient Monitoring that are applicable to its Port Security Grant Program. Compliance with such requirements is necessary, in our opinion, for the City of New Bedford, Massachusetts to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, City of New Bedford, Massachusetts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

CITY OF NEW BEDFORD, MASSACHUSETTS

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Internal Control Over Compliance

Management of the City of New Bedford, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Bedford, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-01 to be a material weakness.

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 did not note any significant deficiencies that we did not also consider to be material weaknesses in the current year.

Hague, Sahady & Co. PC

March 25, 2013

Continued

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on
each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2012 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements, and have issued our report thereon dated March 13, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Bedford's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 financial statements. The informant has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

The City of New Bedford, Massachusetts' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Bedford's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of New Bedford, Massachusetts' management, City Council, School Committee, and federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sahady & Co. PC

March 25, 2013 (Except as related to the Schedule of Expenditures of Federal Awards, as to which the date is
March 13, 2013)

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Agriculture:</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
National School Lunch Cluster:					
School Breakfast Program (NSLP)	10.553	DOENUT	1,602,311	\$ 1,602,311	Major
School Lunch Program (NSLP)	10.555	DOENUT	4,766,417	4,766,417	Major
Total National School Lunch Cluster				<u>6,368,728</u>	
Distance Learning	10.855	669-002-2-0201-M	5,000	3,740	
Total US Department of Agriculture				<u>6,372,468</u>	
<i>US Department of Housing and Urban Development:</i>					
<i>US Department of Housing and Urban Development (direct):</i>					
CDBG - Entitlement Grant Cluster:					
Community Development Block Grant FY10	14.218	B-10-MC-25-0018	3,270,911	1,803,996	
Community Development Block Grant FY11	14.218	B-11-MC-25-0018	2,741,178	1,329,313	
Community Development Block Grant FY09 - Program Income	14.218	B-09-MC-25-0018	127,380	127,380	
Community Development Block Grant FY10 - Program Income	14.218	B-10-MC-25-0018	630,308	630,308	
Total CDBG - Entitlement Grant Cluster				<u>3,890,997</u>	
Emergency Shelter Grant FY10	14.231	S-10-MC-25009	132,019	1,763	
Emergency Shelter Grant FY11	14.231	E-11-MC-25009	132,519	130,482	
Supportive Housing Program FY10	14.235	MA0110B1T051003	272,490	208,367	
Supportive Housing Program FY11	14.235	MA0110B1T051104	272,490	54,958	
Supportive Housing Program FY09	14.235	MA0111B1T050802	198,609	43,464	
Supportive Housing Program FY10	14.235	MA0111B1T051003	198,609	144,401	
Supportive Housing Program FY09	14.235	MA0112B1T050802	245,064	30,976	
Supportive Housing Program FY10	14.235	MA0112B1T050803	245,063	211,050	
Supportive Housing Program FY09	14.235	MA0113B1T050802	97,884	1,386	
Supportive Housing Program FY10	14.235	MA0113B1T050803	97,884	97,884	
Supportive Housing Program FY09	14.235	MA0114B1T051002	29,524	16,224	
Supportive Housing Program FY10	14.235	MA0114B1T051003	29,524	13,700	
Supportive Housing Program FY10	14.235	MA0115B1T051003	298,069	198,327	
Supportive Housing Program FY11	14.235	MA0115B1T051104	298,069	88,021	
Supportive Housing Program FY09	14.235	MA0116B1T050802	187,933	51,328	
Supportive Housing Program FY10	14.235	MA0116B1T050803	187,933	124,992	
Supportive Housing Program FY10	14.235	MA0117B1T051003	96,819	80,469	
Supportive Housing Program FY11	14.235	MA0117B1T051004	96,819	11,612	
Supportive Housing Program FY09	14.235	MA0118B1T050802	265,079	58,352	
Supportive Housing Program FY11	14.235	MA0118B1T051003	265,079	205,036	
Supportive Housing Program FY11	14.235	MA0371B1T051000	154,157	48,964	
HOME Program FY08 Entitlement	14.239	M-07-MC-25-0207	1,245,015	13,861	
HOME Program FY10 Entitlement	14.239	M-09-MC-25-0207	1,637,690	455,755	
HOME Program FY11 Entitlement	14.239	M-10-MC-25-0207	1,325,198	199,125	
HOME Program FY12 Entitlement	14.239	M-11-MC-25-0207	1,172,388	93,019	
HOME Program FY11 Program Income	14.239	M-10-MC-25-0207	318,143	156,573	
HOME Program FY12 Program Income	14.239	M-11-MC-25-0207	265,916	154,315	
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-25-0009	1,228,020	163,209	Major
Total US Department of Housing and Urban Development (direct)				<u>6,948,610</u>	

The accompanying notes are an integral part of this schedule

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Housing and Urban Development (Continued):</i>					
<i>Passed through Massachusetts Department of Housing and Community Development:</i>					
Massachusetts Community Development Block Grant, Neighborhood Stabilization Program	14.228	FY2008 NSP-HERA	1,000,000	42,510	
Total Passed through Massachusetts Department of Housing and Community Development				42,510	
Total US Department of Housing and Urban Development				6,991,120	
<i>US Department of Interior:</i>					
<i>Passed through Massachusetts Historical Commission:</i>					
Commonwealth Corporation (WIA) Pathways Grant	15.904	Unknown	5,000	5,000	
Total US Department of Interior:				5,000	
<i>US Department of Justice:</i>					
<i>US Department of Justice (direct):</i>					
US Marshalls Fugitive Task Force	16.unknown	NBPDTFOT0611 JLEOTFS4	10,429	10,429	
DEA Overtime	16.unknown	N/A	15,619	15,619	
ATF Operation Overtime	16.unknown	N/A	11,190	11,190	
Bullet Proof Vest Grant	16.607	N/A	4,196	4,196	
ARRA - COPS Hiring Recovery Program	16.710	COPS-CHRP-2009-1	2,411,279	840,341	Major
COPS Technology Grant FY10	16.710	2010CKWX0067	950,000	237,500	Major
FBI Gang Task Force - Overtime	16.737	281D-BS-C95401	14,792	14,792	
Total US Department of Justice (direct)				1,134,067	
<i>Passed through Massachusetts Executive Office of Public Safety and Security:</i>					
Federal Seized Assets	16.Unknown	Unknown	57,801	57,801	
VAWA Civilian Adv Gr FFY0	16.588	SCEPS3001VAWA12NEWBE	48,000	24,497	
Violence Against Women FY11	16.588	SCEPS3001VAWA11NEWBE	45,792	12,272	
Underage Alcohol Enforcement Grant Program	16.727	2011NBEDFORDOJDPXXX	9,964	7,747	
Justice Assist Gr FFY10 B	16.738	NA	145,137	75,353	
Bryne JAG Outreach 2010-E	16.738	SCEPSBJAGIFY12NEWBED	109,349	9,430	
Total passed through Massachusetts Executive Office of Public Safety and Security				187,100	
<i>Passed through Bristol County Sheriff's Department:</i>					
Justice Assistance Grant	16.579	2009-DJ-BX-0251	141,646	37,847	
<i>Justice Assistance Grant Program Cluster, passed through Bristol County Sheriff's Department:</i>					
ARRA - Bryne JAGFY09	16.804	2009-SB-B9-3204	546,577	210,465	
Total Justice Assistance Grant Program Cluster, passed through Bristol County Sheriff's Department				210,465	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures	Major
Total passed through Bristol County Sheriff's Department				248,312	
Total US Department of Justice				1,569,479	
US Department of Transportation:					
<i>Passed through the Commonwealth of Massachusetts Aeronautics Commission:</i>					
Airport Safety Insurance	20.106	Various	5,835,375	1,159,048	
Apron Pavement Analysis	20.106	3-25-0034-39-2009	100,000	5,977	
Final Design of Runway 5-23	20.106	3-25-0034-40-P8	875,745	61,634	
Total Passed through the Commonwealth of Massachusetts Aeronautics Commission				1,226,659	
<i>Passed through the Massachusetts Executive Office of Public Safety and Security:</i>					
GHSB Traffic 10/11	20.600	Unknown	8,400	1,537	
CPS Equipment Prog Gr FFY	20.600	Unknown	7,500	7,497	
Traffic Enforcement Gr FF	20.600	Unknown	12,000	7,776	
Underage Alcohol Enf Prog	20.605	Unknown	9,792	1,019	
Total Passed through the Massachusetts Executive Office of Public Safety and Security				17,829	
Total US Department of Transportation				1,244,488	
US Institute of Museum and Library Sciences:					
<i>Passed through the Massachusetts Board of Library Commissioners Agency:</i>					
Serving Tweens & Teens	45.310	10NEWBEDFORDTWEENTEN	20,000	1,972	
Total US Institute of Museum and Library Sciences				1,972	
US Department of Environmental Protection Agency:					
<i>US Department of Environmental Protection Agency (Direct):</i>					
Aerovox Demolition Gr - E	66.802	97158401	9,843,902	9,843,902	Major
Hazardous Substance Grant	66.818	2B-96113401-0	200,000	12,023	
Total US Department of Environmental Protection Agency (direct)				9,855,925	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Environmental Protection Agency (Continued):</i>					
<i>Passed through the Massachusetts Department of Environmental Protection Agency:</i>					
ARRA - PCB Grit Removal Project	66.458	CWS-09-12	2,262,075	66,122	
Brownsfield Assessment Grant	66.818	BF-98196000-0	400,000	86,139	
Total passed through the Massachusetts Department of Environmental Protection Agency				<u>152,261</u>	
Total US Department of Environmental Protection Agency				<u>10,008,186</u>	
<i>US Department of Energy:</i>					
ARRA - NB Energy Efficiency and Conservation Grant	81.128	DE-SC0003057	869,300	459,873	
Total US Department of Energy				<u>459,873</u>	
<i>US Department of Education:</i>					
<i>US Department of Education (direct):</i>					
Elementary and Secondary School Counseling Grant FY10	84.215E	Q215E090025	384,860	920	
Elementary and Secondary School Counseling Grant FY11	84.215E	Unknown	259,042	259,042	
Total US Department of Education (direct)				<u>259,962</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Education (Continued):</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Title I, Part A Cluster:					
Title I	84.010	305-279-2-0201-M	5,896,531	4,681,918	Major
Title I Carryover	84.010	305-457-2-0201-M	678,464	592,607	Major
Title I	84.010	305-175-1-0201-L	5,383,039	613,540	Major
Commondation Grant - School Achievement	84.010	316-005-1-0201-L	501,772	150,903	Major
Title I - School Support	84.010	323-025-1-0201-L	96,719	68,902	Major
School Achievement	84.010	316-017-1-0201-L	8,000	38,189	Major
Title I Distribution Carry Over FY11	84.010	305-602-1-0201-L	423,720	59,507	Major
HAY-MAC Bridge	84.010	323-017-2-0201-M	30,000	29,066	Major
At Risk Supplemental Supp	84.010	320-009-2-0201-M	45,000	35,732	Major
MTSS/MA Tiered System of	84.010	324-023-2-0201-M	28,300	140	Major
Total Title I, Part A Cluster				<u>6,270,504</u>	
Special Education Cluster (IDEA):					
SPED 94-142 Allocation FY12	84.027	240-106-2-0201-M	3,658,921	3,413,997	Major
SPED 94-142 Allocation FY11	84.027	240-233-1-0201-L	3,646,186	226,636	Major
MA 21st CCLC Pilot	84.027	245-007-2-0201-M	11,083	11,083	Major
SPED Improvement	84.027	274-248-2-0201-M	145,772	140,322	Major
Roosevelt 21st CCLC SPED	84.027	245-019-2-0201-M	31,000	7,989	Major
Inter Comp Resources	84.027	289-001-2-0201-M	55,000	21,932	Major
Project Support IDEA	84.173	Unknown	122,304	122,304	Major
SPED Early Childhood Allocation FY11	84.173	262	138,498	6,172	Major
Kindergarten Curriculum Development FY11	84.173	264-026-1-0201-L	10,000	2,336	Major
Language & Literacy Development	84.173	297-048-1-0201-L	15,000	2,282	Major
ARRA - SPED Stimulus Grant	84.391	760-260-1-0201-L	2,319,564	366,549	Major
Total Special Education Cluster (IDEA)				<u>4,321,602</u>	
Educational Technology State Grants Cluster:					
ARRA - Title IID	84.386	776-029-1-0201-L	131,519	23,242	
Total Educational Technology State Grants Cluster				<u>23,242</u>	
Education of Homeless Children and Youth Cluster:					
McKinney Homeless FY12	84.196	310-011-2-0201-M	40,000	30,012	
McKinney Homeless FY11	84.196	310-006-1-0201-L	60,000	10,469	
Total Education of Homeless Children and Youth Cluster				<u>40,481</u>	

The accompanying notes are an integral part of this schedule

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Education (Continued):</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education (Continued):</i>					
Teacher Ranger	15.945	Unknown	10,000	5,000	
Perkins Grant FY12	84.048	400-063-2-0201-M	83,011	78,685	
Perkins Grant FY11	84.048	400-045-1-0201-L	92,806	10,742	
21st Century Community Learning Centers (Dunbar/Line) FY12	84.287	647-074-2-0201-M	142,000	93,314	
21st Century Community Learning Centers (Dunbar/Line) FY11	84.287	647-066-1-0201-L	304,500	78,829	
21st Century Community Learning FY12	84.287	647-075-2-0201-M	699,250	491,266	
21st Century Community Learning FY11	84.287	647-065-1-0201-L	602,500	171,464	
21st Century Community Learning Center - Carney	84.287	647-064-1-0201-L	135,000	49,583	
Title III Carryover	84.365	180-096-2-0201-M	4,731	3,241	
LEP Support FY12	84.365	180-084-2-0201-M	95,967	50,253	
LEP Support FY11	84.365	180-020-1-0201-L	109,800	4,731	
Teacher Quality FY12	84.367	140-293-2-0201-M	1,147,732	964,172	
Teacher Quality FY11	84.367	140-158-1-0201-L	1,334,194	494,718	
Teacher Quality FY12 Carryover	84.367	140-397-2-0201-M	392,367	267,709	
Teacher Quality FY11 Carryover	84.367	140-327-1-0201-L	309,971	98,257	
ARRA - Race to the Top	84.395	201-054-2-0201-M	1,005,250	807,375	Major
ARRA - Race to the Top	84.395	201-329-1-0201-L	66,000	42,235	Major
ARRA - Ed. Jobs Grant	84.410	206-054-1-0201-L	694,743	694,743	
ARRA - Ed. Jobs Grant	84.410	206-054-1-0201-L	5,731,654	601,422	
Title III ELA	84.365	180-077-1-0201-A	212	28	
Total passed through Massachusetts Department of Early and Secondary Education				<u>15,663,596</u>	
Total US Department of Early and Secondary Education				<u>15,923,558</u>	
<i>US Department of Health, Education & Welfare (direct)</i>					
Senior Scope	93.044	T-III-B-11-005	15,500	12,300	
Transportation COA	93.044	T-III-B-11-005	4,000	4,000	
Healthy Bodies & Mind	93.044	T-III-B-11-016	7,000	4,637	
Total US Department of Health, Education & Welfare (direct)				<u>20,937</u>	
<i>Passed through the Massachusetts Department of Health and Human Services:</i>					
Fire MDU Deployment Grant	93.889	INTF6207P01W 11311253	2,500	2,124	
Total passed through Massachusetts Department of Health and Human Services				<u>2,124</u>	
Total US Department of Health, Education & Welfare				<u>23,061</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Corporation for National and Community Service:</i>					
<i>Passed through the Massachusetts Department of Early and Secondary Education</i>					
Green in the Middle Stem	94.004	355-006-2-0201-M	25,000	15,452	
Green in the Middle Stem	94.004	355-011-1-0201-L	25,000	1,622	
CSL Green Team	94.004	354-063-1-0201-L	1,050	1,050	
Learn & Serve School Based	94.004	354-014-1-0201-L	4,000	817	
Green in the Middle Enhanced	94.004	355-017-2-0201-M	13,350	4,154	
Total US Corporation for National and Community Service				<u>23,095</u>	
<i>US Department of Homeland Security (direct):</i>					
Assistance to Firefighters - Dispatch	97.044	EMW-2010-FO-01099	137,135	23,902	Major
FEMA Safer Staffing Grant	97.044	EMW-2010-FH-00643	12,206,430	5,509,644	Major
Homeland Security Grant Program Citizen Corps	97.053	11CCP0708NEWBEDCERT	6,500	<u>6,494</u>	
Total US Department of Homeland Security (direct)				<u>5,540,040</u>	
<i>Passed through Massachusetts Executive Office of Public Safety:</i>					
MEMA 4028 Tropical Storm	97.036	CTFEMA4028NEWBE01085, CTFEMA4028NEWBE00869, CTFEMA4028NEWBE00992	148,657	145,447	
EMA Emergency Management Performance Grant	97.042	FY11EMPG090000NEWBF	25,000	<u>18,826</u>	
Total passed through Massachusetts Executive Office of Public Safety				<u>164,273</u>	
<i>Passed through Massachusetts Department of Business Development - Seaport Advisory Council:</i>					
ARRA - Port Security Grant	97.116	2009-PU-RI-0421	1,531,125	268,795	Major
Port Security Grant FY07	97.116	2007-GB-T7-0105	82,748	82,748	Major
Port Security Grant FY08	97.116	2008-T8-0033	213,195	78,711	Major
Port Security Grant FY10	97.116	2010-PU-T0-0131	195,488	39,299	Major
Port Security Grant FY11	97.116	7007-9027	30,434	<u>30,434</u>	Major
Total passed through Massachusetts Department of Business Development - Seaport Advisory Council:				<u>499,987</u>	
Total US Department of Homeland Security				<u>6,204,300</u>	
Total Expenditures of Federal Awards				<u>\$ 48,826,600</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note 1. Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal financial assistance programs of the City of New Bedford, Massachusetts. Federal financial assistance received includes funds received directly from Federal agencies as well as federal financial assistance passed through other governmental agencies and received directly by the City of New Bedford, Massachusetts.

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New Bedford and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

Note 3. Major Programs

The City of New Bedford, Massachusetts has defined its major programs for *OMB Circular A-133* (The Circular) reporting purposes by using the required risk-based approach after classifying the programs as Type A or Type B as provided in Section 520 of the circular. The determination was based on an overall evaluation of the risk of non-compliance occurring which could be material to the federal program.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the City of New Bedford provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
Community Development Block Grant - Entitlement	14.218	\$ 573,145
Emergency Shelter Grant	14.231	\$ 123,933
Supportive Housing Program	14.235	\$ 1,583,688
Teacher Ranger Program	14.395	\$ 5,000
Port Security Grant	97.116	\$ 499,987

Note 5. Program Income

Of the federal expenditures and award amounts presented in the Schedule of Expenditures of Federal Awards, the City of New Bedford, Massachusetts included program income as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Income</u>
National School Lunch Program	10.555	\$ 946,360
HOME Program	14.239	\$ 310,888
Community Development Block Grant	14.218	\$ 757,688

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note 6. Clusters of Programs

In accordance with Support AE_.105 of OMB Circular No. A-133, Audits of States, Local Governments and Non-Profit Organizations, certain programs have been clustered in determining major programs. The represents the cluster programs:

Child Nutrition Cluster

School Lunch Program	10.555
School Breakfast Program	10.553

Special Education Cluster (IDEA)

Special Education Grants	84.027
Special Education Preschool Grants	84.173
ARRA - SPED Stimulus Grant	84.391

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Summary of our Audit Results

Financial Statements:

We have audited the financial statements of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2012 and have issued our reports thereon dated March 13, 2013. We conducted our audit 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 with the requirements of the *US Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

Type of Report issued on the Financial Statements	Unqualified
Internal Control over Financial Reporting:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses?	No
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses?	Yes
Type of Report on Compliance for Major Programs:	
National School Lunch Program Cluster (CFDA 10.553 and 10.555)	Unqualified
ARRA - Homeless Prevention and Rapid Re-Housing Program (CFDA 14.257)	Unqualified
COPS Technology and Hiring Grants (CFDA 16.710)	Unqualified
Aerovox Demolition Grant (CFDA 66.802)	Unqualified
Title I, Part A Cluster (CFDA 84.010)	Unqualified
Special Education Cluster IDEA (CFDA 84.027, 84.173, and 84.391)	Unqualified
Race to the Top Grant (CFDA 84.395)	Unqualified
Assistance to Firefighters Grant (CFDA 97.044)	Unqualified
Port Security Grant (CFDA 97.116)	Qualified
Disclosure of Audit Findings required to be reported under Section .510(a) of <i>OMB Circular A-133</i> :	Yes

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Summary of our Audit Results (Continued):

Identification of Major Programs:

<u>Description</u>	<u>CFDA</u>
National School Lunch Program Cluster	10.553 and 10.555
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257
COPS Technology and Hiring Grants	16.710
Aerovox Demolition Grant	66.802
Title I, Part A Cluster	84.010
Special Education (IDEA) Cluster	84.027, 84.173 and 84.391
Race to the Top Grant	84.395
Assistance to Firefighters Grant	97.044
Port Security Grant Program	97.116

Threshold for distinguishing Type A and Type B Programs was \$1,443,956.

The City of New Bedford, Massachusetts does not qualify as a low risk auditee.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Findings - Financial Statement Audit:

Reference Number	Finding
07-01	<p>The City Does Not Have Formal Policies And Procedures Established Concerning The Maintenance Of The City's Database Or To Account For The Acquisition And Disposal Of Capital Assets</p> <p>Condition: The City does not utilize a fixed asset management system to track asset acquisitions and disposals. However, the City does, on an annual basis, request information from each department regarding additions and disposals. In addition, the City does not maintain an account structure within its general ledger to easily identify all new acquisitions and does not have a system in place to identify any dispositions related to the capital assets.</p> <p>Criteria: The implementation of GASB 34 required the City to identify and record all of its capital assets. Based on a review of the controls over capital assets during the audit there were various issues and errors noted. In addition, the City did not update its infrastructure in progress schedules for current year additions.</p> <p>Cause: The City had inadequate policies and procedures in place regarding the maintenance and review of the fixed asset management system and its components.</p> <p>Effect: The capital assets presented for audit were significantly modified during the audit prior to the release of the final financial statements. This was a result of several omissions made for both infrastructure and other capital asset categories.</p> <p>Recommendation: In order to continue to meet reporting requirements, the City needs to maintain an accurate capital asset and infrastructure system including all additions, disposals, and depreciation of capital assets on an ongoing basis. It is recommended that the City implement policies and procedures to ensure the proper accounting for capital assets and that the City maintain a fixed asset management system to account for all capital assets and to ensure proper financial reporting on a monthly basis.</p> <p>Response and Corrective Action Plan: The City is currently in a conversion process to new accounting software which will have the capacity to track its assets and depreciation by department, function, and asset type.</p>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Findings - Financial Statement Audit (Continued):

Reference Number	Finding
07-06	<p>Enterprise Funds Were Not Maintained On The Accrual Basis Of Accounting</p> <p>Condition: The City maintains its enterprise funds on the modified accrual basis of accounting with the exception of receivables which are recorded on the full accrual basis of accounting. The City did not adjust the enterprise funds to reflect accrual basis activities. Capital assets net of accumulated depreciation, long-term debt, compensated absences, deferred revenue and accrued interest were omitted from the fund financial statements.</p> <p>Criteria: GASB Cod. Sec.1300.103 states that enterprise funds should be maintained on the accrual basis of accounting.</p> <p>Cause: The Auditor's office did not review the current year's enterprise funds and adjust to the accrual basis of accounting.</p> <p>Effect: The enterprise funds financial statements prepared from the City's general ledger required several adjustments to properly report the activities on the accrual basis of accounting.</p> <p>Recommendation: We recommend that the City review the accrual basis adjustments at the completion of the audit and on a go forward basis these funds should be maintained on the accrual basis of accounting.</p> <p>Response and Corrective Action Plan: The City has implemented new accounting software. The City plans to report on a monthly basis its activity for the enterprise funds on the budgetary basis and utilize period 13 to record it entries relating to generally accepted accounting principles as it relates to capital assets, depreciation, user fees, debt and other transactions.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs:

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
12-01	97.116	The City did not Perform the Necessary Subrecipient Monitoring Procedures Over its Port Security Grant Program	Unknown

Information on the Federal Programs:

Federal Emergency Management Agency; US Department of Homeland Security, passed through Massachusetts Emergency Management Agency, Port Security Grant Program (including ARRA funds) – CFDA 97.116; Grant ID – Various; Grant Period: Various

Condition:

The City did not perform adequate monitoring procedures on its subrecipient in the current year. Adequate monitoring procedures include the creation of subrecipient monitoring policies which includes an understanding of scope, frequency, and timeliness of monitoring activities, and the number, size, and complexity of awards to subrecipients. Other procedures include a formal review of the pass-through entity’s documentation during the award to ascertain assurance that subrecipient used Federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.

Criteria:

OMB Circular A-133 states “A pass-through entity shall perform the following for the Federal awards it makes: Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Cause:

The City had inadequate oversight and procedures in place to ensure that proper formal monitoring occurred over its subrecipient of its Port Security Grants.

Effect:

The lack of adequate oversight and procedures over subrecipient monitoring could lead to the use of Federal funds for unauthorized purposes, noncompliance with laws or regulations, or for uses other than those in the provisions of contracts and grant agreements leading to unachieved program performance goals. It could also lead to unallowable costs and in turn the necessary return of funding to the Federal government.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs (Continued):

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
12-01	97.116	The City did not Perform the Necessary Subrecipient Monitoring Procedures Over its Port Security Grant Program	Unknown

Information on the Federal Programs:

Federal Emergency Management Agency; US Department of Homeland Security, passed through Massachusetts Emergency Management Agency, Port Security Grant Program (including ARRA funds) – CFDA 97.116; Grant ID – Various; Grant Period: Various

Recommendation:

It is recommended that the City implement a system to monitor its subrecipients to ensure funding is used properly and should also create subrecipient monitoring policies which include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to subrecipients. This will help mitigate the risk the City may face and also allow them to better monitor the funding they are passing through.

Response and Corrective Action Plan:

As a result of a communication breakdown, the City understood this grant award to be in the name of the Commission (a component unit) when in fact it was awarded to the City. The City and the Commission will identify the ownership of all grants going forward and appropriately monitor them as well as include them in the general ledger.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Findings for Financial Statements Which Are Required To Be Reported In Accordance With Generally Accepted Government Auditing Standards:

Finding 11-01: MWPAT Receivables / Interim Loans

Condition: Receivables incorrectly booked at year end from the Mass Water Pollution Abatement Trust.

Recommendation: It is recommended that the City implement a system to ensure properly recording of both interim and long-term borrowing as it relates to in particular the SRF Loans.

Current Status: This finding was resolved in the current year.

Finding 07-01: The City Does Not Have Formal Policies And Procedures Established Concerning The Maintenance Of the City's Database or To Account for the Acquisition And Disposal of Capital Assets

Condition: The City did not utilize a sophisticated database or fixed asset management system to sufficiently track asset acquisitions or disposals.

Recommendation: It was recommended that the City implement policies and procedures to ensure the proper accounting for capital assets and that the City maintain a fixed asset management system to account for all capital assets and to ensure proper financial reporting.

Current Status: The City has installed a fixed asset management system, however, this system did not capture accurately and completely the capital asset acquisitions. In addition, the capital asset disposals were not tracked or identified. As a result, this finding was repeated in 2012.

Finding 07-06: Enterprise Funds Were Not Maintained on the Accrual Basis of Accounting

Condition: The City maintains its enterprise funds on the modified accrual basis of accounting. The City did not adjust the enterprise funds to reflect accrual basis activities. Capital assets net of accumulated depreciation, long-term debt, compensated absences, deferred revenue and accrued interest were omitted from the fund financial statements. In addition, the City does not reconcile its receivables to the detail.

Recommendation: We recommended that the City review the accrual basis adjustments at the completion of the audit and on a go-forward basis these funds should be maintained on the accrual basis of accounting. In addition, it was recommended that the Auditor and Department of Public Infrastructure staff reconcile receivables on a timely basis and any differences be communicated, investigated and corrected as necessary.

Current Status: This finding was repeated as it was not corrected during 2012.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Findings for Financial Statements Which Are Required To Be Reported Over Major Programs:

Finding 11-02: **The School Department did not Comply with Various Verification Requirements.**

Federal Programs: National School Lunch Program Cluster - CFDA #10.553 and #10.555

Condition: The School Department did not accurately calculate and verify the amount of applications that were required to be verified.

Recommendation: The School Department should ensure that both the free and reduced applications are included in the total sample size when calculating the 3% of total applications to be verified.

Current Status: This finding will be modified into an MLC as controls improve significantly in fiscal year 2012. Requirements not being met did not appear to be material.

Finding 11-03: The School Department Did Not Have Adequate Documentation on File.

Federal Program: National School Lunch Program Cluster- CFDA 10.553 and 10.555; Grant No. DOENUT
Grant Period: Year Ended June 30, 2011

Condition: There was no equipment inventory listing maintained by the School Lunch Department. This listing should include the required categories such as: a description of the equipment purchased serial or other identification number, percentage of federal participation in the costs, location, invoice number, cost basis, disposal data and the condition of the asset.

Recommendation: It was recommended that the School Department modify their record-keeping methods to require retaining equipment listing that also include the criteria stated above on a go-forward basis.

Current Status: Controls over equipment improved in fiscal year 2012. This finding was therefore modified as an MLC in the City.

Finding 11-04: The City Did Not Minimize the Time Between Receipt and Disbursement of Grant Funds.

Federal Programs: Special Education (IDEA) Cluster - CFDA #84.027, 84.173, 84.391 and 84.392

Grant No. Various Grant Period: Various

ARRA Education Jobs Cluster - CFDA #84.410

Grant No. 206-054-1-0201-L Grant Period: Year Ended September 30, 2011

Condition: The initial payment received under the grants were not expended in a timely manner creating excess funding throughout the fiscal year.

Recommendation: It was recommended that the New Bedford Public Schools develop a system to ensure the request of funds is done in a timely manner and according to cash needs allowing more funding to be used in a timely manner. In addition, funds received should be utilized on a first-in, first-out basis.

Current Status: This finding was resolved in the current fiscal year.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Findings for Financial Statements Which Are Required To Be Reported Over Major Programs (Continued):

Finding 07-11: Failure To Solicit Quotes Or Proposals For Equipment Repair Services

Federal Programs: National School Lunch Program Cluster - CFDA 10.553 and 10.555;
Grant No. DOENUT Grant Period: Year Ended June 30, 2011

Condition: The School Department did not solicit bids or proposals prior to selecting vendors for equipment repairs.

Recommendation: It was recommended that the School Department solicit bids or proposals as required by MGL Chapter 30 B and 7 CFR Section 3016.36.

Current Status: The finding was resolved in fiscal year 2012.