

**CITY OF NEW BEDFORD, MASSACHUSETTS**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2010

CITY OF NEW BEDFORD, MASSACHUSETTS

JUNE 30, 2010

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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

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, 2010 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2009), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-06 to be material weaknesses.

*Continued*

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-06 to be significant deficiencies.

***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 31, 2011.

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, Sabady & Co. PC*

January 10, 2011

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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, 2010. 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 items 07-08, 07-11 and 07-14 and in the accompanying schedule of findings and questioned costs, the City of New Bedford, Massachusetts did not comply with requirements regarding Eligibility, Equipment and Real Property Management, and Procurement that are applicable to its National School Lunch Program Cluster. 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, because of the effects of the non compliance described in the preceding paragraph, the City of New Bedford, Massachusetts did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the National School Lunch Program Cluster. Also, in our opinion, the 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 other major federal programs for the year ended June 30, 2010. The results of our auditing procedures did disclose other instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* as item 09-01.

*Continued*

***Internal Control Over Compliance***

The 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 and 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 and others 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 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 items 07-11 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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-08 and 07-14 to be significant deficiencies.

*Hague, Sahady & Co. PC*

March 14, 2011

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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, 2010 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2009), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements and have issued our report thereon dated January 10, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Bedford, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The City of 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 14, 2011 (except as related to the Schedule  
of Expenditures of Federal Awards, as to which  
the date is January 10, 2011)

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

	<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>					
School Breakfast Program (NSLP)	10.553	DOENUT	\$1,487,745	\$ 1,487,745	Major
School Lunch Program (NSLP)	10.555	DOENUT	4,829,043	<u>4,829,043</u>	Major
<b>Total US Department of Agriculture</b>				<u>6,316,788</u>	
<i>US Department of Housing and Urban Development (direct):</i>					
CDBG – Entitlement Grant Cluster:					
Community Development Block Grant FY09	14.218	B-08-MC-25-0018	2,956,836	1,370,292	Major
Community Development Block Grant FY10	14.218	B-09-MC-25-0018	3,010,541	845,564	Major
Community Development Block Grant FY07 – Program Income	14.218	B-06-MC-25-0018	194,915	194,915	Major
Community Development Block Grant FY08 – Program Income	14.218	B-07-MC-25-0018	322,171	322,171	Major
Community Development Block Grant FY09 – Program Income	14.218	B-08-MC-25-0018	32,276	32,276	Major
ARRA - Community Development Block Grant Recovery (CDBG-R)	14.253	B-09-MY-25-0018	802,671	<u>786,865</u>	Major
<b>Total CDBG – Entitlement Grant Cluster</b>				<u>3,552,083</u>	
Emergency Shelter Grant FY08	14.231	S-08-MC-25009	131,886	644	
Emergency Shelter Grant FY09	14.231	S-09-MC-25009	131,648	131,346	
Supportive Housing Program FY09	14.235	MA01B705002	174,152	52,788	Major
Supportive Housing Program FY09	14.235	MA01B705003	206,939	40,404	Major
Supportive Housing Program FY09	14.235	MA01B705004	261,439	66,305	Major
Supportive Housing Program FY09	14.235	MA01B705005	196,063	46,265	Major
Supportive Housing Program FY09	14.235	MA01B705007	29,524	16,524	Major
Supportive Housing Program FY09	14.235	MA0110B1T050801	272,491	202,347	Major
Supportive Housing Program FY09	14.235	MA0110B1T050802	272,490	55,992	Major
Supportive Housing Program FY09	14.235	MA0111B1T050801	198,609	168,663	Major
Supportive Housing Program FY09	14.235	MA0112B1T050801	245,065	188,803	Major
Supportive Housing Program FY09	14.235	MA0113B1T050801	97,884	97,884	Major
Supportive Housing Program FY09	14.235	MA0114B1T050801	29,524	10,000	Major
Supportive Housing Program FY09	14.235	MA0115B1T050801	298,074	197,807	Major
Supportive Housing Program FY09	14.235	MA0115B1T050802	298,069	63,276	Major
Supportive Housing Program FY09	14.235	MA0116B1T050801	187,933	123,481	Major
Supportive Housing Program FY09	14.235	MA0117B1T050801	96,819	78,906	Major
Supportive Housing Program FY09	14.235	MA0117B1T050802	96,819	16,383	Major

*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, 2010

	<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 (direct)(continued):</i>					
Supportive Housing Program FY09	14.235	MA0118B1T050801	265,079	197,837	Major
HOME Program FY04 Entitlement	14.239	M-03-MC-25-0207			
HOME Program FY05 Entitlement	14.239	M-04-MC-25-0207	1,495,424	66,565	
HOME Program FY06 Entitlement	14.239	M-05-MC-25-0207			
HOME Program FY07 Entitlement	14.239	M-06-MC-25-0207	1,252,435	11,795	
HOME Program FY08 Entitlement	14.239	M-07-MC-25-0207	1,245,015	443,841	
HOME Program FY09 Entitlement	14.239	M-08-MC-25-0207	1,204,302	197,845	
HOME Program FY10 Entitlement	14.239	M-09-MC-25-0207	1,344,474	97,076	
HOME Program FY09 Program Income	14.239	M-08-MC-25-0207	413,442	24,409	
HOME Program FY10 Program Income	14.239	M-09-MC-25-0207	293,216	248,419	
Economic Development Initiative FY06	14.246	MB06SPMA0415	990,000	73,669	
EDI Special Project	14.251	B-08-SP-MA-0130	392,000	82,869	
ARRA – Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-25-0009	1,228,020	<u>556,087</u>	
<b>Total US Department of Housing and Urban Development (direct)</b>				<u>7,110,313</u>	
<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	<u>318,639</u>	
Subtotal Passed through Massachusetts Department of Housing and Community Development				<u>318,639</u>	
<b>Total US Department of Housing and Urban Development</b>				<u>7,428,952</u>	
<i>US Department of the Interior:</i>					
<i>US Department of the Interior (direct):</i>					
		H184206202 Tsk#4			
NB Whaling Preservation Project	15.940	J1842090306	36,742	8,526	
NB Whaling NHP	15.940	H184260202	10,000	<u>537</u>	
Subtotal US Department of the Interior (direct):				<u>9,063</u>	
<i>Passed Through Massachusetts National Park Service</i>					
Elm St. Garage Elevator Rehabilitation	15.940	H1842030001	252,316	<u>251,056</u>	
Subtotal Passed through Massachusetts National Park Service				<u>251,056</u>	
<b>Total US Department of the Interior</b>				<u>260,119</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, 2010

	<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 Justice:</i>					
<i>US Department of Justice (direct):</i>					
Smart Grant FFY08	16.580	2008-DX-BX-0084	63,889	18,783	
Weed and Seed	16.595	2008-WS-QX-0191	150,000	100,016	
Weed and Seed	16.595	2009-WS-QX-0114	142,000	93,670	
COPS Hiring Recovery Program	16.710	COPS-CHRP-2009-1	2,411,279	557,360	
COPS Technology Grant	16.710	2008CKWX0153	654,710	123,049	
FBI Gang Task Force - Overtime	16.737	281D-BS-C95401	9,611	9,611	
Police - Great Grant	16.737	2008-JV-FX-0084	132,482	<u>75,109</u>	
Subtotal US Department of Justice (direct)				<u>977,598</u>	
<i>Passed through Massachusetts Executive Office of Public Safety and Security:</i>					
Federal Seized Assets	16.Unknow	Unknown	124,645	99,905	
Byrne Youth Court Grant	16.579	SCEPSBJAG1FY09NBEOPO	14,250	12,950	
Edward J. Bryne Memorial (Youth Court)	16.579	SCEPSjag1nbedfordct	10,000	9,025	
Violence Against Women FY08	16.588	SCE EPS 3001	35,500	4,706	
Violence Against Women FY09	16.588	SCEPS3001VAWA10NEWBE	42,400	<u>29,061</u>	
Total passed through Massachusetts Executive Office of Public Safety				<u>155,647</u>	
<i>Passed through Bristol County Sheriff's Department:</i>					
Justice Assistance Grant	16.579	2009-DJ-BX-0251	141,646	1,554	
Justice Assistance Grant	16.579	2008-F6213-MA-DJ	37,801	37,801	
Justice Assistance Grant	16.579	2008-F6213-MA-DJ	102,764	13,798	
ARRA – Massachusetts Municipal Police Services Staffing Grant	16.803	SCARRAPOLI075719187 NewBedford	138,445	32,038	
ARRA – Bryne JAG FFY09	16.804	2009-SB-B9-3204	23,800	<u>60,121</u>	
Total passed through Bristol County Sheriff's Department				<u>145,312</u>	
<b>Total US Department of Justice</b>				<u>1,278,557</u>	
<i>US Department of Transportation:</i>					
<i>Passed through the Commonwealth of Massachusetts Aeronautics Commission:</i>					
EIS Grant AIP36	20.106	3-25-0034-36-2007	533,900	76,252	
Apron Pavement Analysis	20.106	3-25-0034-39-2009	100,000	64,619	
Planning Study Update Swp	20.106	3-25-0034-38-2009	317,300	272,409	
EIS Grant AIP 32 Airport Planning	20.106	3-25-0034-32-0006	477,517	<u>129,691</u>	
Total Passed through the Commonwealth of Massachusetts Aeronautics Commission				<u>542,971</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, 2010

	<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 Transportation (continued):</i>					
<i>Passed through the Massachusetts Executive Office of Public Safety and Security:</i>					
Child Passenger Safety	20.600	2010CPSEQUIPNEWBEDFORD	10,000	7,480	
GHSB Traffic FY09	20.600	2009OJENF	23,800	<u>18,658</u>	
Total Passed through the Massachusetts Executive Office of Public Safety and Security				<u>26,138</u>	
<b>Total US Department of Transportation</b>				<u>569,109</u>	
<i>US Department of Treasury (direct):</i>					
DEA Overtime	21.052		18,327	18,327	
ATF Operation Overtime	21.052		5,670	<u>5,670</u>	
<b>Total US Department of Treasury (direct)</b>				<u>23,997</u>	
<i>US Institute of Museum and Library Sciences:</i>					
<i>Passed through the State Board of Library Commissioners Agency:</i>					
Conservation Circle Casa (LSTA)	45.310	Unknown	12,500	9,362	
Serving Tweens and Teens	45.310	Unknown	20,000	9,722	
Equal Access Grant	45.310	Unknown	3,000	<u>963</u>	
<b>Total US Institute of Museum and Library Sciences</b>				<u>20,047</u>	
<i>US Department of Environmental Protection Agency (Direct):</i>					
EPA 2009 Brownsfield Job Training Grant	66.815	JT-96105101-0	200,000	71,598	
Hazardous Substance Grant	66.818	2B-96113401-0	200,000	<u>348</u>	
Subtotal US. Department of Environmental Protection Agency (direct)				<u>71,946</u>	
<i>Passed through the State Department of Environmental Protection Agency:</i>					
Interceptor Grit Removal Project	66.202	EM-97167801-0	2,482,367	812,656	
ARRA – PCB Grit Removal Project	66.458	CWS-09-12	2,262,075	1,603,427	Major
ARRA – Quittacas Water Plant Improvement Project	66.468	Unknown	2,590,000	1,817,093	Major
NB Water Conservation	66.468	5014newbedford200912WCG	59,034	6,278	Major
Setting Sail - New Horizon	66.606	T-97131301-2	247,100	81,606	

*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, 2010

	<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 State Department of Environmental Protection Agency (continued):</i>					
Ocean Explorium Environmental Education	66.716	X8-97182401-0	250,000	48,473	
Sustainable Environmental Education	66.716	X8-97182501-0	242,000	34,316	
Brownsfield Cleanup River	66.818	BF-97107401-6	200,000	195,995	
Brownsfield Assessment Grant	66.818	BF-98196000-0	400,000	<u>66,085</u>	
Subtotal passed through the State Department of Environmental Protection Agency				<u>4,665,929</u>	
<b>Total US Department of Environmental Protection Agency</b>				<u>4,737,875</u>	
<i>US Department of Energy (Direct):</i>					
NB Energy Efficiency and Conservation Grant	81.128	DE-SC0003057	869,300	<u>39,744</u>	
<b>Total US Department of Energy</b>				<u>39,744</u>	
<i>US Department of Education:</i>					
<i>US Department of Education (direct):</i>					
Alcohol Abuse Reduction FY09	84.184A	Q184A050177	1,431,738	24,662	
School Based Student Drug Grant	84.184D	Q184D050071-06	55,212	23,486	
New Bedford Emergency Management Grant FY09	84.184E	Q184E080231	220,382	3,447	
New Bedford Emergency Management Grant FY10	84.184E	Q184E080231	77,463	77,327	
Elementary and Secondary School Counseling Grant FY09	84.215E	Q215E090025	390,726	241,243	
Elementary and Secondary School Counseling Grant FY10	84.215E	Q215E090025	384,860	63,238	
Teaching American History	84.215X	U215X070233	385,523	289,332	
Early Reading First FY09	84.359	S359B050091	2,191,737	<u>123,842</u>	
Total US Department of Education (direct)				<u>846,577</u>	
State Fiscal Stabilization Fund Cluster:					
<i>Passed through Massachusetts Executive Office of Public Safety:</i>					
ARRA – MA Fire Services Staffing Grant	84.397A	SCARRAFIRE	52,220	52,219	Major
ARRA – Fire Services Staff Grant	84.397A	SCARRAFIRENEWBEDFORD	2,670,624	<u>1,465,318</u>	Major
Total Passed through Massachusetts Executive Office of Public Safety				<u>1,517,537</u>	

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**CITY OF NEW BEDFORD, MASSACHUSETTS**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements / Expenditures</u>	<u>Major</u>
<b>US Department of Education (continued):</b>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
ARRA – SFSF Funds	84.394	Unknown	3,711,918	<u>3,711,918</u>	Major
<b>Total State Fiscal Stabilization Fund Cluster</b>				<u>5,229,455</u>	
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Title I, Part A Cluster:					
Title I Distribution FY09	84.010	305-200-9-0201-J	6,596,856	671,480	Major
Title I Summer FY10	84.010	322-016-0-0201-A	82,777	82,777	Major
Title I Distribution Carry Over FY10	84.010	305-375-0-0201-K	297,203	297,203	Major
Title I	84.010	305-103-0-0201-K	5,746,185	5,184,909	Major
ARRA – Title I	84.389	770-123-0-0201-K	1,869,274	<u>1,869,269</u>	Major
<b>Total Title I, Part A Cluster</b>				<u>8,105,638</u>	
Special Education Cluster (IDEA):					
SPED 94-142 Allocation FY09	84.027	240-164-9-0201-J	3,603,607	454,081	Major
SPED 94-142 Allocation FY10	84.027	240-088-0-0201-A	3,714,797	3,171,595	Major
SPED Middle School Reading FY09	84.027	267-005-9-0201-J	18,000	4,639	Major
SPED Middle School Reading FY10	84.027	267-013-0-0201-K	20,000	19,830	Major
SPED Program Improvement FY09	84.027	274-144-9-0201-J	43,154	12,413	Major
SPED Early Childhood Allocation FY09	84.173	262	138,072	2,371	Major
SPED Early Childhood Allocation FY10	84.173	262	138,625	120,335	Major
Kindergarten Curriculum Development FY10	84.173	305-375-0-0201-K	18,000	17,383	Major
Closing the Early Literacy Gap FY10	84.173	297	10,000	1,784	Major
CIAA Pilot Program	84.173	264-008-9-0201-A	10,000	1,799	Major
ARRA – SPED Stimulus Grant	84.391	760-041-0-0201-K	2,065,440	1,788,615	Major
ARRA – Early Childhood Special Ed	84.392	762	82,980	<u>58,519</u>	Major
<b>Total Special Education Cluster (IDEA)</b>				<u>5,653,364</u>	
Summer Academic Support II FY10	84.unknown	Unknown	40,000	39,598	
Perkins Grant FY09	84.048	400-022-9-0201-J	70,869	9,872	
Perkins Grant FY10	84.048	400-004-0-0201-A	78,157	68,800	
Safe and Drug-Free Schools and Communities Act	84.186	SCEPS4004SFDS09NEWB D	100,000	66,758	
GED Center Support FY09		331-068-9-0201-J	127,536	23,301	
GED Center Support FY10	84.186	331-086-0-0201-K	99,856	99,796	
Drug Free Schools Distribution FY09	84.186	170-006-9-0201-J	81,641	13,798	
McKinney Homeless FY09	84.196	310-026-9-0201-J	60,000	3,828	
McKinney Homeless FY10	84.196	310-011-0-0201-K	60,000	44,089	

*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, 2010

	<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>					
21st Century Community Learning (Dunbar/Line)	84.287	647-021-9-0201-I	187,500	28,883	
21st Century Community Learning Centers (Dunbar/Line)	84.287	647-057-0-0201-K	150,000	108,761	
21st Century Community Learning FY09	84.287	647-036-9-0201-J	498,000	149,519	
21st Century Community Learning FY10	84.287	647-028-0-0201-K	645,000	451,861	
MA 21 <sup>st</sup> Century Community Learning Center –Supplemental	84.287	647-088-0-0201-K	5,000	5,000	
21 <sup>st</sup> Century Community Learning Center – Carney	84.287	647-040-0-0201-K	142,000	83,386	
Fit for Life FY09	84.318	160-090-9-0201-J	53,469	24,575	
Fit for Life FY10	84.318	160-007-0-0201-A	48,097	39,194	
Technology Data Driven Decision FY09	84.318	164-022-9-0201-J	109,514	51,275	
Partnership for On-Line Development	84.318	170-003-0-0201-K	81,779	77,553	
Reading First Program FY09	84.357	728-003-9-0201-J	159,186	11,518	
LEP Support FY09	84.365	180-033-9-0201-J	118,002	26,549	
LEP Support FY10	84.365	180-011-0-0201-K	116,202	110,378	
ESL Curriculum FY09	84.365	180-096-8-0201-A	5,977	5,773	
Teacher Quality FY09	84.367	140-179-9-0201-J	1,324,061	240,520	Major
Teacher Quality FY09 Carryover	84.367	140-381-9-0201-J	87,171	40,304	Major
Teacher Quality FY10	84.367	140-130-0-0201-K	1,300,283	886,199	Major
Teacher Quality FY10 Carryover	84.367	140-376-0-0201-K	98,548	86,515	Major
AYD Bridge Program FY09	84.377	510-011-9-0201-J	100,000	89,987	
AYD Bridge Program FY10	84.377	510-016-0-0201-K	100,000	27,822	
Title I School Redesign	84.377	510-027-0-0201-K	100,000	12,243	
21st Century - ASH, ROD, PACH	84.287	647-020-9-0201-J	295,000	54,282	
ARRA – Title IID	84.386	770	293,010	258,351	
ARRA – School Improvement/Comm Dist. Supp	84.389	771-005-0-0201-K	512,142	<u>173,093</u>	
Total passed through Massachusetts Department of Early and Secondary Education				<u>20,884,301</u>	
<b>Total US Department of Early and Secondary Education</b>				<u>23,248,415</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, 2010

	<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 Health, Education &amp; Welfare (direct):</i>					
Senior Scope	93.044	T-III-B-09-005	15,500	15,292	
Healthy Bodies & Mind	93.044	T-III-B-09-016	7,000	<u>6,852</u>	
Total US Department of Health, Education & Welfare (direct)				<u>22,144</u>	
<i>Passed through the State Department of Health and Human Services:</i>					
Water Flouride Equipment Upgrade	93.236	INTF3327P01007810032	8,400	<u>8,044</u>	
Total passed through Massachusetts Department of Health and Human Services				<u>8,044</u>	
<b>Total US Department of Health and, Education &amp; Welfare</b>				<u>30,188</u>	
<i>US Corporation for National and Community Service:</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Community Service Learning Sustainability	94.004	354-014-9-0201-A	4,000	3,756	
Learn and Serve	94.004	354-059-9-0201-J	4,950	192	
Green in the Middle Stem	94.004	355-015-0-0201-K	25,000	10,359	
Community Service Learning FY10	94.004	354-045-0-0201-K	4,000	3,544	
Community Service Learning FY09	94.004	355-006-9-0201-A	16,128	<u>1,273</u>	
<b>Total US Corporation for National and Community Service</b>				<u>19,124</u>	
<i>US Department of Homeland Security (direct):</i>					
Operation and Safety Programs	97.044	2009-M8-0001GF- 25000000-4101-D	25,840	23,027	
Assistance to Firefighters – Breathing	97.044	EMW-2008-FO-06560	399,404	<u>67,720</u>	
Total US Department of Homeland Security (direct)				<u>90,747</u>	
<i>Passed through Massachusetts Executive Office of Public Safety:</i>					
Boston Whaler Grant	97.056	2007-GB-T7-0105/ CTSEA9NewBedfordBOSW HALER	125,740	<u>125,610</u>	
Total passed through Massachusetts Executive Office of Public Safety				<u>125,610</u>	
<b>Total US Department of Homeland Security</b>				<u>216,357</u>	
<b>Total Expenditures of Federal Awards</b>				<u>\$ 44,189,272</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, 2010

**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.

**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*.

**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.

**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	\$ 765,826
Emergency Shelter Grant	14.231	\$ 131,990
Supportive Housing Program	14.235	\$ 1,597,141
Homeless Prevention and Rapid Re-Housing	14.257	\$ 556,087

**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	\$ 1,079,656
HOME Program	14.239	\$ 293,216
Community Development Block Grant	14.218	\$ 326,676

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

**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:

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**National School Lunch Cluster**

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School Lunch Program	10.555
School Breakfast Program	10.553

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**CDBG Entitlement Cluster**

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Community Development Block Grant	14.218
ARRA – CDBG Recovery (CDBG-R)	14.253

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**State Fiscal Stabilization Fund Cluster**

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ARRA – Fire Services Staffing Grant	84.397A
ARRA – SFSF Funds	84.394

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**Title I, Part A Cluster**

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Title I	84.010
ARRA – Title I	84.389

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**Special Education Cluster (IDEA)**

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Special Education Grants	84.027
Special Education Preschool Grants	84.173
ARRA – SPED Stimulus Grant	84.391
ARRA – Early Childhood Special Ed	84.392

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**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, 2010 and have issued our reports thereon dated March 31, 2011. 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	Yes
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)	Qualified
Community Development Block Grant Cluster (CFDA 14.218 and 14.253)	Unqualified
Supportive Housing (CFDA 14.235)	Unqualified
ARRA – PCB Grit Removal Project (CFDA 66.458)	Unqualified
ARRA – Quittacas Water Plant Improvement Project and Other (CFDA 66.468)	Unqualified
Title I, Part A Cluster (CFDA 84.010 and 84.389)	Unqualified
Special Education Cluster IDEA (CFDA 84.027, 84.173, 84.391 and 84.392)	Unqualified
Teacher Quality (CFDA 84.367)	Unqualified
ARRA State Fiscal Stabilization Funds (CFDA 84.394 and 84.397A)	Unqualified
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, 2010

**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
Community Development Block Grant Cluster	14.218 and 14.253
Supportive Housing Program	14.235
ARRA – PCB Grit Removal Project	66.458
ARRA – Quittacas Water Plant Improvement Project & Other	66.468
Title I, Part A Cluster	84.010 and 84.389
Special Education (IDEA) Cluster	84.027, 84.173, 84.391 and 84.392
Teacher Quality	84.367
ARRA State Fiscal Stabilization Funds	84.394 and 84.397A

Threshold for distinguishing Type A and Type B Programs was \$1,325,678.

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

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings - Financial Statement Audit:**

<b>Reference Number</b>	<b>Finding</b>
07-01	<p><b>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</b></p> <p><b>Condition:</b> The City utilizes a fixed asset management system to track asset acquisitions and disposals. However, this system is not maintained on a monthly basis. 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><b>Criteria:</b> 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 asset balances. During the audit, it was noted that the fixed assets as well as the infrastructure system as updated in the previous year included several errors. This task is one that is complex and if delegated in the Auditor's Office should then be reviewed in detail for its accuracy.</p> <p><b>Cause:</b> 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><b>Effect:</b> 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 errors and omissions made for both infrastructure and other capital asset categories.</p> <p><b>Recommendation:</b> 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 is maintained to account for all capital assets and to ensure proper financial reporting on a monthly basis.</p> <p><b>Response and Corrective Action Plan:</b> The City is currently using an antiquated system that does not currently have a fixed asset module. Information is compiled manually and entered to a separate program. The City is looking at modern software to address all issues in its accounting system including fixed assets.</p>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings - Financial Statement Audit (Continued):**

<b>Reference Number</b>	<b>Finding</b>
<b>07-06</b>	<p><b>Enterprise Funds Were Not Maintained On The Accrual Basis Of Accounting</b></p> <p><b>Condition:</b> 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.</p> <p><b>Criteria:</b> GASB Cod. Sec.1300.103 states that enterprise funds should be maintained on the accrual basis of accounting.</p> <p><b>Cause:</b> The Auditor's office did not review the current year's enterprise funds and adjust to the accrual basis of accounting. In addition, there is a lack of reconciliation procedures and controls that require the receivables recorded on the general ledger to be reconciled to the detail.</p> <p><b>Effect:</b> The enterprise funds were significantly misstated because of the activity/transactions that were missing as stated above. Numerous entries were made to correct the funds and adjust them to the accrual basis of accounting. In addition, audit entries were needed to correct billings that were omitted from the system and would have otherwise been recognized earlier if appropriate reconciliation procedures were in place.</p> <p><b>Recommendation:</b> 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. In addition, we recommend 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.</p> <p><b>Response and Corrective Action Plan:</b> The City is looking at purchasing software to replace the current antiquated accounting software currently in use. The acquisition of a better accounting software package should enable the City to have an accurate balance sheet on the cash basis. Currently, the City is spending too much time after year end to correct the balance sheet on the cash basis, and runs out of time to review and post accrual entries to the enterprise funds. The new software would also give the City a period 13 to post accruals to in order to still be able to provide a cash basis sheet to the DOR as required.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs:**

**Department of Education**

Title I, Part A Cluster – CFDA 84.010 and 84.389  
Grant No. Various  
Grant Period: Year Ended August 31, 2010

Teacher Quality – CFDA 84.367  
Grant No. Various  
Grant Period: Year Ended August 31, 2010

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
09-01	<p><b>Interest in Excess of \$100 was Earned and not Returned to the Federal Agency for Various Grants</b></p> <p><b>Condition:</b> Interest of \$745 was estimated to be earned by the Title I cluster and an estimated \$650 was earned by the Teacher Quality cluster. These amounts are in excess of the \$100 allowed to be retained for administrative purposes for each grant/cluster. These funds were not returned to the grantor.</p> <p><b>Criteria:</b> In accordance with the Circular A-102 Common Rule, paragraph 2.a interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal Agency. Up to \$100 per year may be retained for administrative purposes.</p> <p><b>Cause:</b> A quarterly analysis was not conducted that calculated interest earned on the grant and it was not determined if funds should be returned to the Federal Agency.</p> <p><b>Effect:</b> The excess interest earnings caused non-compliance with the Circular A-102 Common Rule as stated above.</p> <p><b>Recommendation:</b> We recommended that an analysis be conducted quarterly of interest earnings on federal grants. After the analysis is conducted it should then be determined if excess amounts were earned. If excess amounts were earned these funds should be returned to the Federal agency.</p> <p><b>Response and Corrective Action:</b> The City will review the situation and will place all applicable grant funds in a non-interest bearing account in the future.</p>	\$ 1,295

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (Continued):**

**Department of Agriculture**

National School Lunch Program Cluster – CFDA 10.553 and 10.555  
Grant No. DOENUT  
Grant Period: Year Ended June 30, 2010

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
07-08	<p><b>The School Lunch Department Did Not Have An Equipment Inventory Listing In Accordance With Federal Regulations</b></p> <p><b>Condition:</b> The equipment inventory listing maintained by the School Lunch Department did not include the required categories. This listing should include the required categories such as: a description of equipment, 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.</p> <p><b>Criteria:</b> Office of Management and Budget Circular A-110 requires that property records contain the following information about equipment purchased with federal funds: description of the equipment, including serial or other identification number, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value.</p> <p><b>Cause:</b> The Department has no procedures in place over the maintenance or creation of an equipment inventory listing.</p> <p><b>Effect:</b> The lack of procedures over the maintaining an equipment inventory record/listing, resulted in the School Department’s inability to provide an inventory of the assets/equipment purchased with school lunch funds.</p> <p><b>Recommendation:</b> We recommend that the School Department implement a policy which requires the criteria as stated above to be included on an equipment listing schedule.</p> <p><b>Response and Corrective Action:</b> The School Department is in the process of resolving this issue at the current time.</p>	Unknown

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (Continued):**

**Department of Agriculture**

National School Lunch Program Cluster – CFDA 10.553 and 10.555  
Grant No. DOENUT  
Grant Period: Year Ended June 30, 2010

<b><u>Reference Number</u></b>	<b><u>Finding</u></b>	<b><u>Questioned Costs</u></b>
07-11	Failure To Solicit Quotes Or Proposals For Equipment Repair Services	\$107,968

**Condition:**

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

**Criteria:**

MGL Chapter 30B requires that contracts or expenditures for goods or services that can be reasonably estimated to equal or exceed \$25,000 must be awarded based on sealed bids or proposals as well as other procurement regulations. 7 CFR Section 301.36(c)(1) requires that “all procurement transactions will be conducted in a manner providing full and open competition.”

**Cause:**

The School Department has considered the equipment repairs to be emergency-type transactions, which in some circumstances are exempt from MGL Chapter 30B.

**Effect:**

The School Department may not be receiving the best price rate or service performance that is available. In addition, by not performing required procurement procedures, potential vendors are not allowed to participate in free and open competition.

**Recommendation:**

We recommend that the School Department solicit bids or proposals as required by MGL Chapter 30B and 7 CFR Section 301.36.

**Response and Corrective Action:**

Quotes have been directed as use for repairs.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (Continued):**

**Department of Agriculture**

National School Lunch Program Cluster – CFDA 10.553 and 10.555  
Grant No. DOENUT  
Grant Period: Year Ended June 30, 2010

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
07-14	<p><b>Failure To Complete All Information On The Free And Reduced Meal Applications</b></p> <p><b>Condition:</b> During the audit, it was noted that some of the schools selected for testing did not record relevant information, including: calculations of income, family size, and the eligibility status of applicant (i.e. free, reduced or denied). In addition, it was noted that many applications were not signed by an authorizing signature and/or a confirming signature.</p> <p><b>Criteria:</b> The US Department of Agriculture Food and Nutrition Service “Federal Policy for Determining and Verifying Eligibility” manual requires that a local educational agency, for every application, indicate the approval/denial date; indicate the level of benefit for which the child has been approved OR indicate the reason for denial of benefits; if benefits are denied, indicate the date the denial notice was sent: and <u>sign or initial the application.</u></p> <p><b>Cause:</b> Lack of management oversight</p> <p><b>Effect:</b> The lack of appropriate documentation resulted in the US Department of Agriculture regulations.</p> <p><b>Recommendation:</b> We recommend that each application for free and reduced meals be reviewed and completed in its entirety and be properly authorized. To be considered completed entirely, the following fields at the bottom of the application must be filed in: Total income; Per (week, month, year, etc.); Household size; Categorical eligibility; Date withdrawn; Eligibility; Reason (if denied); Temporary (if applicable); and Determining Official’s signature (or initials) and date. We would also recommend a confirming official’s signature be required if it is feasible for the School Department to perform this step.</p> <p><b>Response and Corrective Action:</b> Applications are now being done centrally by the Food Service Department. All information will be determined and then confirmed electronically by our Lunchbox software program.</p>	Unknown

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

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

**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 2010.

**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 2010.

**Finding 06-01:** There Were A Number of Revolving Funds That Were Not Authorized By City Council As Required

**Condition:** Only 13 out of 35 revolving funds were authorized by the City Council.

**Recommendation:** It was recommended that the City comply with MGL Ch 44 paragraph 53E ½ on an annual go-forward basis.

**Current Status:** This finding was corrected during 2010.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

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

**Finding 05-01:** The City Did Not Effectively Perform Timely Cash Reconciliations For The Fiscal Years Ended June 30, 2005, 2006, 2007, 2008, and 2009.

**Condition:** The City did not effectively reconcile recorded cash balances to cash held in the bank during the fiscal years ended June 30, 2005, 2006, 2007, 2008, and 2009. The Treasurer's Office had started the process by developing a cash book. The cash book should be utilized to reconcile the bank balances to the book. The book balances should be reconciled to the general ledger. As of June 30, 2009, the Auditor's office has not reconciled book balances to the general ledger.

**Recommendation:** It was recommended that the Treasurer's Office reconcile the book balances to the bank balances on a monthly basis. The adjusted bank balance should then be communicated to the Auditor's office for reconciliation within the general ledger. Any differences noted should then be reviewed and adjusted accordingly.

**Current Status:** This finding was corrected during 2010.

**Finding 05-03:** There Were Several Instances Where Purchase Orders Were Dated After The Date Of The Invoice

**Condition:** There were several instances noted during the audit where the purchase orders were dated subsequent to the date on the invoice. The purchasing system is circumvented when this occurs.

**Recommendation:** It was recommended that internal control procedures over purchase orders are reviewed to ensure all departments follow the City's policy to obtain the purchase order prior to committing to the purchase.

**Current Status:** This finding was resolved during 2010.

**Finding 05-07:** Student Activity Funds Are Not Accurately Maintained Under General Ledger Control

**Condition:** Student Activity Funds were not accurately maintained under general ledger control in compliance with the DOE Student Activity guidelines. The checking accounts operating and controlled by the principals were not included under general ledger control. In addition, balances which are maintained are not reconciled to the subsidiary records.

**Recommendation:** It was recommended that the City implemented policies and procedures to comply with the MASBO guidelines and/or establish its own policies and procedures to ensure that all funds are accounted for and properly recorded under general ledger control.

**Current Status:** This finding was resolved during 2010.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

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

**Finding 09-01:** Interest in Excess of \$100 was Earned and not Returned to the Federal Agency for Various Grants

**Federal Programs:** Title I – CFDA 84.010; Grant No. Various  
Grant Period: Year Ended August 31, 2009

**Condition:** Interest earned on federal funds in excess of \$100 was not returned to the Federal Government.

**Recommendation:** It was recommended that an analysis is conducted on a quarterly basis for interest earnings on federal grants. After the analysis is conducted it should then be determined if excess amounts were earned. If excess amounts were earned these funds should be returned to the Federal Agency.

**Current Status:** This finding was repeated for the Title I Cluster and the Teacher Quality grant was added for 2010.

**Finding 09-02:** Documentation to Support the Submission of the Final Financial Report (Form FR-1) to the Massachusetts Department of Elementary and Secondary Education within sixty days of the end of the project was not retained.

**Federal Programs:** Title I – CFDA 84.010; Grant No. Various  
Grant Period: Year Ended August 31, 2009

**Condition:** Records relating to the Final Financial Report (Form FR-1) were not maintained to document the fact that the School Department had submitted the report to the Massachusetts Department of Elementary and Secondary Education within sixty days. Therefore, testing to ensure accuracy or compliance could not be performed.

**Recommendation:** We recommend that the School Department establish policies and procedures to ensure that records submitted to the Massachusetts Department of Elementary and Secondary Education are maintained in a secure location.

**Current Status:** This finding was corrected during 2010 and as a result was not repeated.

**Finding 08-04:** Free/Reduced Lunch Applications Were Not Accurately Completed

**Federal Programs:** National School Lunch Program Cluster – CFDA 10.553 and 10.555;  
Grant No. DOENUT Grant Period: Year Ended June 30, 2009

**Condition:** Eligibility for free/reduced lunch applications failed to contain the proper clerical notes and/or calculations in 40% of our sample selected for review.

**Recommendation:** It was recommended that the Food Services Department communicate to staff responsible for determining eligibility the proper procedures and documentation required to be documented on the free/reduced lunch applications.

**Current Status:** This finding was corrected during 2010 and as a result was not repeated.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

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

- Finding 08-05:** Timesheets for School Lunch Employees Were Not Properly Approved
- Federal Programs:** National School Lunch Program Cluster – CFDA 10.553 and 10.555;  
Grant No. DOENUT Grant Period: Year Ended June 30, 2009
- Condition:** Timesheets obtained for employees were not properly authorized by a supervisor and therefore were lacking approval required by OMB Circular A-87.
- Recommendation:** It was recommended that the School Department establish policies and procedures to ensure all timesheets are properly completed and approved by a supervisor before processing.
- Current Status:** This finding was corrected and as a result was not repeated.
- Finding 08-07:** Failure to Accurately Report Funds Expended When Submitting Form RF-1 (Request for Funds)
- Federal Programs:** Title I – CFDA 84.010; Grant No. Various  
Grant Period: Year Ended August 31, 2008 and 2009  
  
Teacher Quality – CFDA 84.367; Grant No. Various  
Grant Period: Year Ended August 31, 2009
- Condition:** When requesting funds, the School Department did not accurately reflect on the Form RF-1 (Request for Funds) the expenditures that agree to the general ledger.
- Recommendation:** It was recommended that the School Department develop policies to ensure that when requesting funds the RF-1 forms are as complete and accurate as possible. These forms should be reconciled to the general ledger and any differences should be documented and resolved.
- Current Status:** This finding was resolved for the Title I and Teacher Quality programs during 2010 and as a result was not repeated.
- Finding 07-08:** The School Lunch Department Did Not Have An Equipment Inventory Listing In Accordance with Federal Regulations
- Federal Programs:** National School Lunch Program Cluster – CFDA 10.553 and 10.555;  
Grant No. DOENUT Grant Period: Year Ended June 30, 2009
- 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 City implement a policy which requires the criteria as stated in finding 07-08 to be included on an equipment listing schedule.
- Current Status:** Although a listing exists, it does not contain the required federal categories. As a result, the finding was repeated for 2010.

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

**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, 2009

**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:** This finding was not corrected and as a result was repeated for 2010.

**Finding 07-12:** Failure to Conduct On-Site Review Of Schools In Accordance With Federal Requirements

**Federal Programs:** National School Lunch Program Cluster – CFDA 10.553 and 10.555;  
Grant No. DOENUT Grant Period: Year Ended June 30, 2009

**Condition:** The School Department conducted an annual on-site review of each of the school's lunch programs, however, the documents utilized in the review did not record the required information.

**Recommendation:** It was recommended that the School Department create or obtain on-site review forms that will document the information required by 7 CFR 210.8(a).

**Current Status:** This finding was resolved in 2010.

**Finding 07-14:** Failure To Complete All Information On The Free And Reduced Meal Applications

**Federal Programs:** National School Lunch Program Cluster – CFDA 10.553 and 10.555;  
Grant No. DOENUT Grant Period: Year Ended June 30, 2009

**Condition:** During the audit, it was noted that some of the schools selected for testing did not record relevant information, including: calculations of income, family size and the eligibility status of each applicant (i.e. free, reduced or denied.) In addition, it was noted that many applications were not signed by an authorizing signature and/or a confirming signature.

**Recommendation:** It was recommended that each application for free and reduced meals be reviewed and completed in its entirety and be properly authorized. To be considered completed entirely, the following fields at the bottom of the application must be filled in: Total income; Per (week, month, year, etc.); Household size; Categorical eligibility; Date withdrawn; Eligibility; Reason (if denied); Temporary (if applicable); and Determining Official's signature (or initials) and date. It was also recommended that a confirming official's signature be required if it is feasible for the School Department to perform this step.

**Current Status:** This finding was repeated as it was not corrected during 2010.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

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

- Finding 06-05:** The City And School Department Failed To Obtain Payroll Certifications For Employees Who Work For A Single Federal Program
- Federal Programs:** Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H  
Grant Period: Year Ended August 31, 2009
- SPED Cluster – CFDA 84.027 & 84.173; Grant No. Various  
Grant Period: Year Ended August 31, 2009
- Condition:** The City and School Department did not require all employees who work solely on a single federal award to periodically provide certifications signed by the employee or supervisor.
- Recommendation:** It was recommended that the City and School Department develop a system to ensure that signed certifications are obtained from all employees who worked on a single Federal award at least semi-annually.
- Current Status:** This finding was resolved in 2010.