

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

Year Ended June 30, 2015

CITY OF NEW BEDFORD, MASSACHUSETTS

June 30, 2015

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HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

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

To the Honorable Mayor and Members of the City Council
City of New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts ("the City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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 accompany schedule of findings and questioned costs as items 2007-001 and 2007-006 to be significant deficiencies.

Continued

Compliance and Other Matters

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

City of New Bedford's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hague, Sahady & Co. PC

Fall River, Massachusetts
March 25, 2016

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of New Bedford
New Bedford, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of New Bedford, Massachusetts's ("the City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Airport Improvement Program

As described in Finding 2013-001 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	20.106	Airport Improvement Program	Reporting

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

CITY OF NEW BEDFORD, MASSACHUSETTS

Qualified Opinion on Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 2013-001 and 2013-002 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

CITY OF NEW BEDFORD, MASSACHUSETTS

Report on Internal Control over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 (“the City”), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements for the year then ended, and have issued our report thereon dated March 25, 2016, which contained an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hague, Sahady & Co. PC

Fall River, Massachusetts
March 25, 2016

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures	
<i>US Department of Agriculture:</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program (SBP)	10.553	DOENUT	\$ 1,378,147	\$ 2,102,451	
National School Lunch Program (NSLP)	10.555	DOENUT	4,654,368	<u>4,827,592</u>	
Total Child Nutrition Cluster				<u>6,930,043</u>	MAJOR
<i>Total US Department of Agriculture</i>				<u>\$ 6,930,043</u>	
<i>US Department of Commerce</i>					
<i>US Department of Commerce (direct):</i>					
Acushnet River Upland Riparian Restoration Project	11.463	NA12NMF4630024	2,908,340	96,935	
Palmer's Island Gr - HCPO	11.463	NA12NMF4630025	100,000	<u>9,100</u>	
<i>Total US Department of Commerce (direct):</i>				<u>\$ 106,035</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	14.218	B-12-MC-25-0018, B-13-MC-25-0018	5,134,199	<u>2,641,273</u>	
Total CDBG - Entitlement Grant Cluster				<u>2,641,273</u>	
Emergency Shelter Grant	14.231	E-13-MC-250009	213,505	2,181,764	
HOME Program Entitlement	14.239	M-12-MC-250207, M-13-MC-250207	1,536,968	<u>706,851</u>	
Total US Department of Housing and Urban Development (direct)				<u>5,529,888</u>	
<i>Passed through Massachusetts Department of Housing and Community Development:</i>					
Massachusetts Community Development Block Grant, Neighborhood Stabilization Program (NSP3)	14.228	NOFA	300,945	<u>19,907</u>	
Total Passed through Massachusetts Department of Housing and Community Development				<u>19,907</u>	
<i>Total US Department of Housing and Urban Development</i>				<u>\$ 5,549,795</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, 2015

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures	
<i>US Department of Justice:</i>					
<i>US Department of Justice (direct):</i>					
US Marshalls Fugitive Task Force	16.unknown	NBPDTFOT0611 JLEOTFS4	\$ 15,919	\$ 11,265	
DEA Overtime	16.unknown	N/A	17,176	22,372	
ATF Operation Overtime	16.unknown	N/A	15,216	5,536	
COPS 2012 Hiring Program	16.710	MA00311-2012UMWX0088	750,000	274,081	
FBI Gang Task Force - Overtime	16.737	281D-BS-C95401	13,649	13,558	
Total US Department of Justice (direct)				<u>326,812</u>	
 <i>Passed through Massachusetts Executive Office of Public Safety and Security:</i>					
Federal Seized Assets	16.Unknown	Unknown	36,506	35,234	
ARRA - VAWA Civilian Adv Gr FFY10/12 EOPS	16.588	SCEPS3001VAWA13NEWBE	38,631	11,118	
Step EOPS	16.588	2014NEWBEDFORDSTEPXX	36,720	41,874	
FFY2013 Justice Assistance Grant Program	16.738	2013-DJ-BX-1003	227,319	133,960	
FFY2014 Justice Assistance Grant Program	16.738	2014-DJ-BX-1049	233,916	13,998	
Bryne JAG LoC Solicitation	16.738	2012-DJ-BX-1000	235,320	94,104	
Bryne JAG Outreach 2011	16.738	SCEPSJAG1FY13NEWBED	76,544	17,690	
Total passed through Massachusetts Executive Office of Public Safety and Security				<u>347,978</u>	
 <i>Total US Department of Justice</i>				<u>\$ 674,790</u>	
 <i>US Department of Transportation:</i>					
Airport Improvement Program / Airport Safety Insurance	20.106	Various	20,906,422	7,780,886	
EA & Permitting for TWA, Phase I Terminal Apron & RW 14-32	20.106	3-25-0034-050-2014	687,600	302,800	
Total Passed though the Commonwealth of Massachusetts Aeronautics Commission				<u>8,083,686</u>	MAJOR
 <i>Passed through the Massachusetts Executive Office of Public Safety and Security:</i>					
Traffic Enforcement Gr FF	20.600	Unknown	16,000	4,599	
Total Passed through the Massachusetts Executive Office of Public Safety and Security				<u>4,599</u>	
 <i>Total US Department of Transportation</i>				<u>\$ 8,088,285</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, 2015

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures	
<i>US Department of Environmental Protection Agency:</i>					
<i>Passed through the Massachusetts Department of Environmental Protection Agency:</i>					
Brownfield Assessment Grant	66.818	BF-96164401	\$ 200,000	\$ 192,365	
New Bedford Riverfront Planning - Superfund	66.802	V-96184001-0	100,000	69,600	
City of New Bedford Brownfields Cleanup Program	66.818	BF-96190901-0	400,000	640	
Total passed through the Massachusetts Department of Environmental Protection Agency				<u>262,605</u>	
Total US Department of Environmental Protection Agency				<u>\$ 262,605</u>	
<i>US Department of Education:</i>					
Title I, Part A Cluster:					
		305-000238-2013-0201; 305-024797-2014-			
Title I (FY13 & FY14)	84.010	0201	10,704,492	5,426,826	
Title I Extension	84.010	305-000238-2013-0201	373,197	3,004	
Continuing Support	84.010	323-014-5-0201-P	50,000	41,593	
School Redesign	84.010	511-038-4-0201-O	648,991	978,675	
College and Career Readiness	84.010	320-099-4-0201-O	75,000	75,742	
Total Title I, Part A Cluster				<u>6,525,840</u>	MAJOR
Special Education Cluster (IDEA):					
SPED 94-142 Allocation (FY13 & FY14)	84.027	240-226-3-0201-N; 240-235-4-0201-0	7,114,021	3,680,837	
MA 21st CCLC Enhancement	84.027	245-024-3-0201-N; 245-013-4-0201-O	24,938	7,885	
SPED Improvement (FY13 & FY14)	84.027	274-190-3-0201-N; 274-211-4-0201-O	147,299	94,619	
SPED Support HayMac/Pulaski	84.173	298-640-5-0201-P	9,750	915	
		26213PINEPUBLICAY01;			
SPED Early Childhood Allocation (FY13 & FY14)	84.173	26214NEWBEDFORDPUBLI	277,029	135,805	
Total Special Education Cluster (IDEA)				<u>3,920,061</u>	MAJOR
Education of Homeless Children and Youth Cluster:					
McKinney Homeless (FY13 & FY14)	84.196	310-018-3-0201-N; 310-021-4-0201-O	80,000	44,844	
Total Education of Homeless Children and Youth Cluster				<u>44,844</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, 2015

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures	
<i>US Department of Education (continued):</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education (continued):</i>					
Impact Aid Section 8003 Payments	84.041	10-003-2481	\$ 21,313	\$ 21,313	
Comm Adult Learn Ctr	84.002	340-059-5-0201-P	56,057	9,582	
Perkins Grant (FY13 & FY14)	84.048	400-075-3-0201-N; 400-049-4-0201-O 647-005-3-0201-N; 647-057-4-0201-O; 647-	133,777	31,205	
21st Century Community Learning Centers Continuation (FY13 & FY14)	84.287	063-3-0201-N; 647-075-4-0201-O	1,137,289	447,183	
21st Century Community Learning Rollover	84.287	647-091-3-0201-N	299,112	71,190	
21st CCLC Summer Enhancement (incl. Lincoln)	84.287	647-065-5-0201-P; 647-017-5-0201-P	200,092	200,092	
21st CCLC (Ashley/Pacheco/DeValles)	84.287	647-074-5-0201-P; 647-093-5-0201-P	117,528	113,179	
21st CCLC Lincoln/Ashley	84.287	647-195-5-0201-P	8,400	8,400	
WCAP Supplemental Support	84.287	647-032-6-0201-Q	235,200	36,417	
SPED Support HayMac/Pulaski	84.287	647-019-6-0201-Q	38,848	3,670	
High School Graduation Initiative	84.360	1376NEWBEDFORDCCRJC3	66,600	31,652	
Title III Carryover LEP Support	84.365	320-067-3-0201-N; 180-093-4-0201-O	45,000	20,474	
LEP Support (FY13 & FY14)	84.365	180-043-3-0201-N; 180-092-4-0201-O	214,275	83,101	
Immigrant Support FY13	84.365	186-005-3-0201-N	28,800	75,003	
Title III Summer / Immigrant	84.365	184-012-5-0201-P, 186-009-5-0201-P	33,199	16,378	
Teacher Quality (FY13 & FY14)	84.367	40-000586-2013-0201; 140-032749-2014-0201	2,167,607	998,148	
Title IIA Extension	84.367	N/A	70,370	18,080	
School Redesign - HayMac	84.377	511-053-5-0201-P	315,348	232,414	
Race to the Top	84.395	201-015775-2014-0201	2,482,494	36,614	MAJOR
RTTT (2)	84.395	201-045623-2015-0201	488,092	497,338	MAJOR
Birth to 3rd (RTTT)	84.395	RTT14014053NEWBEDF2	130,049	68,395	MAJOR
BAC Middle/HS	84.395	133-031-0201-P	15,745	15,245	MAJOR
BAC Parker	84.395	133-030-5-0201-P	4,725	4,725	MAJOR
Race to the Top - Early Learning Challenge Grant	84.395	RTTT12026538NEWBEDPS	41,263	24,329	MAJOR
Total passed through Massachusetts Department of Early and Secondary Education				<u>13,554,872</u>	
Total US Department of Early and Secondary Education				<u>\$ 13,554,872</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, 2015

	Federal CFDA #	Grantor/ Pass-Through Grantors Number	Program or Award Amount	Disbursements/ Expenditures
<i>US Department of Health, Education & Welfare:</i>				
<i>US Department of Health, Education & Welfare (direct)</i>				
Senior Scope	93.044	T-III-B-14-005	\$ 44,560	\$ 44,560
Transportation COA	93.044	T-III-B-14-005	4,000	2,003
New Bedford Retail Food Safety Program Training	93.103	G-T-1410-02132	1,800	1,620
Total US Department of Health, Education & Welfare (direct)				<u>48,183</u>
 <i>Passed through the Massachusetts Department of Health and Human Services:</i>				
Fire MDU Deployment Grant	93.889	INTF6207P01W21916413	4,000	16
Total passed through Massachusetts Department of Health and Human Services				<u>16</u>
 <i>Passed through the Massachusetts Department of Elementary and Secondary Education:</i>				
Adolescent Health & Services	93.079	649-012-5-0201-P	5,000	1,628
Teen Pregnancy Prevention	93.092	716-016-3-0201-N; 716-004-4-0201-O	93,910	67,887
Total passed through Massachusetts Department of Elementary and Secondary Education				<u>69,515</u>
 <i>Passed through Massachusetts Executive Office of Public Safety:</i>				
Assistance to Firefighters - Operations and Safety Program	97.044	EMW-2011-FO-01510	794,240	57,582
Assistance to Firefighters - Operations and Safety Program	97.044	EMW-2012-FO-00605	97,450	412,772
SAFER Staffing FEMA FY14	97.083	EMW-2013-FH-00341	12,270,158	5,865,135
Total US Department of Homeland Security (direct)				<u>6,335,489</u>
 <i>Passed through Massachusetts Executive Office of Public Safety:</i>				
City of NB Multi Hazard Mitigation Plan Update - HMGP	97.039	HPMG199411NEWBEDFORD	40,493	27,000
EMA Emergency Management Performance Grant	97.042	CT-CDA-FY13EMPG1100000NBEDF	22,030	44,432
Total passed through Massachusetts Executive Office of Public Safety				<u>71,432</u>
Total US Department of Homeland Security				<u>\$ 6,406,921</u>
Total Expenditures of Federal Awards				<u>\$ 41,691,060</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, 2015

Note 1. Definition of the Single Audit Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") presents activity of all Federal financial assistance programs of the City of New Bedford, Massachusetts ("the City"). 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*. Therefore, some of the amounts presented in the SEFA may differ from the amounts presented or used in the preparation of the financial statements of the City.

Note 3. Major Programs

The City's independent auditors have used a risk-based approach to determine which federal programs are "major programs" in accordance with OMB Circular A-133, Subpart E, Section 520. This risk-based approach includes consideration of current and prior audit experience, oversight by Federal Agencies and pass-through entities, the inherent risk of the Federal program, as well as other considerations. The process in paragraphs (b) through (i) of Section 520 govern auditor major program determination. Section 520(h) states "when major program determination was performed and documented in accordance with this part, the auditor's judgment in applying the risk-based approach to determine major programs shall be presumed correct."

The City has no responsibility to determine major programs. Our responsibilities are summarized within OMB Circular A-133, Subpart C, Section 300 "Auditee Responsibilities".

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	\$ 842,300
Emergency Shelter Grant	14.231	\$ 235,174
Supportive Housing Program	14.235	\$ 1,890,676

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	\$ 810,535
HOME Program	14.239	\$ 524,756
Community Development Block Grant	14.218	\$ 341,462

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Note 6. Loan Transactions

As of June 30, 2015, Federal loan receivables outstanding under the HUD "HOME" program totaled \$18,931,180 while \$1,535,785 remains outstanding under the HAND program and \$250,000 remains outstanding under the NSP program.

Note 7. Non-Cash Assistance

Included within the expenditures of the Child Nutrition Cluster in the Schedule of Expenditures of Federal Awards is \$17,304 of USDA donated agricultural commodities that the City received during fiscal year 2015.

Note 8. Clusters of Programs:

In accordance with Subpart A, Section 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 Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster (IDEA)	
Special Education Grants	84.027
Special Education Preschool Grants	84.173

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Summary of Auditors' 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, 2015 and have issued our reports thereon dated March 25, 2016. 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:

Financial Statements (Government Auditing Standards):

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

Federal Awards (Circular A-133):

Internal Control over Major Programs:	
Significant Deficiencies Identified?	Yes
Material Weaknesses Identified?	No
Type of Report on Compliance for Major Programs:	
Child Nutrition Cluster (CFDA 10.553 and 10.555)	Unmodified
Airport Improvement Program (CFDA 20.106)	Qualified
Title I, Part A Cluster (CFDA 84.010)	Unmodified
Special Education Cluster (IDEA) (CFDA 84.027 & 84.173)	Unmodified
Race to the Top Grant (CFDA 84.395)	Unmodified
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, 2015

Summary of Auditors' Results (Continued):

Identification of Major Federal Programs:

<u>Description</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553 and 10.555
Airport Improvement Program	20.106
Title I , Part A Cluster	84.010
Special Education Cluster (IDEA)	84.027 & 84.173
Race to the Top Grant	84.395

Threshold for distinguishing Type A and Type B Programs was: \$1,250,732.

The City of New Bedford, Massachusetts does not qualify as a low risk auditee as defined in Section 530 of OMB Circular A-133 .

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Findings - Financial Statement Audit (Government Auditing Standards):

Reference Number	Finding
2014-001	<p>The City Did Not Reconcile Cash Between the Adjusted Bank Balances and the General Ledger for the Fiscal Year Ended June 30, 2015</p> <p>Condition: During the audit of the cash accounts, we noted a variance between the adjusted bank balances, as carried by the City Treasurer, and the total general ledger cash balances at June 30, 2015. After proposed audit adjustments, the variance was \$252,104, with the adjusted bank balances higher than the book balance.</p> <p>Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. GASB Concepts Statement No. 1, <i>Objectives of Financial Reporting</i> has established <i>accountability</i> as the cornerstone of financial reporting.</p> <p>Cause: Inadequate controls over the cash reconciliation process including inadequate frequency of cash reconciliations (completed at year end versus on a monthly basis) and deficiencies over the descriptions of the bank accounts on the general ledger increasing the difficulty and ability to reconcile the accounts.</p> <p>Effects or Potential Effects: Modified audit opinions (as opposed to an unmodified or “clean” opinion) due to material misstatements in financial statements, potential misrepresentation of balances to the Massachusetts Department of Revenue for the City’s free cash submission, non-compliance with UMAS guide regulations, the potential for misstatement of Federal expenditures on the City’s Schedule of Expenditures of Federal Awards, and increased risk for the misappropriation of assets.</p> <p>Recommendation: We recommend that the City perform reconciliations between the adjusted bank balances and the general ledger balances on a <i>monthly</i> basis. We also recommend that the City continue improve its presentation of its cash accounts on the general ledger by adding the name of each financial institution along with the last four numbers of each bank account for identification purposes when opening new bank accounts. It is also recommended that the City reclassify cash out of its general cash accounts into specific bank account general ledger lines in order to properly complete the reconciliation exercise.</p> <p>Response and Corrective Action Plan: <i>Subsequent to the FY 2015 audit, the City implemented a comprehensive reconciliation process, which better defines the roles of the Treasurer’s and Auditor’s Office to ensure that reconciliations of cash accounts to the ledger are occurring on a regular basis.</i></p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Findings - Financial Statement Audit (*Government Auditing Standards*) (Continued):

<u>Reference Number</u>	<u>Finding</u>
2007-001	<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>Effects or Potential Effects: 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: <i>The development of a fixed asset management system is tied to the implementation of MUNIS. The City anticipates that the fixed asset module will be implemented during the 2016-2017 timeframe.</i></p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Findings - Financial Statement Audit (Government Auditing Standards) (Continued):

Reference Number	Finding
2007-006	<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 certain 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, other post-employment benefits, the net pension liability and accrued interest on outstanding debt were examples of amounts either omitted or not adjusted to convert the fund financial statements to the full accrual basis of accounting required for financial statement presentation under the US GAAP accounting rules.</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>Effects or Potential Effects: 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: <i>The City accepts this recommendation.</i></p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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

Reference Number	Program	Finding	Questioned Costs
2013-001	20.106	Significant Variances Noted between Required FAA Form and General Ledger.	N/A

Information on the Federal Programs:

U.S. Department of Transportation; Federal Aviation Administration, Airport Improvement Program – CFDA 20.106; Grant ID – Various; Grant Period: Various

Condition:

The City’s Airport Commission did not accurately submit the required FAA 5100-127 report at year end. Variances were noted between the FAA 5100-127 and the City’s general ledger.

Criteria:

OMB Circular A-133 also states, “Operating and Financial Summary, or FAA Form 5100-127, is required to be submitted accurately by sponsors [NB Airport Commission] of commercial service airports. They capture revenue and expenditures at the airport, including revenue surplus.”

Cause:

The Airport Commission submitted FAA Form 5100-127 with errors – capital expenditures and short term debt issuance did not tie to the MUNIS general ledger, significant variances noted.

Effect:

The inaccurate submission of the FAA Form 5100-127 results in the overstatement of capital expenditures and understatement of short term debt issuance.

Recommendation:

It is recommended that the Airport Commission review compliance requirements set forth by the A-133 compliance supplement for the Airport Improvement Program. All financial reports submitted to the FAA should be proof read by management and all ending balances should be traced to underlying financial records.

Response and Corrective Action Plan:

The City accepts this recommendation.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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>
2013-002	10.553 10.555	The School Department Equipment Records did not Contain the Required Information	Unknown

Information on the Federal Programs:

U.S. Department of Agriculture, passed through the Massachusetts Department of Early and Secondary Education, National School Lunch Program Cluster - CFDA 10.553, and 10.555; Grant Period: July 1, 2014 through June 30, 2015

Condition:

The equipment inventory records maintained by the School Department did not include all of the required categories such as: serial number, model number, source of equipment (funding), whether title vests in the recipient or the Federal Government, acquisition cost, acquisition date, information which can lead to calculation of percentage of Federal participation in the cost, and appropriate allocation of disposition funds.

Criteria:

Per 7 CFR 3016.32 (Agriculture), property records must include the following information: description, serial/model number, source of equipment (funding), whether title vests in the recipient or the Federal Government, acquisition date and cost, information which can lead to calculation of percentage of Federal participation in the cost and unit acquisition cost.

Per 34 CFR 3016.32 (d)(1) (Education), Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

- “Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.”

Cause:

The School Department had inadequate policies and procedures in place regarding the maintenance of equipment inventory records.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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>
2013-002	10.553 10.555	The School Department Equipment Records did not Contain the Required Information (Continued)	Unknown

Effect:

The lack of documentation policies resulted in equipment records that do not meet Federal regulations. The absence of information, especially data regarding acquisition date and cost prevents proper reconciliation between invoices and general ledger postings.

Recommendation:

It is recommended that the School Department modify their recordkeeping methods for equipment to require the criteria state above to be included in equipment listings.

Response and Corrective Action Plan:

The City accepts this recommendation, but notes that there is a substantial inventory of equipment that has depreciated well beyond its normal service life. The implementation of the MUNIS fixed asset module will improve the City's reporting capabilities.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

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

Finding 2014-001: The City Did Not Reconcile Cash Between the Adjusted Bank Balances and the General Ledger for the Fiscal Year Ended June 30, 2015

Condition: The City had a variance between adjusted bank balances and the total general ledger cash at June 30, 2015.

Recommendation: It was recommended that the City perform reconciliations on a monthly basis and improve its presentation of its cash accounts on the general ledger.

Current Status: This finding was repeated as it was not corrected during 2015.

Finding 2007-001: 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: This finding was repeated as it was not corrected during 2015.

Finding 2007-006: 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 2015.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

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

Finding 2013-001: The City's Airport Commission did not submit the required SF-425 reports on time in addition to not accurately submitting FAA Form 5100-127

Information on the Federal Programs: U.S. Department of Transportation; Federal Aviation Administration, Airport Improvement Program – CFDA 20.106; Grant ID – Various; Grant Period: Various

Condition: The City's Airport Commission did not submit required SF-425 (Federal Financial Reports) for open projects within 90 days after the end of the federal fiscal year. The City's Airport Commission also did not accurately submit the required FAA 5100-127 report at year end.

Recommendation: It was recommended that the Airport Commission review compliance requirements set forth by the A-133 Compliance Supplement for the Airport Improvement Program. It is also recommended that the Airport Commission review all forms submitted to the FAA by Airport Solutions Group to ensure that all reporting requirements are met. Finally, all financial reports submitted to the FAA should be proof read by management all ending balances should be traced to underlying financial records.

Current Status: This finding was repeated as it was not corrected during 2015.

Finding 2013-002: The School Department Equipment Records did not Contain the Required Information

Information on the Federal Programs: U.S. Department of Agriculture, passed through the Massachusetts Department of Early and Secondary Education, National School Lunch Program Cluster – CFDA 10.553 and 10.555; Grant Period: July 1, 2014 through June 30, 2015

Condition: The equipment inventory records maintained by the School Department did not include all of the required categories as required by Federal guidelines. Additionally, the School Department equipment listings did not agree with the physical inventory reviewed during a walkthrough.

Recommendation: It was recommended that the School Department modify their recordkeeping methods for equipment to require the criteria state above to be included in equipment listings.

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

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

Finding 2013-003: The City did not Minimize the Time Between Receipt and Disbursements of Grant Funds

Information on

the Federal Programs: Department of Education, passed through Massachusetts Department of Early and Secondary Education, Race to the Top (ARRA Funds) – CFDA No. 84.395; Grant ID – Various; Grant Period: Various

Condition: The School Department incurred expenditures related to the Race to the Top grant reimbursements, for which were not requested from the pass through entity in a timely manner resulting in deficit cash balances. Therefore, deficits resulted during the fiscal year.

Recommendation: It was recommended that the School Department should develop policies and procedures such that reimbursements of expenditures are drawn down in a timely manner and according to cash needs.

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