

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

Year Ended June 30, 2016

CITY OF NEW BEDFORD, MASSACHUSETTS

June 30, 2016

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**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, 2016, 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 30, 2017.

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 purposes of expressing our opinions on the financial statements, but not for the purposes 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.

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

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

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*.

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, Sabady & Co. PC

Fall River, Massachusetts
March 30, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE*

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 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 the Airport Improvement Program

As described in Finding 2016-002 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
2016-002	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 the 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, 2016.

Basis for Qualified Opinion on the Improving Teacher Quality State Grants Program

As described in Finding 2016-001 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
2016-001	84.367	Improving Teacher Quality State Grants	Cash Management

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

Qualified Opinion on the Improving Teacher Quality State Grants 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 Improving Teacher Quality State Grants Program for the year ended June 30, 2016.

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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003. 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

CITY OF NEW BEDFORD, MASSACHUSETTS

Report on Internal Control over Compliance (Continued)

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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 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 2016-002 and 2016-003 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance*

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, 2016 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 30, 2017, 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 Uniform Guidance 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

Hague, Sahady & Co., P.C.

Fall River, Massachusetts
March 30, 2017

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

	Federal CFDA #	Total Federal Awards Expended	Amount to Subrecipients	Major Programs
<i>US Department of Agriculture:</i>				
<i>Passed through MA Department of Early and Secondary Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program (SBP)	10.553	\$ 2,805,777	\$ -	
Total School Breakfast Program:		<u>2,805,777</u>	<u>-</u>	
National School Lunch Program (NSLP)	10.555	4,500,270	-	
Total School Lunch Program:		<u>4,500,270</u>	<u>-</u>	
Total Child Nutrition Cluster		<u>7,306,047</u>	<u>-</u>	MAJOR
Total US Department of Agriculture		<u>7,306,047</u>	<u>-</u>	
<i>US Department of Commerce</i>				
<i>US Department of Commerce (direct):</i>				
Acushnet River Restoration-NOAA	11.463	110,677	-	
Palmer's Island Gr - HCPO	11.463	54,214	-	
Total US Department of Commerce (direct):		<u>164,891</u>	<u>-</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	2,036,810	685,600	
Total CDBG - Entitlement Grant Cluster		<u>2,036,810</u>	<u>685,600</u>	MAJOR
Emergency Shelter Grant	14.231	231,082	218,139	
Supportive Housing Program	14.235	1,638,596	1,638,596	
HOME Program Entitlement	14.239	726,872	-	
Total US Department of Housing and Urban Development (direct)		<u>4,633,360</u>	<u>2,542,335</u>	
Total US Department of Housing and Urban Development		<u>\$ 4,633,360</u>	<u>\$ 2,542,335</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, 2016

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
<i>US Department of Justice:</i>				
<i>US Department of Justice (direct):</i>				
Organized Crime Drug Enforcement Task Force	16.001	\$ 21,062	\$ -	
ATF Training Assistance	16.012	17,219	-	
US Marshals Fugitive Task Force	16.737	16,356	-	
COPS 2012 Hiring Program	16.710	283,867	-	
Total Public Safety Partnership and Community Policing Programs:		<u>283,867</u>	<u>-</u>	
Gang Resistance Education and Training	16.737	9,357	-	
Total Gang Resistance Education and Training Programs:		<u>9,357</u>	<u>-</u>	
Total US Department of Justice (direct)		<u>347,861</u>	<u>-</u>	
 <i>Passed through MA Executive Office of Public Safety and Security:</i>				
Federal Asset Forfeiture Program	16.922	34,349	-	
ARRA - VAWA Civilian Adv Gr (EOPS)	16.588	15,143	-	
Step EOPS	16.588	42,181	-	
Total Violence Against Women Formula Grant Programs:		<u>57,324</u>	<u>-</u>	
Justice Assistance Grant Program	16.738	7,501	-	
Justice Assistance Grant Program	16.738	104,864	-	
Byrne JAG LoC Solicitation	16.738	7,202	-	
Byrne JAG LoC Solicitation	16.738	119,075	-	
HOPE's MAJIC Mentoring	16.738	40,585	-	
Total Justice Assistance Grant Programs:		<u>279,227</u>	<u>-</u>	
Total passed through the MA Executive Office of Public Safety and Security		<u>370,900</u>	<u>-</u>	
Total US Department of Justice		<u>\$ 718,761</u>	<u>\$ -</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, 2016

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
<i>US Department of Transportation:</i>				
<i>Passed through the Commonwealth of MA Aeronautics Commission:</i>				
Airport Improvement Program / Airport Safety Insurance	20.106	\$ 231,398	\$ -	
Taxiway A 4.6M Bond	20.106	1,877,511	-	
EA & Permitting AMPU Project	20.106	289,022	-	
Total Passed through the Commonwealth of MA Aeronautics Commission		<u>2,397,931</u>	<u>-</u>	MAJOR
<i>Total US Department of Transportation</i>		<u>2,397,931</u>	<u>-</u>	
<i>US Department of Environmental Protection Agency:</i>				
CEDC-NB Harbor Education	66.802	6,104	-	
Payne Cutlery Neighborhood	66.814	77,031	-	
Total Passed Through US Environmental Protection Agency (direct)		<u>83,135</u>	<u>-</u>	
<i>Passed through the MA Department of Environmental Protection Agency:</i>				
Brownfield Assessment Grant	66.818	150	-	
Brownfield Assessment Grant	66.818	18,896	-	
Riverfort Planning - EPA	66.818	30,200	-	
CLIFTEX Brownfield Cleanup	66.818	126,017	-	
Total passed through the MA Department of Environmental Protection Agency		<u>175,263</u>	<u>-</u>	
<i>Total US Department of Environmental Protection Agency</i>		<u>258,398</u>	<u>-</u>	
<i>US Department of Education:</i>				
<i>Passed through MA Department of Early and Secondary Education:</i>				
Title I, Part A:				
Title I	84.010	5,010,494	-	
Title I - School Support	84.010	55,333	-	
Continuing Support	84.010	126,543	-	
WCAP Supplemental Support	84.010	32,356	-	
School Redesign	84.010	627,858	-	
College and Career Readiness	84.010	107,951	-	
Total Title I, Part A Program:		<u>5,960,535</u>	<u>-</u>	
Special Education Cluster (IDEA):				
SPED 94-142 Allocation	84.027	3,149,973	-	
MA 21st CCLC Enhancement	84.027	420	-	
SPED Improvement	84.027	30,750	-	
Total SPED 94-192 Program:		<u>3,181,143</u>	<u>-</u>	
SPED Support HayMac/Pulaski	84.173	15,823	-	
Project Support IDEA	84.173	5,060	-	
SPED Early Childhood Allocation	84.173	139,180	-	
Total SPED Early Childhood Program:		<u>160,063</u>	<u>-</u>	
Total Special Education Cluster (IDEA)		<u>\$ 3,341,206</u>	<u>\$ -</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, 2016

	Federal CFDA #	Total Federal Awards Expended	Amount to Subrecipients	Major Programs
McKinney Homeless	84.196	\$ 31,964	\$ -	
		<u>31,964</u>	<u>-</u>	
Impact Aid Section 8003 Payments	84.041	16,678	-	
Comm Adult Learn Ctr	84.002	46,475	-	
Perkins Grant	84.048	43,072	-	
Total Career Guidance Program:		<u>43,072</u>	<u>-</u>	
21st Century Community Learning Centers Continuation	84.287	284,823	-	
21st Century Community Learning	84.287	11,435	-	
21st CCLC Summer Enhancement (Lincoln)	84.287	12,600	-	
21st CCLC (SY) DeValles	84.287	81,006	-	
21st CCLC Gomes/NMS	84.287	88,478	-	
21st CCLC NBHS Exemplary Summer	84.287	18,750	-	
21st CCLC Continuation Summer	84.287	198,783	-	
21st CCLC Devalles-Summer	84.287	35,178	-	
21st CCLC Gomes Elt	84.287	267,430	-	
21st CCLC Gomes	84.287	10,000	-	
Dissemination Gr I	84.287	1,234	-	
Total 21st Century Community Learning Centers Program:		<u>1,009,717</u>	<u>-</u>	MAJOR
High School Graduation Initiative	84.360	3,101	-	
Total Mass Grad Implementation Program:		<u>3,101</u>	<u>-</u>	
Immigrant Support	84.365	75,003	-	
Title III Summer	84.365	5,719	-	
Title III Immigrant	84.365	36,537	-	
Title III Immigrant Carryover	84.365	4,073	-	
Total LEP Support Program:		<u>121,332</u>	<u>-</u>	
Teacher Quality	84.367	1,109,627	-	
Total Teacher Quality Program:		<u>1,109,627</u>	<u>-</u>	MAJOR
School Redesign - HayMac	84.377	279,072	-	
Total School Improvement Grants Program:		<u>279,072</u>	<u>-</u>	
RTTT	84.395	(9,246)	-	
Birth to 3rd (RTTT)	84.395	39,745	-	
BAC Middle/HS	84.395	490	-	
Race to the Top - Early Learning Challenge Grant	84.395	6,781	-	
Total Race to the Top (RTTT) Program:		<u>37,770</u>	<u>-</u>	
Total passed through the MA Department of Early and Secondary Education		<u>2,666,844</u>	<u>-</u>	
Total US Department of Early and Secondary Education		\$ 12,000,549	\$ -	

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, 2016

	Federal CFDA #	Total Federal Awards Expended	Amount to Subrecipients	Major Programs
<i>US Department of Health, Education & Welfare:</i>				
<i>US Department of Health, Education & Welfare (direct)</i>				
Senior Scope	93.044	\$ 12,150	\$ -	
Transportation COA	93.044	9,399	-	
Retail Standards Prog -AFDO	93.103	1,208	-	
Total US Department of Health, Education & Welfare (direct)		<u>22,757</u>	<u>-</u>	
<i>Passed through the MA Department of Health and Human Services:</i>				
Fire MDU Deployment Grant	93.889	3,635	-	
Partnership For Success	93.243	22,469	-	
Total passed through the MA Department of Health and Human Services		<u>26,104</u>	<u>-</u>	
<i>Passed through the MA Department of Elementary and Secondary Education:</i>				
Adolescent Health & Services	93.079	4,689	-	
Teen Pregnancy Prevention	93.092	98,937	-	
Total passed through the MA Department of Elementary and Secondary Education		<u>103,626</u>	<u>-</u>	
Total US Department of Health, Education & Welfare		<u>152,487</u>	<u>-</u>	
<i>US Department of Homeland Security:</i>				
<i>US Department of Homeland Security (direct):</i>				
Assistance to Firefighters - Operations and Safety Program	97.044	80,208	-	
Citizen Corps Prog	97.067	3,192	-	
SAFER Staffing FEMA	97.083	3,233,581	-	
Total Staffing for Adequate Fire and Emergency Response:		<u>3,233,581</u>	<u>-</u>	
Total US Department of Homeland Security (direct)		<u>3,316,981</u>	<u>-</u>	
<i>Passed through MA Executive Office of Public Safety:</i>				
HAZMIT Plan Gr	97.039	3,000	-	
EMA Emergency Management Performance Grant	97.042	15,100	-	
Total passed through the MA Executive Office of Public Safety		<u>18,100</u>	<u>-</u>	
Total US Department of Homeland Security		<u>3,335,081</u>	<u>-</u>	
Total Amounts Passed to Subrecipients			<u>\$ 2,542,335</u>	
Total Expenditures of Federal Awards		<u>\$ 30,967,505</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, 2016

Note 1. Definition of the 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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 510(b).

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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 518. 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 518 govern auditor major program determination. Section 518(h) states "when the major program determination was performed and documented in accordance with this Subpart, the auditor's judgment in applying the risk-based approach to determine major programs must be presumed correct."

The City has no responsibility to determine major programs. Our responsibilities are summarized within 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Sections 508 to 512.

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	\$ 685,600
Emergency Shelter Grant	14.231	\$ 218,139
Supportive Housing Program	14.235	\$ 1,638,596

Note 5. Program Income

The City's Federal programs generated the following "program income" (2 CFR 200.80) during fiscal year 2016:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Income</u>
National School Lunch Program	10.555	\$ 446,211
HOME Program	14.239	\$ 270,339
Community Development Block Grant - Entitlement	14.218	\$ 182,792

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Note 6. Loan Transactions

As of June 30, 2016, Federal loan receivables outstanding under the HUD "HOME" program totaled \$18,938,889 while \$1,486,283 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 \$15,966 of USDA donated agricultural commodities that the City received during fiscal year 2016.

Note 8. Clusters of Programs

In accordance with Subpart A, Section 200 of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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

Note 9. 10% De-Minimis Indirect Cost Rate

The City did *not* elect to use the 10% de minimis indirect cost rate as covered in 2 CFR Part 200 Section 414 "Indirect (F&A) Costs".

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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, 2016 and have issued our reports thereon dated March 30, 2017. 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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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?	No
Material Weaknesses Identified?	No
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards (Uniform Guidance):

Internal Control over Major Programs:	
Significant Deficiencies Identified?	Yes
Material Weaknesses Identified?	Yes
Type of Report on Compliance for Major Programs:	
Child Nutrition Cluster (CFDA 10.553 and 10.555)	Unmodified
Community Development Block Grant – Entitlement Grant Cluster (CFDA 14.218)	Unmodified
Airport Improvement Program (CFDA 20.106)	Qualified
21 st Century Community Learning Centers (CFDA 84.287)	Unmodified
Improving Teacher Quality State Grants (CFDA 84.367)	Qualified
Disclosure of Audit Findings required to be reported under 2 CFR Part 200 Section 200.516(a):	Yes

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Summary of Auditors' Results (Continued):

Identification of Major Federal Programs:

<u>Description</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553 and 10.555
Community Development Block Grant – Entitlement Grant Cluster	14.218
Airport Improvement Program	20.106
21 st Century Community Learning Centers	84.287
Improving Teacher Quality State Grants	84.367

Threshold for distinguishing Type A and Type B Programs under 2 CFR 200 Section 518(b)(1) was: \$929,025.

The City of New Bedford, Massachusetts does not qualify as a low risk auditee (2 CFR 200 Section 520).

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

No findings were reported during fiscal year 2016.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

Reference Number	Program	Finding	Questioned Costs
2016-001	84.367	The City did not Minimize the Time Between Receipt and Disbursement of Grant Funds	\$ 267,755

Information on Federal Programs:

Department of Education, Title IIA Improving Teacher Quality State Grants – CFDA 84.367; Grant Period: Various

Condition:

The Title IIA grant’s drawdowns resulted in the City holding excess funding during 2016. The funding for the Title IIA grant was entirely drawn down in fiscal year 2015 and was subsequently spent down over the course of five months during fiscal year 2016. The amount on hand as of July 1, 2015, \$267,755 in total, was not fully expended until November 5, 2015.

Criteria:

31 CFR 205.11 states: “A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State’s payout of funds for Federal assistance program purpose, whether the transfers occurs before or after the payout of funds.”

Cause:

The City has prematurely drawn down funds. Appropriate cash management policies and procedures were not implemented.

Effect:

Title IIA grant funding was requested and received well before funds were spent or committed which resulted in a lack of minimizing the time between receipt and disbursements of federal funds. Cash requests were not made based on actual cash needs.

Isolated Instance or Systemic Problem:

We consider this issue to be an “isolated instance”.

Repeat of a Finding in the Immediately Prior Audit (with Prior Year Audit Finding Number (where applicable)):

Not applicable.

Recommendation:

The School Department of the City of New Bedford should develop a system to ensure requesting funds is done in a timely manner and according to cash needs, allowing funding to be used in a timely manner and in accordance with 31 CFR.

Response and Corrective Action Plan:

In 2016 the Business manager commenced cash management review meetings with grant managers from the larger entitlement grants to remind them of the potential for cash on hand balances and the need to minimize excessive balances. Where the granting agency encourages or automates an initial payment, grant managers are directed to ensure no delay in expending and encumbering funds as soon as possible, in accordance with grant purposes. In addition, as part of the regular mid year and monthly grant reviews, cash management progress is reviewed and follow up steps taken where expenditures and cash on hand deviate to levels of concern.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2016-002	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:

Uniform Guidance 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 “non-operating revenue (expenses) – other” 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 “non-operating revenue (expenses) – other”.

Isolated Instance or Systemic Problem:

We consider this issue to be a “systemic problem”.

Repeat of a Finding in the Immediately Prior Audit (with Prior Year Audit Finding Number (where applicable)):

Yes, prior year audit finding number 2013-001.

Recommendation to Prevent Future Occurrence:

It is recommended that the Airport Commission review compliance requirements set forth by the Uniform Guidance 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 the finding and in the future will reconcile the general ledger and Form 5100-127.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2016-003	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, 2015 through June 30, 2016

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, 2016

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2016-003	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.

Isolated Instance of Systemic Problem:

We consider this issue to be a “systemic problem”.

Repeat of a Finding in the Immediately Prior Audit (with Prior Year Audit Finding Number (where applicable)):

Yes, prior year audit finding number 2013-002.

Recommendation to Prevent Future Occurrence:

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. In spring of 2017 New Bedford schools received technical assistance from DESE’s Office for Food and Nutrition Programs regarding appropriate depreciation for these items beyond normal useful life. These approaches are underway in FY17 and will be fully in place FY18

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

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 resolved as it was corrected during 2016.

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 resolved as it was corrected during 2016.

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 resolved as it was corrected during 2016.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

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

Finding 2016-002: **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 (Prior Finding 2013-001)**

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 2016.

Finding 2016-003: **The School Department Equipment Records did not Contain the Required Information (Prior Finding 2013-002)**

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 as it was *not* corrected during 2016.