

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

For the Year Ended June 30, 2017

CITY OF NEW BEDFORD, MASSACHUSETTS

June 30, 2017

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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, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2018.

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, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

January 28, 2018

HAGUE, SAHADY & CO., P.C.

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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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the Findings 2017-001, 2017-002 and 2017-003 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
2017-001	20.106	Airport Improvement Program	Cash Management
2017-002	20.106	Airport Improvement Program	Reporting
2017-003	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.

Continued

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, 2017.

Basis for Qualified Opinion on the Staffing for Adequate Fire and Emergency Response Grant Program

As described in Finding 2017-004 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
2017-004	97.083	Staffing for Adequate Fire and Emergency Response Grant	Reporting

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 Staffing for Adequate Fire and Emergency Response Grant 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 Staffing for Adequate Fire and Emergency Response Grant Program for the year ended June 30, 2017.

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, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item Finding 2017-005. 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 material weaknesses and 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.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Report on Internal Control over Compliance (Continued)

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 2017-001, 2017-002, 2017-003 and 2017-004 to be a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-005 to be a significant deficiency.

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, 2017 and the related notes to the financial statements, which collectively compromise the City's basic financial statements for the year then ended, and have issued our report thereon dated January 28, 2018, 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., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

March 29, 2018, except for the Schedule of Expenditures of Federal Awards, which is dated January 28, 2018

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
<i>US Department of Agriculture:</i>				
<i>Passed through MA Department of Elementary and Secondary Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program (SBP)	10.553	\$ 3,397,043	\$ -	
Total School Breakfast Program:		<u>3,397,043</u>	<u>-</u>	
National School Lunch Program (NSLP)	10.555	4,744,432	-	
Total School Lunch Program:		<u>4,744,432</u>	<u>-</u>	
Total Child Nutrition Cluster		<u>8,141,475</u>	<u>-</u>	MAJOR
Child & Adult Care Food Program	10.558	60,879	-	
Total US Department of Agriculture		<u>8,202,354</u>	<u>-</u>	
<i>US Department of Commerce</i>				
<i>US Department of Commerce (direct):</i>				
Palmer's Island Gr - HCPO	11.463	23,339	-	
Total US Department of Commerce (direct):		<u>23,339</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	2,331,857	786,832	
Total CDBG - Entitlement Grant Cluster		<u>2,331,857</u>	<u>786,832</u>	
Emergency Shelter Grant	14.231	225,595	208,789	
Supportive Housing Program	14.235	1,542,129	1,542,129	MAJOR
HOME Program Entitlement (see Note 6 to the SEFA)	14.239	10,291,063	-	MAJOR
Total US Department of Housing and Urban Development (direct)		<u>12,058,787</u>	<u>1,750,918</u>	
Total US Department of Housing and Urban Development		<u>\$ 14,390,644</u>	<u>\$ 2,537,750</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	<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	\$ 18,144	\$ -	
ATF Training Assistance	16.012	11,539	-	
US Marshals Fugitive Task Force	16.737	10,836	-	
Total Public Safety Partnership and Community Policing Programs:		<u>40,519</u>	<u>-</u>	
Total US Department of Justice (direct)		<u>40,519</u>	<u>-</u>	
<i>Passed through MA Executive Office of Public Safety and Security:</i>				
Federal Asset Forfeiture Program	16.922	25,703	-	
Justice Assistance Grant Program	16.738	52,968	-	
Justice Assistance Grant Program	16.738	51,443	-	
Byrne JAGLoC Solicitation	16.738	35,474	-	
HOPE's MAJIC Mentoring	16.738	47,311	-	
Total Justice Assistance Grant Programs:		<u>187,196</u>	<u>-</u>	
Total passed through the MA Executive Office of Public Safety and Security		<u>212,899</u>	<u>-</u>	
Total US Department of Justice		<u>253,418</u>	<u>-</u>	
<i>US Department of Transportation:</i>				
<i>US Department of Transportation (direct)</i>				
Elm St Parking Garage	20.224	500,000	-	
US Department of Transportation (direct)		<u>500,000</u>	<u>-</u>	
<i>Passed through the Commonwealth of MA Aeronautics Commission:</i>				
Airport Improvement Program/ Airport Safety Insurance	20.106	73,228	-	
Taxiway A 4.6M Bond	20.106	1,188,813	-	
EA & Permitting AMPU Project	20.106	124,118	-	
Environmental Monitoring	20.106	51,768	-	
Aeronautical Study R/W 14-32 TERPS	20.106	47,070	-	
Land Swap-Tifereth Israel	20.106	105,611	-	
Total Passed through the Commonwealth of MA Aeronautics Commission		<u>1,590,608</u>	<u>-</u>	MAJOR
<i>Passed through the Massachusetts Executive Office of Public Safety and Security:</i>				
Traffic Enforcement Gr FF	20.600	6,218	-	
Total Passed through the Massachusetts Executive Office of Public Safety and Security		<u>6,218</u>	<u>-</u>	
Total US Department of Transportation		<u>\$ 2,096,826</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
<i>US Department of Environmental Protection Agency:</i>				
CEDC-NB Harbor Education	66.802	\$ 6,818	\$ -	
Payne Cutlery Neighborhood	66.814	786	-	
Total Passed Through US Environmental Protection Agency (direct)		<u>7,604</u>	<u>-</u>	
<i>Passed through the MA Department of Environmental Protection Agency:</i>				
Brownfield Assessment Grant	66.818	26,672	-	
CLIFTEX Brownfield Cleanup	66.818	237,065	-	
Total passed through the MA Department of Environmental Protection Agency		<u>263,737</u>	<u>-</u>	
Total US Department of Environmental Protection Agency		<u>271,341</u>	<u>-</u>	
<i>US Department of Education:</i>				
<i>Passed through MA Department of Elementary and Secondary Education:</i>				
Title I, Part A:				
Title I	84.010	6,492,331	-	
Title I - School Support	84.010	82,030	-	
Continuing Support	84.010	77,196	-	
WCAP Supplemental Support	84.010	3,351	-	
School Redesign	84.010	667,223	-	
College and Career Readiness	84.010	39,198	-	
Total Title I, Part A Program:		<u>7,361,329</u>	<u>-</u>	
Special Education Cluster (IDEA):				
SPED 94-142 Allocation	84.027	3,482,543	-	
SPED Improvement	84.027	72,172	-	
IDEA C/O	84.027	159,120	-	
Total SPED 94-192 Program:		<u>3,713,835</u>	<u>-</u>	
SPED Support HayMac/Pulaski	84.173	4,393	-	
Project Support IDEA	84.173	6,338	-	
SPED Early Childhood Allocation	84.173	131,712	-	
Total SPED Early Childhood Program:		<u>142,443</u>	<u>-</u>	
Total Special Education Cluster (IDEA)		<u>\$ 3,856,278</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
McKinney Homeless	84.196	\$ 41,145	\$ -	
Underperforming Support	84.424	24,500	-	
		<u>65,645</u>	<u>-</u>	
Impact Aid Section 8003 Payments	84.041	20,608	-	
Perkins Grant	84.048	89,209	-	
Total Career Guidance Program:		<u>89,209</u>	<u>-</u>	
21st Century Community Learning Centers Continuation	84.287	376,835	-	
21st CCLC (SY) DeValles	84.287	697,744	-	
21st CCLC Enhanc Lincoln/Ashley	84.287	14,000	-	
21st CCLC Devalles-Summer	84.287	55,575	-	
21st CCLC Gomes Elt	84.287	267,562	-	
21st CCLC Gomes	84.287	8,500	-	
21st CCLC Gomes/NMS Summer	84.287	24,520	-	
Dissemination Gr I	84.287	6,260	-	
Dissemination Gr II	84.287	7,500	-	
Total 21st Century Community Learning Centers Program:		<u>1,458,496</u>	<u>-</u>	
Immigrant Support	84.365	535,899	-	
Title III Summer	84.365	10,817	-	
Title III Immigrant	84.365	41,859	-	
Total LEP Support Program:		<u>588,575</u>	<u>-</u>	
Supporting Effective Instruction State Grant	84.367	938,733	-	
Total Supporting Effective Instruction State Grant Program:		<u>938,733</u>	<u>-</u>	MAJOR
School Redesign - HayMac	84.377	87,285	-	
Total School Improvement Grants Program:		<u>87,285</u>	<u>-</u>	
Total passed through the MA Department of Elementary and Secondary Education		<u>14,466,158</u>	<u>-</u>	
Total US Department Education		<u>\$ 14,466,158</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	<u>Federal CFDA #</u>	<u>Total Federal Awards Expended</u>	<u>Amount to Subrecipients</u>	<u>Major Programs</u>
<i>US Department of Health, Education & Welfare:</i>				
<i>US Department of Health, Education & Welfare (direct)</i>				
Senior Scope	93.044	\$ 12,585	\$ -	
Transportation COA	93.044	7,099	-	
Retail Standards Prog -AFDO	93.103	640	-	
Total US Department of Health, Education & Welfare (direct)		<u>20,324</u>	<u>-</u>	
<i>Passed through the MA Department of Health and Human Services:</i>				
Fire MDU Deployment Grant	93.889	2,177	-	
Partnership For Success	93.243	45,360	-	
Total passed through the MA Department of Health and Human Services		<u>47,537</u>	<u>-</u>	
<i>Passed through the MA Department of Elementary and Secondary Education:</i>				
Adolescent Health & Services	93.079	3,783	-	
Teen Pregnancy Prevention	93.092	6,333	-	
Total passed through the MA Department of Elementary and Secondary Education		<u>10,116</u>	<u>-</u>	
Total US Department of Health, Education & Welfare		<u>77,977</u>	<u>-</u>	
<i>US Department of Homeland Security:</i>				
<i>US Department of Homeland Security (direct):</i>				
Citizen Corps Prog	97.067	4,652	-	
SAFER Staffing FEMA	97.083	1,769,374	-	
Total Staffing for Adequate Fire and Emergency Response:		<u>1,769,374</u>	<u>-</u>	MAJOR
Total US Department of Homeland Security (direct)		<u>1,774,026</u>	<u>-</u>	
<i>Passed through MA Emergency Management Agency:</i>				
FEMA/MEMA Disaster Relief	97.036	68,131	-	
Hurricane Sandy-FEMA	97.036	6,496	-	
Total passed through MA Emergency Management Agency		<u>74,627</u>	<u>-</u>	
<i>Passed through MA Executive Office of Public Safety and Security:</i>				
EMA Emergency Management Performance Grant	97.042	18,169	-	
Total passed through the MA Executive Office of Public Safety and Security		<u>18,169</u>	<u>-</u>	
Total US Department of Homeland Security		<u>1,866,822</u>	<u>-</u>	
Total Amounts Passed to Subrecipients			<u>\$ 2,537,750</u>	
Total Expenditures of Federal Awards		<u>\$ 41,648,879</u>		

The accompanying notes are an integral part of this schedule

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

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	\$ 785,832
Emergency Shelter Grant	14.231	\$ 208,789
Supportive Housing Program	14.235	\$ 1,542,129

Note 5. Program Income

The City's Federal programs generated the following "program income" (2 CFR 200.80) during fiscal year 2017:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Income</u>
National School Lunch Program	10.555	\$ 481,277
Community Development Block Grant - Entitlement	14.218	\$ 140,220
HOME Program	14.239	\$ 1,058,794

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Note 6. Loan Programs with Continuing Compliance Requirements

Total expenditures in the accompanying schedule of expenditures of federal awards for the HOME Investment Partnership (HOME) program (CFDA 14.239) includes the total amount of new loans made during fiscal year 2017, as well as the unpaid principal balance from loans originated in previous years for which the Federal government imposed “continuing compliance requirements” through 42 USC 12701-12839 and 3535(d), with implementing regulations codified at 24 CFR part 92.

As of June 30, 2017, the HOME program had loan balances subject to continuing compliance requirements of \$10,291,063. Uniform Guidance (2 CFR 200.502) requires this amount be included in the “basis for determining Federal awards expended” on the current year schedule of expenditures of federal awards as the Federal government is at risk for the loans until the debt is repaid. The beginning balance of the loans subject to continuing compliance requirements was \$11,304,364 at July 1, 2016.

Note 7. Non-Cash Assistance

Included within the expenditures of the Child Nutrition Cluster in the Schedule of Expenditures of Federal Awards is \$12,087 of USDA donated agricultural commodities that the City received during fiscal year 2017.

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

For the Year Ended June 30, 2017

Summary of Auditors' Results

Financial Statements (Government Auditing Standards):

We have audited the financial statements of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2017 and have issued our reports thereon dated January 28, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The results of our audit are as follows:

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):

We have audited the City of New Bedford, Massachusetts' compliance with the with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017 and have issued our reports thereon dated March 29, 2018. We performed this audit under 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:

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
Supportive Housing Program (CFDA 14.235)	Unmodified
HOME Program Entitlement (CFDA 14.239)	Unmodified
Airport Improvement Program (CFDA 20.106)	Qualified
Improving Teacher Quality State Grants (CFDA 84.367)	Unmodified
SAFER Staffing FEMA (CFDA 97.083)	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

For the Year Ended June 30, 2017

Summary of Auditors' Results (Continued):

Identification of Major Federal Programs:

<u>Description</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553 and 10.555
Supportive Housing Program	14.235
HOME Program Entitlement	14.239
Airport Improvement Program	20.106
Improving Teacher Quality State Grants	84.367
SAFER Staffing FEMA	97.083

Threshold for distinguishing Type A and Type B Programs under 2 CFR 200 Section 518(b)(1) was \$1,249,466.

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

For the Year Ended June 30, 2017

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

No financial statement findings were reported during fiscal year 2017.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-001	20.106	Reimbursements for the Airport Improvement Program (<i>Material Weakness – Cash Management</i>)	N/A

Information on Federal Programs:

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

Condition:

Per review of the SF-270 and SF-271's, all ten (10) reimbursement requests tested were submitted prior to the related expenses being paid using local funds.

Criteria:

Program costs must be paid by non-Federal entity funds before submitting a payment request (2 CFR section 200.305(b)(3)).

Cause:

Appropriate cash management policies and procedures were not implemented.

Effect:

Non compliance with cash management regulations as outlined in Part 3.2 of Uniform Guidance.

Isolated Instance or Systemic Problem:

We consider this to be a “systemic” problem, as it was identified in all instances of testing.

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

No.

Recommendation:

We recommend that the City pay program costs using local funds first, then request reimbursement. We also recommend the City implement policies and procedures to be adhered to with respect to all applicable Federal award programs.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

Findings and Questioned Costs 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>
2017-002	20.106	SF-425 Reports Not Submitted Timely For the Airport Improvement Program (<i>Material Weakness - Reporting</i>)	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 did not submit the annually required SF-425 reports within 90 days of the Federal fiscal year end. These reports are required on an annual basis for each separate grant ID within the Airport Improvement Program. We noted that the City did not submit the reports until January, whereas they are due by December 31 each year (Federal fiscal year ends September 30). We also noted certain forms were marked as “quarterly” (AIP Grant # 3-25-0034-52-2016 for example) and certain forms were also marked on the “cash” basis, whereas the City’s general ledger is on the accrual basis.

Criteria:

The “Guidance for Completing the Federal Financial Report (SF-425) for the FAA Airport Improvement Program (AIP)” indicates “per current AIP policy, recipients of AIP grants must submit a SF-425 for each open grant (1) annually, within 90 days of the end of the federal fiscal year and (2) upon final project closure, in accordance with Title 49 CFR Part 18.41 and 18.50.” This was set forth by the FAA Office of Airport through Program Guidance Letters PGL 10-1 and PGL 12-10.

Cause:

The City failed to submit the required SF-425s within the FAA’s timeframe. There were no controls in place to ensure that the information was submitted to the FAA on-time.

Effect:

Failure to submit SF-425 reports timely when required could inhibit the City’s ability to receive further Federal financial assistance.

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)):

No.

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, as well as those specific to the Airport Improvement Program outlined by the FAA. All SF-425s should be submitted on-time and should be reviewed before submission by the City Auditor for accuracy.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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

Reference Number	Program	Finding	Questioned Costs
2017-003	20.106	Significant Variances Noted between Required FAA Form and General Ledger (Material Weakness - Reporting)	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 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. We noted variances in operating revenue, operating expense, non-operating revenue, capital expense and debt lines on the 5100-127 when comparing to the City’s general ledger.

Criteria:

Uniform Guidance 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.”

Also, 49 CFR Section 18.20 “Standards for financial management systems” sets standards related to “accurate and complete disclosure of the financial results of financial assisted activities must be made in accordance with the financial reporting requirements of the grant or sub grant.”

Cause:

The City submitted FAA Form 5100-127 with errors. There were no controls in place to reconcile the information to the City’s general ledger.

Effect:

Failure to submit accurate financial and performance reports timely could inhibit the City’s ability to receive further Federal financial assistance.

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 2016-002.

Recommendation to Prevent Future Occurrence:

It is recommended that the City 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.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

Findings and Questioned Costs 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>
2017-004	97.083	Submission of Inaccurate Semi-Annual SF-425s (Material Weakness - Reporting)	N/A

Information on the Federal Programs:

U.S. Department of Homeland Security; Federal Emergency Management Agency, SAFER Staffing Program – CFDA 97.083; Grant ID – EMW-2015-FH-00101; Grant Period: 7/15/16 to 7/14/18

Condition:

Upon our review of the semi-annual SF-425 reports submitted during fiscal year 2017, cash disbursements were only reported to FEMA once the Federal reimbursement was received. As a result, we were unable to reconcile the amounts reported on the SF-425 to the City’s general ledger.

Criteria:

Federal Financial Reports (SF-425): Recipients of SAFER Grants awarded on or after October 1, 2009, are required to submit semi-annual Federal Financial Reports (FFR) (SF-425). The FFR is to be submitted using the online eGrants system based on the calendar year beginning with the period after the start of the period of performance. Recipients are required to submit an FFR throughout the entire period of performance of the grant.

Cause:

The City did not report cash disbursements on the cash basis, as indicated on the SF-425. This can be attributed to a lack of controls over the reporting process and a lack of controls over the review and approval process over the SF-425 submissions.

Effect:

Due to reporting errors, expenditures reported to FEMA at December 31, 2016 were \$341,458 less than actual. At June 30, 2017, expenditures reported to FEMA were \$237,798 less than actual.

Isolated Instance or Systemic Problem:

We consider this issue to be a “systemic problem” as the issue was noted on both semi-annual reports.

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

No.

Recommendation to Prevent Future Occurrence:

It is recommended that the City report cash disbursements on the accrual basis and implement further controls over reporting, such as reconciling to the general ledger and obtaining higher levels of approval prior to submission (such as the approval of the City Auditor’s office).

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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

<u>Reference Number</u>	<u>Program(s)</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-005	10.553 & 10.555, 14.235, 14.239, 20.106, 84.367, 97.083	The City Did Not Have Written Policies, Procedures and Standards of Conduct Relative to Federal Awards as Required by Uniform Guidance (Significant Deficiency – Other Non-Compliance)	N/A

Information on the Federal Programs:

Child Nutrition Cluster (10.553 and 10.555), Supportive Housing Program (14.235), HOME Program Entitlement (14.239), Airport Improvement Grant (20.106), Improving Teacher Quality State Grants (84.367) and SAFER Staffing FEMA (97.083)

Condition:

The City did not have written policies, procedures and standards of conduct relative to Federal awards as required by Uniform Guidance (2 CFR 200), Subparts D (Post Federal Award Requirements) and E (Cost Principles). This applies not only to the major programs tested during the fiscal year 2017 audit, but all Federal programs.

Criteria:

Uniform Guidance requires nonfederal entities that receive federal awards to establish written policies, procedures or standards of conduct for the following sections:

- Financial management (200.302)
- Payment (200.305)
- General procurement standards (200.318) (see below)
- Competition (200.319)
- Methods of procurement to be followed (200.320) (see below)
- Compensation – personal services (200.430)
- Compensation – fringe benefits (200.431)
- Relocation costs of employees (200.464)
- Travel costs (200.474)

The Uniform Guidance establishes requirements for written policies approximately 25 times. The list above is not all inclusive.

Initially, the OMB gave entities the option to elect to delay the implementation of the Uniform Guidance procurement standards for two full fiscal years beginning with the nonfederal entity’s fiscal year that began on or after December 26, 2014. On May 17, 2017, the OMB extended the grace period for implementation of the procurement standards for an additional year. With this amendment, the new procurement standards will apply to the nonfederal entity’s fiscal year that *begins on or after December 26, 2017* (i.e. July 1, 2018). If this election is made, the entity must document whether it is in compliance with the old or new standard, including if it chooses to utilize the 2017 extension, and must meet the standard as documented.

Cause:

The City lacks written policies, procedures or standards of conduct required by the current Federal regulations.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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

<u>Reference Number</u>	<u>Program(s)</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-005 (continued)	10.553 & 10.555, 14.235, 14.239, 20.106, 84.367, 97.083	The City Did Not Have Written Policies, Procedures and Standards of Conduct Relative to Federal Awards as Required by Uniform Guidance (<i>Significant Deficiency – Other Non-Compliance</i>) (continued)	N/A

Effect:

Failure to establish these policies, procedures or standards of conduct puts the City in noncompliance with current Federal regulations and increases the likelihood of fraud, waste and abuse of Federal funds. It also may increase the likelihood of findings in subsequent Single Audits due to lack of adequate internal controls.

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)):

No.

Recommendation to Prevent Future Occurrence:

It is recommended that the City develop Written Policies, Procedures and Standards of Conduct Relative to Federal Awards as Required by Uniform Guidance.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs – Corrective Action Plan

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Finding</u>
2017-001	CFDA 20.106 - Reimbursements for the Airport Improvement Program (<i>Material Weakness – Cash Management</i>) Name of Contact Person: Scot Servis, Airport Manager Corrective Action Plan: Airport management has been made aware of this finding and is in the process of working with City departments to ensure appropriate cash management policies and procedures are implemented. Proposed Completion Date: June 30, 2018

<u>Reference Number</u>	<u>Finding</u>
2017-002	CFDA 20.106 - SF-425 Reports Not Submitted Timely For the Airport Improvement Program (<i>Material Weakness - Reporting</i>) Name of Contact Person: Scot Servis, Airport Manager Corrective Action Plan: Airport management has been made aware of this finding and is in the process of working with City departments to ensure that the “SF-425” reports are forwarded to the Auditor’s office, checked for accuracy and filed with the FAA within 90 days of the fiscal year, and/or upon final project closure. Proposed Completion Date: June 30, 2018

<u>Reference Number</u>	<u>Finding</u>
2017-003	CFDA 20.106 - Significant Variances Noted between Required FAA Form and General Ledger (<i>Material Weakness - Reporting</i>) Name of Contact Person: Scot Servis, Airport Manager Corrective Action Plan: Airport management has been made aware of this finding and is in the process of working with City departments to ensure FAA reports ‘2100-127’ are accurately filed at the end of each year, and proof read by management , all ending balances shall be traced to under lying financial records. Proposed Completion Date: June 30, 2018

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs – Corrective Action Plan

For the Year Ended June 30, 2017

Reference Number	Finding
2017-004	CFDA 97.083 - Submission of Inaccurate Semi-Annual SF-425s (<i>Material Weakness - Reporting</i>)

Name of Contact Person: Michael Gomes, Fire Chief

Corrective Action Plan: Fire Department management will adjust reporting procedure to include those expenditures that have not been reimbursed in the semiannual reporting period (SF-425).

Proposed Completion Date: June 30, 2018

Reference Number	Finding
2017-005	The City Did Not Have Written Policies, Procedures and Standards of Conduct Relative to Federal Awards as Required by Uniform Guidance (<i>Significant Deficiency – Other Non-Compliance</i>)

Name of Contact Person: Robert Ekstrom, City Auditor

Corrective Action Plan: During fiscal year 2018, the City Auditor’s Office initiated the compilation of a comprehensive Accounting Policies & Procedures Manual that will include those policies and procedures related to Federal grant awards.

Proposed Completion Date: June 30, 2018

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

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

No financial statement findings were reported in the prior fiscal year.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

Findings and Questioned Costs Which Are Required To Be Reported Over *Major Federal Programs (Uniform Guidance)*:

Prior Finding 2016-001: The City did not Minimize the Time Between Receipt and Disbursement of Grant Funds

Information on

the Federal Programs: U.S. 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 was entirely drawn down in FY15 and was subsequently spent over the course of five months during fiscal year 2016.

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.

Current Status:

This finding was removed as it was corrected during 2017.

Prior Finding 2016-002: Significant Variances Noted between Required FAA Form and General Ledger

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.

Recommendation:

It was 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 all ending balances should be traced to underlying financial records.

Current Status:

This finding was repeated as it was *not* corrected during 2017. See current year finding number 2017-003.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

Findings and Questioned Costs Which Are Required To Be Reported Over *Major Federal Programs (Uniform Guidance) (continued)*:

Prior Finding 2016-003: 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, 2015 through June 30, 2016

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 removed as it was corrected during 2017.