

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2013

CITY OF NEW BEDFORD, MASSACHUSETTS

JUNE 30, 2013

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CITY OF NEW BEDFORD, MASSACHUSETTS

JUNE 30, 2013

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HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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
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 City of New Bedford, Massachusetts ("the City"), as of and for the year ended June 30, 2013, 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 31, 2014.

Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-06 that we consider to be significant deficiencies.

Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The City's Response to Findings

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

Purpose of this Report

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

Hague, Sabady & Co. PC

Fall River, MA

March 31, 2014

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 OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Bedford, Massachusetts's ("the City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Basis for Qualified Opinion on Airport Improvement Program

As described in Finding 13-01 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
13-01	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.

Qualified Opinion on Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program for the year ended June 30, 2013.

Basis for Qualified Opinion on Race to the Top Program

As described in Finding 13-03 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
13-03	84.395	Race to the Top	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 Race to the Top 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 Race to the Top Program for the year ended June 30, 2013.

Basis for Qualified Opinion on Port Security Grant Program

As described in Finding 12-01 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
12-01	97.056 & 97.116	Port Security Grant Program	Monitoring

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 Port Security 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 Port Security Grant Program for the year ended June 30, 2013.

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, 2013.

CITY OF NEW BEDFORD, MASSACHUSETTS

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be 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. *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 13-01, 13-03 and 12-01 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 item 13-02 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CITY OF NEW BEDFORD, MASSACHUSETTS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts (“the City”), as of and for the year ended June 30, 2013 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 31, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hague, Sabady & Co. PC

Fall River, Massachusetts

May 5, 2014 (Except as related to the Schedule of Expenditures of Federal Awards, as to which the date is March 31, 2014)

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Agriculture:</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program (SBP)	10.553	DOENUT13	1,544,626	\$ 1,544,626	Major
National School Lunch Program (NSLP)	10.555	DOENUT13	4,806,419	4,806,419	Major
Total Child Nutrition Cluster				<u>6,351,045</u>	
Total US Department of Agriculture				<u>6,351,045</u>	
<i>US Department of Commerce</i>					
<i>US Department of Commerce (direct):</i>					
Investments for Public Works and Economic Development Facilities (New Bedford Business Park)	11.300	01-01-08721	1,041,500	673,438	
Total US Department of Commerce (direct):				<u>673,438</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 FY11	14.218	B-11-MC-25-0018	2,741,178	1,020,370	
Community Development Block Grant FY12	14.218	B-12-MC-25-0018	2,469,532	1,398,485	
Community Development Block Grant FY10 - Program Income	14.218	B-10-MC-25-0018	68,583	68,583	
Community Development Block Grant FY11 - Program Income	14.218	B-11-MC-25-0018	168,722	168,722	
Total CDBG - Entitlement Grant Cluster				<u>2,656,160</u>	
Emergency Shelter Grant FY12	14.231	E-12-MC-25009	237,379	204,034	
Emergency Shelter Grant FY11	14.231	E-11-MC-25009	207,061	54,162	
Supportive Housing Program FFY11	14.235	MA0110B1T051104	272,490	212,359	
Supportive Housing Program FFY10	14.235	MA0111B1T051003	198,609	40,891	
Supportive Housing Program FFY11	14.235	MA0111B1T051104	198,609	141,513	
Supportive Housing Program FFY10	14.235	MA0112B1T051003	245,063	31,503	
Supportive Housing Program FFY11	14.235	MA0112B1T051104	245,064	214,720	
Supportive Housing Program FFY11	14.235	MA0113B1T051104	97,884	97,884	
Supportive Housing Program FFY10	14.235	MA0114B1T051003	29,524	15,824	
Supportive Housing Program FFY11	14.235	MA0114B1T051104	29,524	21,200	
Supportive Housing Program FFY11	14.235	MA0115B1T051104	298,069	210,048	
Supportive Housing Program FFY10	14.235	MA0116B1T051003	187,933	52,339	
Supportive Housing Program FFY11	14.235	MA0116B1T051104	187,933	127,402	
Supportive Housing Program FFY11	14.235	MA0117B1T051104	96,819	85,207	
Supportive Housing Program FFY10	14.235	MA0118B1T051003	265,079	58,667	
Supportive Housing Program FFY11	14.235	MA0118B1T051104	265,079	204,750	
Supportive Housing Program FFY11	14.235	MA0371B1T051000	154,157	62,675	
Supportive Housing Program FFY11	14.235	MA0406B1T051100	159,371	122,211	
HOME Program FY10 Entitlement	14.239	M-09-MC-25-0207	1,637,690	13,380	
HOME Program FY11 Entitlement	14.239	M-10-MC-25-0207	1,325,198	810,051	
HOME Program FY12 Entitlement	14.239	M-11-MC-25-0207	1,172,388	125,602	
HOME Program FY13 Entitlement	14.239	M-12-MC-25-0207	765,028	69,972	
HOME Program FY12 Program Income	14.239	M-11-MC-25-0207	265,916	111,601	
HOME Program FY13 Program Income	14.239	M-12-MC-25-0207	435,111	160,055	
Total US Department of Housing and Urban Development (direct)				<u>5,904,210</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, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Housing and Urban Development (Continued):</i>					
<i>Passed through Massachusetts Department of Housing and Community Development:</i>					
Massachusetts Community Development Block Grant, Neighborhood Stabilization Program (NSP3)	14.228	NOFA	300,945	\$ 226,817	
Total Passed through Massachusetts Department of Housing and Community Development				<u>226,817</u>	
Total US Department of Housing and Urban Development				<u>6,131,027</u>	
<i>US Department of Interior:</i>					
<i>US Department of the Interior (direct):</i>					
New Bedford Whaling National Historical Park	15.940	75719187	6,200	5,796	
Total US Department of the Interior (direct)				<u>5,796</u>	
Total US Department of Interior:				<u>5,796</u>	
<i>US Department of Justice:</i>					
<i>US Department of Justice (direct):</i>					
US Marshalls Fugitive Task Force	16.unknown	NBPDTFOT0611 JLEOTFS4	13,165	13,165	
DEA Overtime	16.unknown	N/A	10,497	10,497	
ATF Operation Overtime	16.unknown	N/A	6,613	6,613	
Bullet Proof Vest Grant	16.607	N/A	9,901	9,901	
ARRA - COPS Hiring Recovery Program	16.710	COPS-CHRP-2009-1	2,411,279	257,392	
COPS 2012 Hiring Program	16.710	MA00311-2012UMWX0088	750,000	159,704	
FBI Gang Task Force - Overtime	16.737	281D-BS-C95401	13,387	13,387	
Total US Department of Justice (direct)				<u>470,659</u>	
<i>Passed through Massachusetts Executive Office of Public Safety and Security:</i>					
Federal Seized Assets	16.Unknown	Unknown	86,733	86,733	
ARRA - VAWA Civilian Adv Gr	16.588	SCEPS3001VAWA12NEWBE	48,000	25,157	
ARRA - VAWA Civilian Adv Gr FFY10/12 EOPS	16.588	SCEPS3001VAWA13NEWBE	38,631	23,555	
Justice Assist Gr FFY10 B	16.738	NA	145,137	69,912	
FY2011 Justice Assistance Grant Program	16.738	2011-DJ-BX-3038	116,532	15,052	
Bryne JAG Outreach 2010-E	16.738	SCEPSBJAGIFY12NEWBED	109,349	66,869	
Total passed through Massachusetts Executive Office of Public Safety and Security				<u>287,278</u>	
<i>Justice Assistance Grant Program Cluster, passed through Bristol County Sheriff's Department:</i>					
ARRA - Bryne JAGFY09	16.804	2009-SB-B9-3204	546,577	134,581	
Total Justice Assistance Grant Program Cluster, passed through Bristol County Sheriff's Department				<u>134,581</u>	
Total US Department of Justice				<u>892,518</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, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through/ Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Transportation:</i>					
<i>Passed through the Commonwealth of Massachusetts Aeronautics Commission:</i>					
Airport Improvement Program/ Airport Safety Insurance	20.106	Various	8,888,675	\$ 7,633,539	Major
Total Passed through the Commonwealth of Massachusetts Aeronautics Commission				<u>7,633,539</u>	
<i>Passed through the Massachusetts Executive Office of Public Safety and Security:</i>					
Traffic Enforcement Gr FF	20.600	Unknown	12,000	2,333	
Underage Alcohol Enf Prog	20.605	Unknown	9,792	2,949	
Total Passed through the Massachusetts Executive Office of Public Safety and Security				<u>5,282</u>	
Total US Department of Transportation				<u>7,638,821</u>	
<i>US Department of Environmental Protection Agency:</i>					
<i>US Department of Environmental Protection Agency (Direct):</i>					
ARRA - Hazardous Substance Grant	66.818	2B-96113401-0	200,000	77	
Total US Department of Environmental Protection Agency (direct)				<u>77</u>	
<i>Passed through the Massachusetts Department of Environmental Protection Agency:</i>					
ARRA - Quittacas Water Plant Improvement Project	66.468	DWS-09-23	2,393,953	\$ 69,238	
ARRA - Brownsfield Assessment Grant	66.818	BF-96164401	200,000	21,625	
ARRA - Brownsfield Assessment Grant	66.818	BF-97181201-3	240,000	159,514	
ARRA - Brownsfield Assessment Grant	66.818	BF-98196000-0	400,000	64,150	
Total passed through the Massachusetts Department of Environmental Protection Agency				<u>314,527</u>	
Total US Department of Environmental Protection Agency				<u>314,604</u>	
<i>US Department of Energy:</i>					
ARRA - NB Energy Efficiency and Conservation Grant	81.128	DE-SC0003057	869,300	108,312	
Total US Department of Energy				<u>108,312</u>	
<i>US Department of Education:</i>					
<i>US Department of Education (direct):</i>					
Elementary and Secondary School Counseling Grant (ESSC)	84.215E	Q215E090025	383,000	82,495	
Total US Department of Education (direct)				<u>82,495</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, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Education (Continued):</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education:</i>					
Title I, Part A Cluster:					
Title I (FY12)	84.010	305-279-2-0201-M	5,896,531	\$ 1,214,614	
Title I (FY13)	84.010	305-000238-2013-0201	5,734,839	4,830,744	
Title I Carryover (FY12)	84.010	305-457-2-0201-M	678,464	85,857	
Title I Carryover (FY13)	84.010	305-022-3-0201-N	221,135	90,808	
Title I - School Support	84.010	320-067-3-0201-N	45,000	27,835	
Title I - School Support	84.010	322-030-3-0201-N	50,000	8,843	
Title I - School Support	84.010	323-004-3-0201-N	32,000	32,000	
HA Y-MAC Bridge	84.010	323-017-2-0201-M	30,000	935	
At Risk Supplemental Supp	84.010	320-009-2-0201-M	45,000	9,268	
MTSS/MA Tiered System of	84.010	324-023-2-0201-M	28,300	23,660	
Total Title I, Part A Cluster				<u>6,324,564</u>	
Special Education Cluster (IDEA):					
SPED 94-142 Allocation (FY12)	84.027	240-106-2-0201-M	3,658,921	242,221	
SPED 94-142 Allocation (FY13)	84.027	240-226-3-0201-N	3,588,131	3,278,740	
MA 21st CCLC Enhancement	84.027	245-024-3-0201-N	17,500	7,280	
SPED Improvement (FY12)	84.027	274-248-2-0201-M	145,772	5,450	
SPED Improvement (FY13)	84.027	274-190-3-0201-N	93,420	93,335	
Roosevelt 21st CCLC SPED	84.027	245-019-2-0201-M	31,000	23,011	
Inter Comp Resources	84.027	289-001-2-0201-M	55,000	33,068	
Project Support IDEA	84.173	26212NEWBEDFORDPUBLI	138,521	16,217	
SPED Early Childhood Allocation FY13	84.173	26213PINEPUBLICA Y01	138,081	129,604	
Total Special Education Cluster (IDEA)				<u>3,828,926</u>	
Education of Homeless Children and Youth Cluster:					
McKinney Homeless FY12	84.196	310-011-2-0201-M	40,000	9,988	
McKinney Homeless FY13	84.196	310-018-3-0201-N	40,000	25,626	
Total Education of Homeless Children and Youth Cluster				<u>35,614</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, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Department of Education (Continued):</i>					
<i>Passed through Massachusetts Department of Early and Secondary Education (Continued):</i>					
Impact Aid Section 8003 Payments	84,041	10-003-2481	19,045	\$ 19,045	
Perkins Grant FY12	84,048	400-063-2-0201-M	83,011	4,329	
Perkins Grant FY13	84,048	400-075-3-0201-N	85,876	82,036	
Safe and Drug-Free Schools and Communities--State Grants	84,186	331-017-3-0201-N	15,000	15,000	
21st Century Community Learning Centers (Dunbar/Line) FY12	84,287	647-074-2-0201-M	142,000	48,686	
21st Century Community Learning Centers Continuation FY13	84,287	647-005-3-0201-N	385,750	316,002	
21st Century Community Learning FY12	84,287	647-075-2-0201-M	699,250	207,984	
21st Century Community Learning FY13	84,287	647-063-3-0201-N	258,500	142,959	
21st Century Community Learning Rollover	84,287	647-091-3-0201-N	299,112	89,597	
High School Graduation Initiative	84,360	1376NEW BEDFORDCCRJC3	100,000	29,650	
LEP Support FY12	84,365	180-084-2-0201-M	95,967	45,714	
LEP Support FY13	84,365	180-043-3-0201-N	112,179	67,767	
Title III Carryover	84,365	180-096-2-0201-M	4,731	1,490	
Title III Summer	84,365	184-019-3-0201-N	4,066	4,066	
Immigrant Support FY13	84,365	186-005-3-0201-N	28,800	693	
LEP Support Title IIA LEA	84,365	180-102-3-0201-N	19,554	3,233	
Teacher Quality FY12	84,367	140-293-2-0201-M	1,147,732	183,559	Major
Teacher Quality FY12 Carryover	84,367	140-397-2-0201-M	392,367	124,658	Major
Teacher Quality FY13	84,367	140-000586-2013-0201	1,139,976	1,034,506	Major
Teacher Quality FY13 Carryover	84,367	140-008-3-0201-N	87,450	55,252	Major
ARRA - Race to the Top FY13	84,395	201-000348-2013-0201	1,763,271	1,573,509	Major
ARRA - MA Aspiring Teachers / Teacher Leadership Expand	84,395	212-015-3-0201-N	85,000	85,000	Major
ARRA - Innovation Schools Planning Grant	84,395	202-004-3-0201-N	20,000	402	Major
ARRA - Race to the Top - Early Learning Challenge Grant	84,395	RTTT12026538NEWBEDPS	41,263	11,973	Major
Summer Academic Support	84.unknown	Unknown	45,000	45,000	
Total passed through Massachusetts Department of Early and Secondary Education				<u>14,381,214</u>	
<i>Total US Department of Early and Secondary Education</i>				<u>14,463,709</u>	
<i>US Department of Health, Education & Welfare (direct)</i>					
Senior Scope	93,044	T-III-B-13-005	14,725	14,725	
Transportation COA	93,044	T-III-B-13-005	3,600	3,600	
Total US Department of Health, Education & Welfare (direct)				<u>18,325</u>	
<i>Passed through the Massachusetts Department of Health and Human Services:</i>					
SPF Partnership for Success (Substance Abuse)	93,243	INTF2354M03W30816050	360,000	67,489	
Fire MDU Deployment Grant	93,889	INTF6207P01W21916413	2,000	1,567	
Total passed through Massachusetts Department of Health and Human Services				<u>69,056</u>	
<i>Passed through the Massachusetts Department of Elementary and Secondary Education:</i>					
Teen Pregnancy Prevention	93,092	716-016-3-0201-N	20,820	10,145	
Total passed through Massachusetts Department of Elementary and Secondary Education				<u>10,145</u>	
<i>Total US Department of Health, Education & Welfare</i>				<u>97,526</u>	

The accompanying notes are an integral part of this schedule

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

	<u>Federal CFDA #</u>	<u>Grantor/ Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
<i>US Corporation for National and Community Service:</i>					
<i>Passed through the Massachusetts Department of Early and Secondary Education</i>					
Green in the Middle Stem	94.004	355-006-2-0201-M	25,000	\$ 9,548	
Green in the Middle Enhanced	94.004	355-017-2-0201-M	13,350	<u>9,196</u>	
Total US Corporation for National and Community Service				<u>18,744</u>	
<i>US Department of Homeland Security (direct):</i>					
Assistance to Firefighters - Operations and Safety Program	97.044	EMW-2011-FO-01510	794,240	670,343	Major
Assistance to Firefighters - Operations and Safety Program	97.044	EMW-2012-FO-00605	97,450	96,985	Major
FEMA Safer Staffing Grant	97.044	EMW-2010-FH-00643	12,898,233	5,448,241	Major
Homeland Security Grant Program Citizen Corps	97.053	FFY132010CCPNEWBEDFO	9,450	<u>9,443</u>	
Total US Department of Homeland Security (direct)				<u>6,225,012</u>	
<i>Passed through Massachusetts Executive Office of Public Safety:</i>					
FEMA 4028 Tropical Storm Irene	97.036	CTFEMA4028NEWBE00921, CTFEMA4028NEWBE00903, CTFEMA4028NEWBE00992, CTFEMA4028NEWBE00983, CTFEMA4028NEWBE01085	183,881	86,242	
EMA Emergency Management Performance Grant	97.042	CT-CDA-FY13EMPGI10000NBEDF	27,500	<u>27,483</u>	
Total passed through Massachusetts Executive Office of Public Safety				<u>113,725</u>	
<i>Passed through Massachusetts Department of Business Development - Seaport Advisory Council:</i>					
Port Security Grant FY08	97.056	2008-T8-0033	213,195	127,702	Major
Port Security Grant FY10	97.056	2010-PU-T0-0131	195,488	156,189	Major
Port Security Grant FY12	97.056	EMW-2012-PU-00065	285,000	85,926	Major
ARRA - Port Security Grant	97.116	2009-PU-RI-0421	1,531,125	<u>532,031</u>	Major
Total passed through Massachusetts Department of Business Development - Seaport Advisory Council:				<u>901,848</u>	
Total US Department of Homeland Security				<u>7,240,585</u>	
Total Expenditures of Federal Awards				<u>\$ 43,936,125</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, 2013

Note 1. Definition of Reporting Entity

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

Note 2. Basis of Presentation

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

Note 3. Major Programs

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

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

Note 4. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
Community Development Block Grant - Entitlement	14.218	\$ 600,017
Emergency Shelter Grant	14.231	\$ 234,802
Supportive Housing Program	14.235	\$ 1,662,169
Port Security Grant	97.116	\$ 901,848

Note 5. Program Income

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Income</u>
National School Lunch Program	10.555	\$ 860,796
HOME Program	14.239	\$ 271,656
Community Development Block Grant	14.218	\$ 237,305

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Note 6. Loan Transactions

As of June 30, 2013, federal loan receivables outstanding under the HUD "HOME" program totaled \$18,567,328 while \$536,615 remains outstanding under the NSP3 program.

Note 7. Non-Cash Assistance

Included within the expenditures of the Child Nutrition Cluster in the Schedule of Expenditures of Federal Awards is \$20,941 of USDA donated agricultural commodities that the City received during fiscal year 2013.

Note 8. Clusters of Programs:

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

Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
JAG Program Cluster	
Edward Bryne Memorial Justice Assistance Grant Program	16.738
ARRA - Edward Bryne Memorial Justice Assistance Grant - Grant to Local Governments	16.804
Special Education Cluster (IDEA)	
Special Education Grants	84.027
Special Education Preschool Grants	84.173

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Summary of our Audit Results

Financial Statements:

We have audited the financial statements of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2013 and have issued our reports thereon dated March 31, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the requirements of the *US Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

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

Federal Awards

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
Airport Improvement Program (CFDA 20.106)	Qualified
Teacher Quality (Title IIA) (CFDA 84.367)	Unmodified
Race to the Top Grant (CFDA 84.395)	Qualified
Assistance to Firefighters Grant (CFDA 97.044)	Unmodified
Port Security Grant (CFDA 97.056 and 97.116)	Qualified
Disclosure of Audit Findings required to be reported under Section .510(a) of <i>OMB Circular A-133</i> :	Yes

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Summary of our Audit Results (Continued):

Identification of Major Programs:

<u>Description</u>	<u>CFDA</u>
Child Nutrition Cluster	10.553 and 10.555
Airport Improvement Program	20.106
Teacher Quality (Title IIA)	84.367
Race to the Top Grant	84.395
Assistance to Firefighters Grant	97.044
Port Security Grant Program	97.056 and 97.116

Threshold for distinguishing Type A and Type B Programs was \$1,318,084.

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Findings - Financial Statement Audit:

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

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Findings - Financial Statement Audit (Continued):

Reference Number	Finding
07-06	<p>Enterprise Funds Were Not Maintained On The Accrual Basis Of Accounting</p> <p>Condition: The City maintains its enterprise funds on the modified accrual basis of accounting with the exception of certain receivables which are recorded on the full accrual basis of accounting. The City did not adjust the enterprise funds to reflect accrual basis activities. Capital assets net of accumulated depreciation, long-term debt, compensated absences, deferred revenue and accrued interest were omitted from the fund financial statements.</p> <p>Criteria: GASB Cod. Sec.1300.103 states that enterprise funds should be maintained on the accrual basis of accounting.</p> <p>Cause: The Auditor's office did not review the current year's enterprise funds and adjust to the accrual basis of accounting.</p> <p>Effect: The enterprise funds financial statements prepared from the City's general ledger required several adjustments to properly report the activities on the accrual basis of accounting.</p> <p>Recommendation: We recommend that the City review the accrual basis adjustments at the completion of the audit and on a go forward basis these funds should be maintained on the accrual basis of accounting.</p> <p>Response and Corrective Action Plan: The City will need to continue to improve its reporting of the Enterprise Funds, and make the switch to full accrual basis of accounting whenever practicable.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
13-01	20.106	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	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 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.

Criteria:

OMB Circular A-133 states, "*Federal Financial Reports*, or SF-425, must be submitted annually for each open grant, due 90 days after the end of each fiscal year, by sponsors [NB Airport Commission] to monitor outlays and program income on cash or accrual basis. In addition, this report must be submitted as a final financial report during the closeout in accordance with Title 49 CFR Part 18.41 and 18.50."

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

Cause:

The Airport Commission's consultants submitted SF-425 reports for each open project as of 9/30/13 significantly after the 90 day required period. In addition, the Airport Commission submitted FAA Form 5100-127 with errors. Salaries and capital expenditures reported did not reflect the general ledger activity.

Effect:

The lack of timely submission of the SF-425s results in noncompliance with A-133 compliance supplement. The inaccurate submission of the FAA Form 5100-127 results in the understatement of salary expenditures and capital expenditures.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
13-01	20.106	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 (Continued)	N/A

Recommendation:

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

Response and Corrective Action Plan:

In response to the audit findings related to the Airport's failure to submit the required forms, there appears to have been a misinterpretation of the requirements. The Airport and our consultant were not aware that SF-425 reports were required for open projects. We were under the interpretation that submittal of those reports was only required at project closeout, which would explain the significant delay in filings. We have brought this and the finding related to the errors of the FAA5100-127 report to the attention of our consultant. Going forward the Airport will verify that accurate forms are being submitted accordingly as recommended in the findings report.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
13-02	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, 2012 through June 30, 2013

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, condition, and ultimate disposition data including date of disposal, sales price, or method used to determine the current fair market value. Additionally, the School Department equipment listing did not agree with the physical inventory reviewed during a walkthrough.

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, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
13-02	10.553 10.555	The School Department Equipment Records did not Contain the Required Information (Continued)	Unknown

Effect:

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

Recommendation:

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

Response and Corrective Action Plan:

Equipment inventories to be updated by October 1st every year. In FY 15 a policy and form will be distributed to food service supervisors following up for completeness and accuracy of inventory.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
13-03	84.395	The City did not Minimize the Time Between Receipt and Disbursements of Grant Funds	\$1,096,614

Information on the Federal Programs:

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

Condition:

The School Department incurred expenditures related to the Race to the Top grants reimbursement, for which were not requested from the pass through entity in a timely manner resulting in deficit cash balances. These deficits accumulated from October 2012 through February 2013 and the grant reimbursement was not requested until February 2013 in the amount of \$679,325. Additionally, deficits accumulated again from March 2013 through May 2013 and the grant reimbursement was not requested until May 2013 in the amount of \$417,289.

Criteria:

31 CFR Section 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 School Department has not implemented cash management policies and procedures that are consistent with Federal regulations and based on actual cash needs for the Race to the Top program.

Effect:

The School Department did not have funding on hand for the durations noted above leading to significant deficits within the Race to the Top program, and thereby not minimizing the time elapsing between the transfer of funds for the expenditures and the payout of funds for the expenditures, as required by 31 CFR 205.11.

Recommendation:

The School Department should develop policies and procedures to that reimbursements of expenditures are drawn down in a timely manner and according to cash needs.

Response and Corrective Action Plan:

By July 1 and monthly thereafter: Fiscal Accountant and Director of Federal and State Funded Programs will develop a monthly meeting schedule to review drawdowns and reimbursements for grant funded programs.

By August 31st: Fiscal Accountant and Director of Federal and State Funded Programs will develop for approval a set of grants specific cash management policies and procedures to include regular review that matches cash needs with funding on hand.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
12-01	97.056 97.116	The City did not Perform the Necessary Subrecipient Monitoring Procedures Over its Port Security Grant Program	Unknown

Information on the Federal Programs:

Federal Emergency Management Agency; US Department of Homeland Security, passed through Massachusetts Emergency Management Agency, Port Security Grant Program (including ARRA funds) - CFDA 97.056 and 97.116; Grant ID - Various; Grant Period: Various

Condition:

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

Criteria:

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

Cause:

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

Effect:

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
12-01	97.056 97.116	The City did not Perform the Necessary Subrecipient Monitoring Procedures Over its Port Security Grant Program (Continued)	Unknown

Recommendation:

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

Response and Corrective Action Plan:

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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

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

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

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

Current Status: This finding was repeated as it was not corrected during 2013.

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

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

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

Current Status: This finding was repeated as it was not corrected during 2013.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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

- Finding 12-01:** The City Did Not Perform the Necessary Subrecipient Monitoring Procedures Over its Port Security Grant Program
- Federal Programs:** U.S. Department of Homeland Security, passed through Massachusetts Emergency Management Agency, Port Security Gram Program (including ARRA Funds CFDA 97.056 and 97.116).
- Condition:** The City did not perform adequate monitoring procedures on its subrecipient per the criteria set forth by OMB Circular A-133.
- Recommendation:** It is recommended that the City implement a system to monitor its subrecipients to ensure funding is used properly and should also create subrecipient monitoring policies which include an understanding of the scope, frequency, and timeliness of monitoring activities and the number, size, and complexity of awards to subrecipients.
- Current Status:** This finding was repeated as it was not corrected 2013.