

CITY OF NEW BEDFORD, MASSACHUSETTS

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2008

CITY OF NEW BEDFORD, MASSACHUSETTS

June 30, 2008

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Honorable Mayor and Members
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate discretely presented component units, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2008 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2007), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements and have issued our report thereon dated May 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of New Bedford, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Bedford, Massachusetts' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of New Bedford, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City of New Bedford, Massachusetts' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 07-01, 07-06, 07-07, 05-01, 05-02, 05-03, and 05-07.

CITY OF NEW BEDFORD, MASSACHUSETTS

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01, 07-06, 07-07, 05-01, and 05-07 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Bedford, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 05-02.

We also noted certain other matters that we reported to management of the City of New Bedford in a separate letter dated May 23, 2009.

The City of New Bedford's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Bedford, Massachusetts response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, the School Committee, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



May 23, 2009

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New Bedford, Massachusetts

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of New Bedford, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of New Bedford, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of New Bedford, Massachusetts' management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Bedford, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New Bedford, Massachusetts' compliance with those requirements.

As described in items 08-01, 08-02, 08-03, 08-04, 08-05, 07-08, 07-09, 07-10, 07-11, 07-12, 07-14, 06-05 and 05-01 in the accompanying schedule of findings and questioned costs, the City of New Bedford, Massachusetts did not comply with requirements regarding Allowable Costs, Eligibility, Equipment and Real Property Management, Period of Availability, Procurement, Reporting, Special Tests and Other that are applicable to its National School Lunch Program and Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the City of New Bedford, Massachusetts to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of New Bedford, Massachusetts complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-06, 08-07, 07-15, 06-04 and 05-01.

CITY OF NEW BEDFORD, MASSACHUSETTS

Internal Control Over Compliance

The management of the City of New Bedford, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Bedford, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-03, 08-04, 08-05, 08-06, 08-07, 07-8, 07-9, 07-10, 07-11, 07-12, 07-15, 06-04 and 05-01 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-01, 08-03, 07-8, 07-9, 07-10, 07-11, 07-12, and 05-01 to be material weaknesses.



September 5, 2009

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Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate discretely presented component units, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of and for the year ended June 30, 2008 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2007), which collectively comprise the City of New Bedford, Massachusetts' basic financial statements and have issued our report thereon dated May 23, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Bedford, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The City of New Bedford, Massachusetts' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Bedford's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of New Bedford, Massachusetts' management, City Council, and federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sahady & Co. PC

September 5, 2009 (except as related to the Schedule of Expenditures of Federal Awards, as to which the date is May 23, 2009)

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

	<u>Federal</u>	<u>Grantor/ Pass-Through</u>	<u>Program or Award</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
	<u>CFDA #</u>	<u>Grantor's Number</u>	<u>Amount</u>		
<i>US Department of Agriculture:</i>					
Passed through State Department of Education:					
National School Lunch Program	10.555	DOENUT0611	6,104,802	\$ 6,104,802	Major
Total US Department of Agriculture				<u>6,104,802</u>	
<i>US Department of Housing and Urban Development (direct):</i>					
Community Development Block Grant FY06	14.219	B-05-MC-25-0018	3,736,656	1,474,509	Major
Community Development Block Grant FY07	14.219	B-06-MC-25-0018	3,051,801	2,201,491	Major
Emergency Shelter Grant FY06	14.231	S-06-MC-250009	130,371	1,853	
Emergency Shelter Grant FY07	14.231	S-07-MC-250009	131,624	131,258	
Supportive Housing Program FY07	14.235	MA01B305001	735,195	29,295	Major
Supportive Housing Program FY07	14.235	MA01B405001	894,222	304,526	Major
Supportive Housing Program FY07	14.235	MA01B405002	398,600	72,403	Major
Supportive Housing Program FY07	14.235	MA01B505001	375,866	173,666	Major
Supportive Housing Program FY07	14.235	MA01B505002	265,079	79,741	Major
Supportive Housing Program FY07	14.235	MA01B505003	293,652	100,213	Major
Supportive Housing Program FY07	14.235	MA01B505004	59,048	29,909	Major
Supportive Housing Program FY07	14.235	MA01B605001	245,064	193,940	Major
Supportive Housing Program FY07	14.235	MA01B605002	272,490	218,790	Major
Supportive Housing Program FY07	14.235	MA01B605003	265,079	210,216	Major
Supportive Housing Program FY07	14.235	MA01B605004	199,345	123,523	Major
Supportive Housing Program FY07	14.235	MA01B605005	96,819	96,819	Major
Supportive Housing Program FY07	14.235	MA01B705001	272,490	30,346	Major
Supportive Housing Program FY07	14.235	MA01B705006	96,819	15,724	Major
HOME Program FY04 Entitlement	14.239	M-03-MC-25-0207	1,379,564	18,309	Major
HOME Program FY05 Entitlement	14.239	M-04-MC-25-0207	1,495,424	15,580	Major
HOME Program FY06 Entitlement	14.239	M-05-MC-25-0207	1,325,363	676,273	Major
HOME Program FY07 Entitlement	14.239	M-06-MC-25-0207	1,252,435	775,461	Major
HOME Program FY08 Entitlement	14.239	M-07-MC-25-0207	1,245,015	220,104	Major
HOME Program FY06 Program Income	14.239	M-05-MC-25-0207	235,408	37,459	Major
HOME Program FY07 Program Income	14.239	M-06-MC-25-0207	287,213	262,630	Major
Economic Development Initiative FY06	14.246	MB06SPMA0415	990,000	19,950	
Total US Department of Housing and Urban Development (direct)				<u>7,513,988</u>	
<i>US Department of the Interior:</i>					
Passed Through Massachusetts Historical Commission:					
Massachusetts Historical Grant	15.904	Unknown	13,000	13,000	
Subtotal Passed Through Massachusetts Historical Commission				<u>13,000</u>	
Total US Department of the Interior				<u>13,000</u>	

See notes to schedule of expenditures of federal awards

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2008

	<u>Federal</u>	<u>Grantor/ Pass-Through</u>	<u>Program or Award</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
	<u>CFDA #</u>	<u>Grantor's Number</u>	<u>Amount</u>		
<i>US Department of Justice:</i>					
<i>US Department of Justice (direct):</i>					
Byrne Safe Neighborhood Grant FY08	15.579		21,888	21,888	
		SCEPS-8200-			
Byrne Safe Neighborhood Grant FY05	15.579	newBedFGANG	49,140	1,900	
Weed and Seed	16.595	2007-WS-Q7-0123	200,000	69,819	
Weed and Seed	16.595	2006-WS-Q6-0071	225,000	134,979	
FBI Gang Task Force – Overtime	16.737	281D-BS-C95401	31,146	15,573	
Police - Great Grant FY06	16.737	2006-JV-FX-0003	94,935	37,592	
Police - Great Grant FY07	16.737	2007-JV-FX-0205	105,525	42,479	
Total US Department of Justice (direct):				<u>324,230</u>	
<i>Passed through Massachusetts Executive Office of Public Safety:</i>					
GHSB Traffic FY07	16.Unknown	Unknown	14,000	7,823	
Federal Seized Assets	16.Unknown	Unknown	81,946	27,449	
		SCEPS4004NEWBEDF			
CASA Start Safe & Drug Grant	16.Unknown	ORD6	299,500	100,996	
		SCEPS-8200-			
Summer Youth Jobs	16.Unknown	SummerNBedF	200,000	200,000	
		SCEPS 8200			
Byrne Task Force FY06	16.579	TF07NEWBEDF	50,000	34,949	
		SCEPSJAG108MTFNE			
Byrne Task Force FY07	16.579	WBED	110,000	53,134	
		SCEPS8JAG1FY08NE			
Youth Court Grant	16.579	WBED	28,500	5,931	
Edward J. Bryne Memorial (Youth Court) - FY08	16.579	SCEPSjag1nbedfordct	20,000	20,000	
		SCEPS8200NBEDFOY			
Edward J. Bryne Memorial (Youth Court) - FY07	16.579	HCT	20,000	8,476	
Violence Against Women FY06	16.588	SCEPS-30012005VW	34,000	5,457	
Violence Against Women FY07	16.588	SCE EPS 3001	33,500	33,500	
Bulletproof Vest Grant FY05	16.607	Unknown	32,593	14,538	
Total passed through Massachusetts Executive Office of Public Safety				<u>512,253</u>	
<i>Passed through Bristol County Sheriff's Department:</i>					
Justice Assistance Grant	16.579	2005-DJ-BX-0858	102,764	58,555	
Total passed through Bristol County Sheriff's Department				<u>58,555</u>	
Total US Department of Justice				<u>895,038</u>	

See notes to schedule of expenditures of federal awards

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2008

	<u>Federal</u>	<u>Grantor/ Pass-Through</u>	<u>Program or Award</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
	<u>CFDA #</u>	<u>Grantor's Number</u>	<u>Amount</u>		
<i>US Department of Transportation:</i>					
Passed though the Commonwealth of Massachusetts Aeronautics Commission					
AIP 30 Crack Repair Grant	20.106	3-25-0034-35-2007	433,200	108,677	
EIS Grant AIP 36	20.106	3-25-0034-36-2007	533,900	172,584	
Runway 5-13 Crack Repair Grant	20.106	3-25-0034-37-2008	574,750	379,631	
EIS Grant AIP 32 Airport Planning	20.106	3-25-0034-32	477,517	4,385	
AIP 34 - ALP Grant	20.106	3-25-0034-34	90,250	24,524	
Total Passed though the Commonwealth of Massachusetts Aeronautics Commission				<u>689,801</u>	
<i>US Department of Treasury (direct):</i>					
DEA Overtime	21.052		31,145	24,705	
ATF Operation Overtime	21.052	06-BOS-039-AFF	50,000	25,615	
Total US Department of Treasury (direct)				<u>50,320</u>	
<i>US Department of Environmental Protection Agency:</i>					
Passed though the State Department of Environmental Protection Agency:					
NB Water Conservation	66.unknown	NEWBEDFORD0200713wcg	43,298	29,529	
Interceptor Grit Removal Project	66.202	EM-97167801-0	2,482,367	63,612	
Environmental Education Grant	66.606	T-97133501	250,000	145,456	
Sea Lab	66.606	XP-9818501-0	850,000	140,291	
Setting Sail - New Horizon	66.606	T-97131301-2	247,100	45,000	
Ocean Emporium Environmental Education	66.716	X8-97182401-0	250,000	25,442	
Sustainable Environmental Education	66.716	X8-97182501-0	242,600	48,718	
Brownfield Cleanup Grant - Payne Cutlery Site	66.818	BF-97181201-0	200,000	1,086	
Brownfield Assessment Grant	66.818	BF-98196000-0	400,000	15,717	
Total passed though the State Department of Environmental Protection Agency				<u>514,851</u>	
<i>US Department of Education:</i>					
US Department of Education (direct):					
School Based Student Drug Grant	84.184D	Q184D050071A	106,383	40,208	
Alcohol Abuse Reduction FY08	84.184A	Q184A050177-07	491,041	321,473	
Alcohol Abuse Reduction FY07	84.184A	Q184A050177	1,431,738	75,976	
Smaller Learning Communities 08	84.215L	V215L042110	549,852	31,294	
Smaller Learning Communities 07	84.215L	V215L042110	549,852	33,075	
Teaching American History	84.215X	U215X070233	998,300	159,510	
Ingraham Early Reading First Program 07	84.359B	S359B05009A	2,191,737	106,681	
Early Reading First	84.unknown	S359B050091	787,645	433,758	
Total US Department of Education (direct)				<u>1,201,975</u>	

See notes to schedule of expenditures of federal awards

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2008

	<u>Federal</u>	<u>Grantor/ Pass-Through</u>	<u>Program or Award</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
	<u>CFDA #</u>	<u>Grantor's Number</u>	<u>Amount</u>		
Passed through the State Department of Education:					
Title I Cluster:					
Title I Distribution FY08	84.010	305-083-8-0201-A	6,734,958	6,174,781	Major
Title I Distribution Carry Over	84.010	305-384-8-0201-I	848,562	796,343	Major
Title I Distribution FY07	84.010	305-063-7-0201-H	7,466,456	634,077	Major
Title I - School Support FY08	84.010	323-014-8-0201-I	256,708	147,598	Major
Title I - School Support FY07	84.010	323-014-8-0201-I	15,052	4,285	Major
Title I Distribution FY07 – Additional	84.010	323-010-7-0201-H	31,000	24,154	Major
Comprehensive School Reform FY07	84.010	573-012-7-0201-H	111,677	7,660	Major
Total Title I Cluster				<u>7,788,898</u>	
Special Education Cluster (IDEA):					
SPED 94-142 Allocation FY08	84.027	240-109-8-0201-1	3,621,612	3,097,554	Major
SPED 94-142 Allocation FY07	84.027	240-248-7-0201-H	3,700,558	484,125	Major
SPED Video Supplement FY07	84.027	241-006-7-0201-H	2,000	2,000	Major
SPED Electronic Portfolios FY08	84.027		1,200	1,200	Major
SPED Middle School Reading FY08	84.027	267-028-8-0201-I	16,000	8,013	Major
SPED Middle School Reading FY07	84.027	267-040-7-0201-H	8,260	4,050	Major
SPED Program Improvement FY08	84.027		83,414	52,002	Major
SPED Program Improvement FY07	84.027	274-277-7-0201-H	116,937	11,124	Major
SPED Corrective Action			8,500	6,820	Major
SPED Early Childhood Allocation FY08	84.173	262	142,039	128,849	Major
SPED Early Childhood Allocation FY07	84.173	262	142,388	7,685	Major
Total Special Education Cluster (IDEA)				<u>3,803,422</u>	
Summer Academic Support	84.unknown	625-042-8-0201-A	17,953	13,488	
Perkins Grant	84.048	400-062-8-0201-I	115,317	102,594	
Title V FY08	84.151		42,471	42,466	
GED Center Support	84.186	331-144-8-0201-A	141,460	136,472	
Drug Free Schools Distribution FY08	84.186		49,191	38,383	
Title IV (Carryover)	84.186		17,951	15,797	
Drug Free Schools Distribution FY07	84.186	331-0852-7-201-H	137,872	33,645	
McKinney Homeless FY08	84.196		60,000	57,807	
McKinney Homeless FY07	84.196	310-024-7-0201-H	60,000	2,392	
21st Century Community Learning (Dunbar /Line)	84.287	647-B-1	175,000	126,412	
21st Century Community Learning FY08	84.287	647-028-8-0201-I	535,500	393,714	
21st Century Community Learning FY07	84.287	647-007-7-0201-H	552,825	103,885	
Enhanced Education thru Technology FY07	84.318	160-007-7-0201-H	64,685	6,893	
Integrated Technology Models FY07	84.318	165-006-7-0201-H	13,304	12,967	
Technology Data Driven Decision FY07	84.318	164-008-7-0201-H	33,257	1,785	
Technology Data Driven Decision FY08	84.318	164-018-8-0201-I	16,656	14,943	
Technology Enhancement - Options FY07	84.318	170-015-7-0201-H	84,091	4,124	
Fit for Life	84.318	160-046-8-0201-I	63,945	55,410	
Project Focus Academy FY08	84.323	246-008-6-0201-I	37,000	4,657	
Project Focus Academy FY07	84.323	246-005-7-0201-H	20,250	5,203	
Reading First Program FY08	84.357	728-039-8-0201-I	396,363	306,824	
Reading First Program FY07	84.357	728-006-7-0201-H	386,183	89,860	

See notes to schedule of expenditures of federal awards

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2008

	<u>Federal</u>	<u>Grantor/ Pass-Through</u>	<u>Program or Award</u>	<u>Disbursements/ Expenditures</u>	<u>Major</u>
	<u>CFDA #</u>	<u>Grantor's Number</u>	<u>Amount</u>		
Passed through the State Department of Education (continued):					
TAG Grant	84.357	727-002-8-0201-I	541,568	46,569	
LEP Support - Summer FY08	84.365	180-011-8-0201-I	5,000	4,992	
LEP Support FY08	84.365	180-038-8-0201-I	152,808	139,657	
LEP Support FY07	84.365	180-027-7-0201-H	113,672	1,019	
ESL Curriculum	84.unknown	180-096-8-0201-A	4,995	94	
Teacher Quality FY08	84.367	140-243-8-0201-I	1,352,043	1,144,500	Major
Teacher Quality FY07	84.367	140-147-7-0201-H	1,365,019	57,033	Major
Teacher Quality FY08 Carryover	84.367	140-353-8-0201-I	211,599	207,510	Major
Teacher Quality FY07 Carryover	84.367	140-370-7-0201-H	188,083	21,195	Major
Total passed through Massachusetts Department of Education				<u>14,784,610</u>	
Total US Department of Education				<u>15,986,585</u>	
<i>US Department of Health, Education & Welfare (direct)</i>					
Senior Scope	93.unknown	T-III-B-08-005	15,000	15,000	
Healthy Bodies & Mind	93.unknown	T-III-B-08-016	10,000	8,220	
Total US Department of Health, Education & Welfare (direct)				<u>23,220</u>	
Passed through the State Department of Health and Human Services:					
Fire - MDU Deployment Grant	93.003	U3RHS05952	3,500	1,549	
Total passed through Massachusetts Department of Health and Human Services				<u>1,549</u>	
Total Health and Human Services				<u>24,769</u>	
<i>US Corporation for National and Community Service:</i>					
Passed through the Massachusetts Department of Education:					
Community Service Learning FY08	94.004		14,937	12,243	
Community Service Learning FY07	94.004	355-006-7-0201-H	19,200	3,708	
ABE	94.004	354-021-8-0201-I	7,000	6,595	
Total US Corporation for National and Community Service				<u>22,546</u>	
<i>US Department of Homeland Security (direct):</i>					
Emergency Preparedness Fire Grant	97.044	EMW-2004-FG-19766	554,260	854	
Assistance to Firefighters	97.044	EMW-2007-FO-00917	66,400	66,400	
Total US Department of Homeland Security (direct)				<u>67,254</u>	
Total Expenditures of Federal Awards				<u>\$ 31,882,954</u>	

See notes to schedule of expenditures of federal award

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Note 1. 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 2. 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	\$ 660,995
Emergency Shelter Grant	14.231	\$ 133,111
Supportive Housing Program	14.235	\$ 1,679,111

Note 3. 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>Amount Provided To Subrecipients</u>
National School Lunch Program	10.555	\$ 1,123,899
HOME Program	14.239	\$ 300,089
Community Development Block Grant	14.219	\$ 236,049

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

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, 2008 and have issued our reports thereon dated May 23, 2009. 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 *U.S. Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

Type of Report issued on the Financial Statements	Unqualified
Internal Control over Financial Reporting:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses	Yes
Noncompliance Material to the Financial Statements Noted?	Yes

Federal Awards

Internal Control over Major Programs:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses	Yes
Type of Report on Compliance for Major Programs:	
National School Lunch (CFDA 10.555)	Qualified
Community Development Block Grant (CFDA 14.218)	Unqualified
Supportive Housing (CFDA 14.235)	Unqualified
Home Program (CFDA 14.239)	Unqualified
Title I (CFDA 84.010)	Unqualified
Special Education Cluster (CFDA 84.027 and 84.173)	Qualified
Teacher Quality (CFDA 84.367)	Unqualified
Disclosure of Audit Findings required to be reported under Section .510(a) Of OMB Circular A-133:	Yes

Identification of Major Program:

<u>Description</u>	<u>CFDA</u>
National School Lunch Program	10.555
Community Development Block Grant	14.219
Supportive Housing Program	14.235
HOME Program	14.239
Title I	84.010
SPED Cluster	84.027 & 84.173
Teacher Quality	84.367

Threshold for distinguishing Type A and Type B Programs was \$956,489.

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

For the Year Ended June 30, 2008

Findings - Financial Statement Audit:

<u>Reference Number</u>	<u>Finding</u>
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 utilizes a fixed asset management system to track asset acquisitions and disposals. However, this system is not maintained on a monthly basis. In addition, the City does not maintain an account structure within its general ledger to easily identify all new acquisitions and does not have a system in place to identify any dispositions related to the capital assets.</p> <p>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 asset balances. During the audit, it was noted that the fixed assets as well as the infrastructure system as updated in the previous year included several errors. This task is one that is complex and if delegated in the Auditor's Office should then be reviewed in detail for its accuracy.</p> <p>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 errors and 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 is maintained 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 has purchased a software program and is in the process of entering its fixed assets. We concur that excel spreadsheets are in sufficient and will implement policies and procedures to ensure all assets are accounted for appropriately.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

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. The City did not adjust the enterprise funds to reflect accrual basis activities. Capital assets net of accumulated depreciation, long-term debt, compensated absences, deferred revenue and accrued interest were omitted from the fund financial statements. In addition, the City does not reconcile its receivables to the detail.</p> <p>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. In addition, there is a lack of reconciliation procedures and controls that require the receivables recorded on the general ledger to be reconciled to the detail.</p> <p>Effect: The enterprise funds were significantly misstated because of the activity/transactions that were missing as stated above. Numerous entries were made to correct the funds and adjust them to the accrual basis of accounting. In addition, audit entries were needed to correct billings that were omitted from the system and would have otherwise been recognized earlier if appropriate reconciliation procedures were in place.</p> <p>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. In addition, we recommend that the Auditor and Department of Public Infrastructure staff reconcile receivables on a timely basis and any differences be communicated, investigated and corrected as necessary.</p> <p>Response and Corrective Action Plan: The City concurs and will establish a procedure for recorded these entries. We will review with our external auditors the best way to achieve the recognition of the accruals and at the same time retain the budgetary basis of accounting for reporting purposes.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

Findings - Financial Statement Audit (continued):

Reference Number	Finding
07-07	<p>Community Development, HOME And Other Grant Activities Were Not Reconciled To The Community Development Office</p> <p>Condition: During the audit it was concluded that the activities posted within Fund 2201 were not reconciled to the Community Development Block Grant activities as recorded by the Community Development Office of the City of New Bedford. This was evident because the general ledger for Fund 2201 included not only Community Development Block Grant activities but also included grants that should have been segregated as separate funds. These grants include Supportive Housing Prevention and Emergency Shelter Grant activities. In addition, HOME expenditures were present on Fund 2201 but were also double counted in fund 2225. This is because the expenditures are counted in Fund 2225 when the loan drawdown occurs and then when funds are drawn down from the federal government to cover these costs, the funds are treated as revenue and expenditures in Fund 2201. Then the funds are then moved to Fund 2225 and when this occurs revenue and expenditures are counted again but within Fund 2225.</p> <p>Criteria: All activities within the funds as maintained by the Community Development Office should be reconciled to the related funds as recorded in the City's general ledger on a monthly basis. In addition, funds such as the Emergency Shelter Grant and Supportive Housing Prevention should be maintained separately on the City's general ledger as these grants have separate CFDA numbers.</p> <p>Cause: Lack of reconciliation procedures and lack of review of schedule of federal expenditures.</p> <p>Effect: As a result the schedule of federal expenditures and the balances as presented in the general ledger were misstated and were corrected during the audit.</p> <p>Recommendation: It was recommended that the City reconcile the Community Development activity as recorded on the general ledger with the Community Development Office. In addition, it is recommended that separate funds are established for the Emergency Shelter Grant and Supportive Housing Prevention's activities.</p> <p>Response and Corrective Action Plan: The City will review with the Office of Community Development the inter fund activities and implement procedures to accurately account for these federal funds.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

Findings - Financial Statement Audit (continued):

Reference Number	Finding
05-01	<p>The City Did Not Effectively and Timely Perform Cash Reconciliations for the Fiscal Year</p> <p>Condition: The City did not effectively and timely reconcile recorded cash balances to cash held in the bank during the fiscal year ended. The Treasurer’s office has started the process by developing a cash book. This cash book should be utilized to reconcile the reconciled bank balances to the book. At which time the book balances should be reconciled to the general ledger. Currently the Auditor’s office has not reconciled book balances to the general ledger.</p> <p>Criteria: OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”</p> <p>Cause: The City had inadequate procedures in place to properly or effectively reconcile cash on a monthly basis.</p> <p>Effect: The lack of timely and effective cash reconciliations during the fiscal year may create a condition in which the City’s recorded cash balance and related revenues and expenditures may be misstated. Various transactions were recorded in error and were corrected during the audit. When reconciliations are not performed on a timely basis, transactions can occur and go unrecorded or recorded transactions can be made in error.</p> <p>Recommendation: We recommend that the Treasurer’s office reconciles the book balances to the book balances on a monthly basis. The book balance should then be communicated to the Auditor’s office for reconciliation with the general ledger. Any differences noted should then be reviewed and adjusted appropriately.</p> <p>Response and Corrective Action: The City is continuing to work toward solving this deficiency. We have developed a cash book and have performed more timely reconciliations.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

Findings - Financial Statement Audit (continued):

Reference Number	Finding
05-02	<p>The City's Treasurer Did Not Timely File The Required Quarterly Report of Reconciliation of Treasurer's Cash for the Fiscal Year</p> <p>Condition: The Treasurer's Office did not file and sign the required Quarterly Report of Reconciliation of Treasurer's Cash to the Director of the Bureau of Accounts.</p> <p>Criteria: Massachusetts General Law Ch. 44 §43 requires the Treasurer to submit a fourth Quarter Report of Reconciliation of Treasurer's Cash to the Director of the Bureau of Accounts by September 15th and requires the first three quarterly reports be completed timely and filed in both the Treasurer's and Auditor's Office for possible Bureau inspection or audit. This report should agree with the City's general ledger.</p> <p>Cause: The City had inadequate internal controls over the daily processing of banking transactions and therefore did not prepare the required reports to the Director of the Bureau of Accounts.</p> <p>Effect: The lack of timely and effective cash reconciliation during the fiscal year end creates a condition in which the quarterly reports became delinquent.</p> <p>Recommendation: We recommend that the Treasurer's Office implement procedures to effectively prepare and file the Quarterly Reports of Reconciliation of Treasurer's Cash to the Director of the Bureau of Accounts on a timely basis.</p> <p>Response and Corrective Action: The City concurs and is working on this deficiency. Because we have been behind in the reconciliation process the reporting to the Bureau of Accounts.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

Findings - Financial Statement Audit (continued):

Reference Number	Finding
05-03	<p>There Were Several Instances Where The Purchase Orders Were Dated After The Date Of The Invoice</p> <p>Condition: There were several instances noted during the audit where the purchase orders were dated subsequent to the date on the invoice. The purchasing system is circumvented when this occurs.</p> <p>Criteria: City of New Bedford's policy on purchasing including the act of securing a purchase order prior to expending an appropriation.</p> <p>Cause: The City had inadequate internal controls in place to ensure that all departments follow the City's policy regarding the securing of a purchase order prior to committing to a purchase.</p> <p>Effect: The lack of controls over requiring a purchase order prior to committing to purchase may have resulted in the overspending of an appropriation.</p> <p>Recommendation: We recommend that internal control procedures over purchase orders are reviewed to ensure that all departments follow the City's policy to obtain the purchase order prior to committing to the purchase.</p> <p>Response and Corrective Action: The City agrees and while we recognize that 100% compliance with policy is difficult, we continue to strive for that level.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2008

Findings - Financial Statement Audit (continued):

Reference Number	Finding
05-07	<p>Student Activity Funds Are Not Accurately Maintained Under General Ledger Control</p> <p>Condition: Student Activity Funds are not accurately maintained under general ledger control in compliance with the DOE Student Activities Guidelines. The checking accounts operated and controlled by the principals are not included under general ledger control. In addition, balances which are maintained are not reconciled to the subsidiary records.</p> <p>Criteria: MASBO guidelines indicate that the school committee should have authorized maximum balances which may be on deposit at each school in the principal checking accounts for its Student Activity Funds. These amounts should be reconciled to the checking account periodically throughout the year by the Treasurer. In addition, in accordance with generally accepted accounting principles, the general ledger should accurately reflect the student activity transactions and balances.</p> <p>Cause: There are currently no policies and procedures in place over the recording of student activity funds in the general ledger. In addition, policies and procedures should be implemented to ensure that the City is following the MASBO guidelines absent its own written policy.</p> <p>Effect: The lack of policies and procedures resulted in student activity accounts for which the balances were not correctly reflected under general ledger control and for which have not been reconciled to the subsidiary records maintained by the schools.</p> <p>Recommendation: We recommend that the City implement policies and procedures to comply with the MASBO Guidelines and/or establish its own policies and procedures to ensure that all funds are accounted for and properly recorded under general ledger control.</p> <p>Response and Corrective Action: In August of 2008 all school principals were given a set of the MASBO guidelines for student activity accounts. Principals were asked to reconcile to balances in the Treasurer's Office. Principals have been advised as to what is eligible and what is not for these accounts.</p>

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

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

Department of Education

SPED Cluster – CFDA 84.027 & 84.173
Grant No. Various
Grant Period: Year Ended August 31, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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08-01	Health Insurance and FICA Costs Charged To The Grant Were Not Supported With Sufficient Documentation	\$339,562
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Condition:

The School Department charged the City’s annual portion of health insurance premiums for the employees paid out of the IDEA-Part B fiscal year 2008 allocation. The School Department was only able to provide a portion of the report utilized to calculate the expense, therefore, it could not be verified that the expense was calculated correctly.

In addition, FICA charges of \$125,000 were charged to the Special Education IDEA-Part B fund and supporting documentation was not retained to support the charges.

Criteria:

In accordance with the Circular A-87, Attachment A, paragraph C in order to be allowable under Federal awards costs must be adequately documented.

Cause:

The issue was caused by a lack of appropriate record retention. This appears to be an isolated event as the School Department was able to provide all relevant information for the other major programs tested. Due to the nature of the financial management system and the particular report utilized for the insurance cost calculation, the School Department was not able to reproduce the report at the time of the audit. In addition, the paperwork to support the FICA charges of \$125,000 were not retained.

Effect:

It was not feasible to determine if the amount of health insurance premiums and FICA costs charged to the grant were calculated correctly by the School Department.

Recommendation:

It is recommended that the School Department retain all appropriate documentation for charges made to grants.

Response and Corrective Action:

This was an isolated event. Going forward the School Department will retain all documentation used to calculate both health insurance premiums and FICA charges. The IDEA grant had a change over in grant administration due to the retirement of a previous Assistant Superintendent. The policy is in effect to ensure proper documentation of charges.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
08-02	<p>Expenditures Were Charged To The Wrong Accounting Period</p> <p>Condition: It was noted that expenditures relating to fiscal year 2007 were charged to fiscal year 2008. Also, two instances were observed where expenditures were charged to 2008 which should have been charged to 2009.</p> <p>Criteria: 7 CFR § 3016.23 states, “a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted.”</p> <p>Cause: The Food Service Department does not have sufficient internal controls over the cutoff of services or good received at month and/or year end.</p> <p>Effect: The Food Service Department is not in compliance with federal regulations over period of availability.</p> <p>Recommendation: We recommend that the Food Services Department develop a system to ensure transactions are processed in the correct accounting period.</p> <p>Response and Corrective Action Plan: This was a timing issue. The items were purchased at the end of the previous fiscal year. However, the item was not actually installed until August in preparing for the upcoming school year. This should not happen going forward.</p>	\$10,222

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555

Grant No. DOENUT0611

Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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08-03	Eligibility Files Were Not Available Or Safeguarded	Unknown
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Condition:

It was noted when selecting samples for testing eligibility for free/reduced lunch that numerous applications were missing. The population was calculated to be 338. However, there are approximately 850 students enrolled in the school.

Criteria:

The Eligibility Manual for School Meals, Section N. Recordkeeping under the subsection Record Retention states, "All free and reduced price applications, including applications from households denied benefits and inactive applications, must be kept on file for a minimum of three (3) years after the final claim is submitted for the fiscal year to which they pertain. Files must be kept longer if they are required by an audit as long as required for resolution of issues raised by the audit. If audit findings have not been resolved, the applications must be retained as long as required for resolution of issues raised by the audit."

Cause:

A system for filing and retaining application does not exist.

Effect:

The Food Service Department is not in compliance with federal regulations over retention of records. In addition, a significant portion of the audit population could not be reviewed for compliance with eligibility guidelines.

Recommendation:

We recommend that the Food Service Department implement a policy regarding storage and record retention of free/reduced lunch applications. An official policy would create a uniform system for recordkeeping and emphasize the importance of storing and retaining these applications.

Response and Corrective Action Plan:

We have established a system for safe storage of all free and reduced lunch applications. The School Department has held several trainings with school principals to ensure the integrity of files with a new check and balance system at the school level as well as in a centralized location.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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08-04	Free/Reduced Lunch Applications Were Not Accurately Completed	Unknown
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Condition:

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

Criteria:

Eligibility Manual for School Meals, Section N. Recordkeeping, “LEA officials must do the following... for approved applications... indicate the approval date, indicate the level of benefit for which the child is being approved, sign or initial the application... for denied applications... indicate the denial date, the reason for the denial, indicate the date the denial letter was sent, sign or initial the application.”

Cause:

The Food Service Department has not adequately communicated to the staff responsible for eligibility the notes and/or calculations required to be documented in order to support the eligibility determinations. In addition, management has not adequately monitored or reviewed the effort of the staff in determining eligibility.

Effect:

The Food Service Department’s applications for free and reduced lunch are not in compliance with the eligibility manual in regards to the required documentation on the form.

Recommendation:

We recommend that the Food Services Department communicate to staff responsible for determining eligibility the proper procedures and documentation required to be documented on the free/reduced lunch applications.

Response and Corrective Action Plan:

We have addressed the issue of lunch applications for accuracy. Each school principal was trained by school food service and by MA Department of Elementary and Secondary Education Food Service Compliance Officers. We held a three hour training session/workshop in August 2009 to ensure applications are completed in an accurate manner.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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08-05	Timesheets for School Lunch Employees Were Not Properly Approved	None
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Condition:

Timesheets obtained for employees were not properly authorized by a supervisor and therefore were lacking approval required by OMB Circular A-87.

Criteria:

OMB Circular A-87, Attachment B, paragraph (h)(1) states “Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.”

Cause:

Inadequate internal controls over authorizing and approving time sheets.

Effect:

Lack of compliance with OMB Circular A-87 caused by a lack of adequate oversight and procedures in place over approving and authorizing timesheets.

Recommendation:

We recommend that the School Department establish policies and procedures to ensure all timesheets are properly completed and approved by a supervisor before processing.

Response and Corrective Action Plan:

Timesheets for school lunch employees are currently being overseen by and approved by the Supervisor of Food Service. In addition to this, we will now implement semi-annual verification to comply. Our time frame is to do so in April and October to ensure that all employees work under a single federal award sign to verify this as fact.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Education

Title I– CFDA 84.010

Grant No. Various

Grant Period: Year Ended August 31, 2007 and 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
08-06	<p>Documentation To Support Enrollment Figures Presented On Comparability Form Were Not Retained</p> <p>Condition: Records utilized for enrollment figures on comparability forms submitted to the Department of Education were not maintained and therefore testing to ensure accuracy or compliance could not be performed.</p> <p>Criteria: 20 USC 6321 §c defines the comparability requirement as “a local educational agency may receive funds under this part only if the State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.”</p> <p>The School Department’s comparability measurement includes comparing the average number of students per instructional staff for each school.</p> <p>Furthermore, 20 USC 6321 §c state “each local educational agency assisted...shall... (B) maintain records that are updated biannually documenting such agency’s compliance with this section.”</p> <p>Cause: Inadequate internal controls over maintaining and safeguarding records.</p> <p>Effect: Lack of compliance with 20 USC 6321 §c caused by a lack of internal controls over maintaining documentation utilized on comparability forms. In addition, because of the lack of documentation it was impossible to determine if the comparability procedures were performed correctly.</p> <p>Recommendation: We recommend that the School Department establish policies and procedures to ensure that the records utilized to generate reports that are submitted to the Massachusetts Department of Education are maintained.</p> <p>Response and Corrective Action Plan: The comparability report was used to create an excel spreadsheet for total student numbers. Going forward, the original teacher assignment sheets will be retained with the comparability report. The issue occurred due to a change in program directors at the time.</p>	None

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Education

Title I – CFDA 84.010
Grant No Various
Grant Period: Year Ended August 31, 2007 and 2008

SPED Cluster – CFDA 84.027 & 84.173
Grant No. Various
Grant Period: Year Ended August 31, 2008

Teacher Quality – CFDA 84.367
Grant No. 140-243-8-0201-I
Grant Period: Year Ended August 31, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
08-07	<p>Failure to Accurately Report Funds Expended When Submitting Form RF-1 (Request for Funds)</p> <p>Condition: When requesting funds, the School Department did not accurately reflect on the Form RF-1 (Request for Funds) the expenditures that agree to the general ledger.</p> <p>Criteria: The Massachusetts Department of Education requires for all grant amounts in excess of \$25,000 to request funds on a Form RF-1 in monthly allotments. If for any reason a grantee is requesting monies in excess of its allotment a letter is necessary justifying the need for additional funds.</p> <p>Cause: The staff completing the request for funds was including anticipated amounts in the expenditures column of the form instead of the actual amounts expended.</p> <p>Effect: In some cases the School Department significantly overstated and in other cases understated its expenditures on the RF-1 documents filed to the State of Massachusetts. As a result interest was earned in excess of \$100 for the Special Education Cluster. In addition, the time between receipt and disbursement was not always minimized to the fullest extent.</p>	None

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
08-07	Failure to Accurately Report Funds Expended When Submitting Form RF-1 (Request for Funds) (continued)	None

Recommendation:

It is recommended that the School Department develop a system to ensure that when requesting funds the RF-1 forms are as complete and accurate as possible. These forms should be reconciled to the general ledger and any differences should be documented and resolved.

Response and Corrective Action Plan:

Form RF-1 is done on a monthly basis. As of this fiscal year, we are now keeping a copy of grant expenses at the time of requesting draw downs. This will ensure we can verify that the draw down request ties to the expenses to date of request. This process was implemented during FY 09 and is in full implementation for the FY 10 year.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-08	The School Lunch Department Did Not Have An Equipment Inventory Listing In Accordance With Federal Regulations Condition: The equipment inventory listing maintained by the School Lunch Department did not include the required categories. This listing should include the required categories such as: a description of equipment, serial or other identification number, percentage of federal participation in the costs, location, invoice number, cost basis, disposal data and the condition of the asset. Criteria: Office of Management and Budget Circular A-110 requires that property records contain the following information about equipment purchased with federal funds: description of the equipment, including serial or other identification number, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value. Cause: The Department has no procedures in place over the maintenance or creation of an equipment inventory listing. Effect: The lack of procedures over the maintaining an equipment inventory record/listing, resulted in the School Department's inability to provide an inventory of the assets/equipment purchased with school lunch funds. Recommendation: We recommend that the School Department implement a policy which requires the criteria as stated above to be included on an equipment listing schedule. Response and Corrective Action: An inventory equipment listing schedule form was provided and implemented in Fiscal Year 2009.	Unknown

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-09	The School Lunch Department Did Not Have On File A Recent Physical Inventory That Was Prepared Within The Last Two Years Condition: The School Lunch Department did not have a recent physical inventory listing that was prepared in the last two years. Criteria: Office of Management and Budget Circular A-133 requires that a physical inventory be conducted at least once every two years. The results from the physical inventory should be compared to the equipment listings maintained by the School Lunch Department and any differences should be investigated. Cause: The School Lunch Department had inadequate oversight and procedures in place to ensure that a physical inventory was conducted, documented, and retained on file within the last two years. Effect: The lack of adequate oversight and procedures in place over performing, documenting and retaining physical inventory files resulted in the lack of a physical being performed in accordance with the federal requirements. Recommendation: We recommend that the School Department implement a system to monitor and conduct a physical inventory of equipment purchased with School Lunch funds. In addition, the physical inventory listing, once finalized, should have been compared to the equipment listing and any differences should have been investigated and documented. Response and Corrective Action: A system has been developed and implemented to monitor the physical inventory of equipment.	Unknown

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-10	<p>Failure To Provide Source Documentation Relating To The Verification Of Free And Reduced Meal Applications</p> <p>Condition: The School Department could not locate the completed forms that are utilized to verify the income of a sample of applicants for free or reduced meals.</p> <p>Criteria: 7 CFR Section 245.6a (a) requires that "... by December 15 of each school year, School Food Authorities have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section." In addition, 7 CFR Section 245.6a(c) requires that "School food authorities shall retain copies of the information reported under this section and all supporting documents for a minimum of 3 years. All verified applications must be readily retrievable on an individual basis and include all documents submitted by the household..."</p> <p>Cause: Per discussion with management, the verification forms and all supporting documentation were misplaced sometime after the audit conducted by the Massachusetts Department of Education, which occurred between March 5th and 14th of 2007.</p> <p>Effect: The absence of the verification documents prevented compliance testing from being performed. Therefore, it could not be determined if applicants were correctly receiving free or reduced meals based on household income.</p> <p>Recommendation: We recommend that the School Department take steps to ensure that records be tracked and made easily accessible for the required amount of time.</p> <p>Response and Corrective Action: The DOE had completed a review of the verification process and documented its findings. In the process, applications were misplaced. In the future, no documents will leave the department, and a secure location will be identified for storage.</p>	Unknown

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-11	Failure To Solicit Quotes Or Proposals For Equipment Repair Services	\$113,101

Condition:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Response and Corrective Action:

Based on aggregate totals, we have decided to put together bids for equipment repair in Fiscal Year 2010.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-12	Failure To Conduct On-Site Review Of Schools In Accordance With Federal Requirements Condition: The School Department conducted an annual on-site review of each of the school’s lunch programs, however, the documents utilized in the review did not record the required information. Criteria: 7 CFR 210.8(a) requires that internal controls be established which at a minimum “shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.” 7 CFR 210.8 (a)(1) requires that “every school year, each school food authority with more than one school shall perform no less than one on-site review of the lunch counting system employed by each school under its jurisdiction.. The on-site review shall take place prior to February 1 of each school year.” Cause: In its review, the School Department documented the date of the review, the breakfast and lunch menu, and miscellaneous information which did not relate to the counts of lunches served. It was also noted that these reviews were conducted after February 1, 2007. Effect: The School Department is in non-compliance with the CFR referenced above and the on-site review was deemed to be ineffective. Recommendation: We recommend that the School Department create or obtain on-site review forms that will document the information required by 7 CFR 210.8(a). Response and Corrective Action: Present on site review form will be modified to include documentation of the review	Unknown

criteria regarding the lunch counting and claiming system.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Agriculture

National School Lunch Program – CFDA 10.555
Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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07-14	Failure To Complete All Information On The Free And Reduced Meal Applications	Unknown
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Condition:

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

Criteria:

The US Department of Agriculture Food and Nutrition Service “Federal Policy for Determining and Verifying Eligibility” manual requires that a local educational agency, for every application, indicate the approval/denial date; indicate the level of benefit for which the child has been approved OR indicate the reason for denial of benefits; if benefits are denied, indicate the date the denial notice was sent: and sign or initial the application.

Cause:

Lack of management oversight

Effect:

The lack of appropriate documentation resulted in the US Department of Agriculture regulations.

Recommendation:

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

Response and Corrective Action:

In the past three years we have had a huge turnover of principals. Policies and education about the eligibility guidelines will be provided to all principals.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Education

Teacher Quality – CFDA 84.367
Grant No. 140-243-8-0201-1
Grant Period: Year Ended August 31, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
07-15	Documental For Local Needs Assessments For Professional Development and Hiring Could Not Be Located For Fiscal Year 2008 Condition: The local needs assessments for professional development and hiring could not be located in the Professional Development Department for fiscal year 2008. Annually, at each professional development session, at the beginning of the school year, surveys are provided to all teachers and paraprofessionals. The responses from the surveys are then evaluated to aid in the improvement of teachers, including those who work in Title I Part A targeted assistance programs and school wide program schools. Criteria: In accordance with Sections 2122(b)(8) and (c) in 20 USC to be eligible to receive a sub-grant of Title II, Part A funds, and LEA must conduct an assessment of local needs for professional development and hiring, as identified by the LEA and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and school-wide program schools. Cause: There was a change in Title IIA directors and either the misfiling or lack of conducting the surveys were an oversight. Effect: The surveys could not be located, therefore, it is unknown if there was a compliance violation. Recommendation: It is recommended that professional development and hiring surveys are conducted on an annual basis. These surveys should be retained in the Professional Development Office. Response and Corrective Action: There has been a change in Directors in the Professional Development Office. We have and as policy will continue to retain the hiring surveys conducted on an annual basis.	Unknown

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Education

SPED Cluster – CFDA 84.027 & 84.173
Grant No. Various
Grant Period: Year Ended August 31, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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06-04	Interest In Excess Of \$100 Was Earned And Not Returned To The Federal Agency For Various Grant	\$5,226
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Condition:

Interest of \$5,326 was estimated to be earned by the Special Education Cluster which is in excess of the \$100 allowed to be retained for administrative purposes for the grant/cluster. These funds were not returned to the grantor.

Criteria:

In accordance with the Circular A-102 Common Rule, paragraph 2.a interest earned on advances by local government grantees and subgrantees in required to be submitted promptly, but at least quarterly, to the Federal Agency. Up to \$100 per year may be retained for administrative expenses.

Cause:

A quarterly analysis is not conducted that calculated interest earned on the grant and it was not determined if funds should be returned to the Federal Agency.

Effect:

The excess interest earnings caused non-compliance with the Circular A-102 Common Rule as stated above.

Recommendation:

We recommend that an analysis be conducted quarterly of interest earnings on Federal grants. After the analysis is conducted it should then be determined if excess amounts were earned. If excess amounts were earned these funds should be returned to the Federal Agency.

Response and Corrective Action:

All federal entitlement grant money should be placed into a non-interest bearing account. This request was made following the Fiscal Year 2006 Audit as well.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2008

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

<u>Department of Agriculture</u>	<u>Department of Education</u>
National School Lunch Program – CFDA 10.555 Grant No. DOENUT0611 Grant Period: Year Ended June 30, 2008	Teacher Quality – CFDA 84.367 Grant No. 140-243-8-0201-I Grant Period: Year Ended August 31, 2007
	SPED Cluster – CFDA 84.027 & 84.173 Grant No. Various Grant Period: Year Ended August 31, 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
06-05	The City And School Department Failed To Obtain Payroll Certifications For Employees Who Work For A Single Federal Program	NONE

Condition:

The City and School Department does not require all employees who work solely on a single Federal award to periodically provide certifications signed by the employee or supervisor.

Criteria:

OMB Circular A-87, Attachment B(h) states ... (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Cause:

Management was unaware of this requirement.

Effect:

The City and School Department may have charged employees to these programs in their entirety who in fact worked on multiple programs or who did not work on this program at all.

Recommendation:

The City and School Department should develop a system to ensure that signed certifications are obtained from all employees who worked on a single Federal award at least semi-annually.

Response and Corrective Action:

We currently require this for the project IDEA Federal Grant. We will implement semi-annual verification to comply. Our time frame is to do so in April and October to ensure that all employees who work under a single federal award sign to verify this as fact.

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2007

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

Department of Housing and Urban Development

Community Development Block Grant – CFDA 14.219 Grant No. B-06-MC-25-0018 Grant Period: Year Ended June 30, 2008	HOME Program – CFDA 14.239 Grant No. M-07-MC-25-0207 Grant Period: Year Ended June 30, 2008
Supporting Housing Program – CFDA 14.235 Grant No. Various Grant Period: Year Ended June 30, 2008	

Department of Agriculture

Department of Education

National School Lunch Program – CFDA 10.555 Grant No. DOENUT0611 Grant Period: Year Ended June 30, 2008	Title I – CFDA 84.010 Grant No Various Grant Period: Year Ended August 31, 2007 and 2008
	SPED Cluster – CFDA 84.027 & 84.173 Grant No. Various Grant Period: Year Ended August 31, 2008
	Teacher Quality – CFDA 84.367 Grant No. Various Grant Period: Year Ended August 31, 2007 and 2008

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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05-01	The City Did Not Effectively Perform Cash Reconciliations for the Fiscal Year Ended June 30, 2005, 2006, 2007 and 2008:	NONE
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Condition:

The City did not effectively reconcile recorded cash balances to cash held in the bank during the fiscal year ended June 30, 2005, 2006, 2007 and 2008. The Treasurer’s office has started the process by developing a cash book. This cash book should be utilized to reconcile the reconciled bank balances to the book. At which time the book balances should be reconciled to the general ledger. Currently the Auditor’s office has not reconciled book balances to the general ledger.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

CITY OF NEW BEDFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2007

3. Findings and Questioned Costs for Financial Statements Which Are To Be Reported Over Major Federal Programs (continued):

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
05-01	The City Did Not Effectively Perform Cash Reconciliations for the Fiscal Year Ended June 30, 2005, 2006, 2007 and 2008 (continued): Cause: The City had inadequate procedures in place to properly or effectively reconcile cash on a monthly basis. Effect: The lack of timely and effective cash reconciliations during the fiscal year ended June 30, 2005, 2006, 2007 and 2008 created a condition in which the City's recorded cash balance and related revenues and expenditures were misstated. Various transactions were recorded in error and were corrected during the audit. When reconciliations are not preformed on a timely basis, transactions can occur and go unrecorded or recorded transactions can be made in error. Recommendation: We recommend that the Treasurer's office reconciles the book balances to the book balances on a monthly basis. The book balance should then be communicated to the Auditor's office for reconciliation with the general ledger. Any differences noted should then be reviewed and adjusted appropriately. Response and Corrective Action: The City is currently working on its reconciliation of cash. Currently a cash book has been developed and procedures in place to ensure all transactions are entered on a timely basis.	NONE

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings

June 30, 2008

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

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

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

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

Current Status: The City has installed a fixed asset management system, however, this system did not capture accurately and completely the capital asset acquisitions. In addition, the capital asset disposals were not tracked or identified. As a result, this finding has been modified from the prior year.

Finding 07-02: Tax Lien Detail Accounts Did Not Reconcile To The General Ledger

Condition: The City had not reconciled their tax lien receivables to the general ledger.

Recommendation: It was recommended that the City record as revenue at year-end any revenue to is susceptible to accrual. In addition, it was recommended that tax liens are reconciled to the detail on a periodic basis. Any differences should be investigated and corrected.

Current Status: This was corrected during 2008 and as a result the finding was not repeated.

Finding 07-03: Veterans Receivables Were Not Recorded On The General Ledger Properly

Condition: The receivables recorded on the general ledger for veterans were not recorded properly. The receivables should be recorded based on when eligibility requirements are met.

Recommendation: It was recommended that the City review its general ledger at year-end and record the necessary receivables based on a review of documentation and cut-off.

Current Status: This was corrected during 2008 and as a result the finding was not repeated.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 07-04: Tax Receivables Were Not Reconciled Properly

Condition: Receivable reconciliations (i.e. real estate, personal property, etc.) between the Treasurer/Collector and the Auditor were not performed timely during the fiscal year. There were several receivable accounts during 2007 that did not reconcile to the details provided. Upon further investigation it was also found that the receivable detail report could include flaws based on the attributes selected when running the report.

Recommendation: It was recommended that the Treasurer's Office reconcile the detailed tax receivable records to the general ledger on a monthly basis. Any differences should be reviewed and adjusted appropriately.

Current Status: This was corrected during 2008 and as a result the finding was not repeated.

Finding 07-05: Subsidized Principal And Interest Were Not Recorded

Condition: Subsidized principal and interest in relation to the Water Pollution Abatement Trust was not recorded.

Recommendation: It was recommended that the City record in its general ledger as required by the Massachusetts Department of Revenue and under the GASB standards the amount of principals and interest subsidized by the Trust.

Current Status: This was corrected during 2008 and as a result the finding was not repeated.

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 recommend that the City review the accrual basis adjustments at the completion of the audit and on a go-forward basis these funds should be maintained on the accrual basis of accounting. In addition, 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 2008.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 07-07: Community Development, HOME and Other Grant Activities Were Not Reconciled To The Community Development Office

Condition: During the audit it was concluded that the activities posted within Fund 2201 were not reconciled to the Community Development Block Grant activities as recorded by the Community Development Office of the City of New Bedford. This was evident because the general ledger for Fund 2201 included not only the Community Development Block Grant activities but also included grants that should have been segregated as separate funds. In addition, HOME expenditures present on Fund 2201 were also double counted in Fund 2225.

Recommendation: It was recommended that the City reconcile the Community Development activity as recorded on the general ledger with the Community Development Office. In addition, it is recommended that separate funds are established for the Emergency Shelter Grant and Supportive Housing Prevention's activities.

Current Status: This finding was repeated as it was not corrected during 2008.

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

Condition: Only 9 out of 31 revolving funds were authorized by the City Council. Additionally, two were authorized on September 14, 2006, nearly 3 months after the fiscal year began.

Recommendation: We recommend that the City comply with MGL Ch 44 paragraph 53E ½ on an annual go-forward basis.

Current Status: This finding was corrected during 2008 and as a result was not repeated.

Finding 06-02: The City Did Not Produce An Annual Report For the Recreation Revolving Fund

Condition: Neither the Recreation Department nor the City Auditor created an annual report for the Recreation revolving Fund (Fund 3135.)

Recommendation: It was recommended that the City acquire the guidelines for the annual report and implement a system that will ensure that the report is produced and submitted to the required parties annually.

Current Status: This finding was corrected during 2008 and as a result was not repeated.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 05-01: The City Did Not Effectively Perform Cash Reconciliations For The Fiscal Year Ended June 30, 2005, 2006 and 2007

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

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

Current Status: This finding was not corrected during 2008 and as a result was repeated.

Finding 05-02: The City's Treasurer Did Not File The Required Quarterly Report Of Reconciliation Of Treasurer's Cash For The Fiscal Year Ended June 30, 2005, 2006 and 2007

Condition: The Treasurer's Office did not file and sign the required Quarterly Report of Reconciliation of Treasurer's Cash to the Director of the Bureau of Accounts.

Recommendation: It was recommended that the Treasurer's Office implement procedures to effectively prepare and file the Quarterly Reports of Reconciliation of Treasurer's Cash to the Director of Bureau of Accounts on a timely basis.

Current Status: This finding was not corrected during 2008 and as a result was repeated.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

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

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

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

Current Status: This finding was not corrected during 2008 and as a result was repeated.

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

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

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

Current Status: This finding was not corrected during 2008 and as a result was repeated.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 07-08: The School Lunch Department Did Not Have An Equipment Inventory listing

Federal Programs: National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

Condition: There is no equipment inventory listing maintained by the School Lunch Department. This listing should include the required categories such as: a description of the equipment purchased, serial or other identification number, percentage of federal participation in the costs, location, invoice number, cost basis, disposal data and the condition of the asset.

Recommendation: It was recommended that the City implement a policy which requires the criteria as stated above to be included on an equipment listing schedule.

Current Status: This finding was modified because an equipment listing exists for 2008, however, it does not contain the required federal categories.

Finding 07-09: The School Lunch Department Did Not Have On File A Recent Physical Inventory Listing That Was Prepared Within The Last Two Years

Federal Programs: National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

Condition: The School Lunch Department did not have a recent physical inventory listing that was prepared within the last two years.

Recommendation: It was recommended that the School Lunch department implement a system to monitor and conduct a physical inventory of equipment purchased with School Lunch grant funds. The results from the physical inventory should be compared to the equipment listing and any differences should be investigated and documented.

Current Status: This finding was not corrected and as a result was repeated for 2008.

Finding 07-10: Failure To Provide Source Documentation Relating To The Verification Of Free And Reduced Meal Applications

Federal Programs: National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

Condition: The School Department could not locate the completed forms that are utilized to verify incomes of a sample of applicants for free or reduced meals.

Recommendation: It was recommended that the School Department take steps to ensure that records be tracked and made accessible for the minimum required amount of time.

Current Status: This finding was not corrected and as a result was repeated for 2008.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

- Finding 07-11:** Failure To Solicit Quotes Or Proposals For Equipment Repair Services
- Federal Programs:** National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007
- Condition:** The School Department did not solicit bids or proposals prior to selecting vendors for equipment repairs.
- Recommendation:** It was recommended that the School Department solicit bids or proposals as required by MGL Chapter 30 B and 7 CFR Section 3016.36.
- Current Status:** This finding was not corrected and as a result was repeated for 2008.
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- Finding 07-12:** Failure to Conduct On-Site Review Of Schools In Accordance With Federal Requirements
- Federal Programs:** National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007
- Condition:** The School Department conducted an annual on-site review of each of the school’s lunch programs, however, the documents utilized in the review did not record the required information.
- Recommendation:** It was recommended that the School Department create or obtain on-site review forms that will document the information required by 7 CFR 210.8(a).
- Current Status:** This finding was not corrected and as a result was repeated for 2008.
-
- Finding 07-13** The School Department Made Several Incorrect Determinations Of The Eligibility Of Students That Applied For Free Or Reduced Meals
- Federal Programs:** National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007
- Condition:** During the audit, five percent of free and reduce meal applications tested by the audit team resulted in the school department approving the wrong eligibility status for students.
- Recommendation:** It was recommended that the School Department implement procedures that will reduce the risk of approving the incorrect eligibility status to students. A review of eligibility determinations should be included in these procedures.
- Current Status:** For the sample selected during 2008 a very low error rate was noted. Therefore, the finding was considered resolved.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

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

Federal Programs: National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

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

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

Current Status: This finding was repeated since it was not corrected during 2008.

Finding 07-15: Documentation For Local Needs Assessments For Professional Development And Hiring Count Not Be Located For Fiscal Year 2007

Federal Programs: Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H
Grant Period: Year Ended August 31, 2007

Condition: The local needs assessments for professional development and hiring could not be located in the Title II Department for fiscal year 2007. Annually, at each professional development session, at the beginning of the school year, surveys are provided to all teachers and paraprofessionals. The responses from the surveys are then evaluated to aid in the improvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and school-wide program schools.

Recommendation: It was recommended that professional development and hiring surveys are conducted on an annual basis. These surveys should be retained in the Title II office.

Current Status: This finding was repeated as it was not corrected for 2008.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 07-16: Reported Expenditures On Form FR1 (Final Financial Report) Were Overstated For Duplicated MTRS Payments

Federal Programs: Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H
Grant Period: Year Ended August 31, 2007

Condition: An oversight occurred which resulted in a duplicate payment to the Massachusetts Teachers Retirement System (MTRS) for \$59,021 and \$50,122 (80% of the total.) The \$59,021 was paid by the City of New Bedford directly to the MTRS and was recorded on the general ledger. A second payment and posting was then made for \$50,122 for the portion that the state paid on behalf of the City of New Bedford. Theoretically, the MTRS was overpaid (and owes) the City of New Bedford the funds back for this overpayment. Also, the City of New Bedford owed the grantor back \$50,122. This is because the final report filed with the state included \$50,122 of charges to teachers and salaries that were really for MTRS. Therefore, reported expenditures would have been lower and the funds returned to the state would have been higher. This duplication was identified during the audit and therefore, amounts reported in final reports, and amounts returned to the state and due from the MTRS were misreported.

Recommendation: It was recommended that the general ledger detail postings and subsidiary ledgers are reviewed for appropriate charges. In addition, final reports should be prepared and reviewed based on these appropriate charges to the grants.

Current Status: This finding was corrected during 2008 and as a result was not repeated.

Finding 06-04: Interest In Excess of \$100 Was Earned And Not Returned To Federal Agencies For Various Grants

Federal Programs: Title I – CFDA 84.010; Grant No. 305-063-7-0201-H
Grant Period: Year Ended August 31, 2007

Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H
Grant Period: Year Ended August 31, 2007

Condition: Interest was earned in excess of the \$100 allowed to be retained for administrative purposes per grant/cluster. These funds were not returned to the grantor.

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

Current Status: An analysis was not conducted during 2008. However, due to the timing differences between receipt of funds and disbursements, the Title I and Teacher Quality grants did not earn interest in excess of \$100. However, the Special Education cluster did earn interest in excess of \$100. As a result a finding was issued for the Special Education Cluster for 2008.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 06-05: The City And School Department Failed To Obtain Payroll Certifications For Employees Who Work For A Single Federal Program

Federal Programs: National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H
Grant Period: Year Ended August 31, 2007

SPED Cluster – CFDA 84.027 & 84.173; Grant No. Various
Grant Period: Year Ended August 31, 2007

Title I – CFDA 84.010; Grant No. 305-063-7-0201-H
Grant Period: Year Ended August 31, 2007

Condition: The City and School Department did not require all employees who work solely on a single federal award to periodically provide certifications signed by the employee or supervisor.

Recommendation: It was recommended that the City and School Department develop a system to ensure that signed certifications are obtained from all employees who worked on a single Federal award at least semi-annually.

Current Status: This finding was repeated for the National School Lunch, Teacher Quality, and Special Education Cluster programs for 2008. This finding was resolved for the Title I grant program.

CITY OF NEW BEDFORD, MASSACHUSETTS

Summary Schedule of Prior Audit Findings (Continued)

June 30, 2008

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

Finding 05-01: The City Did Not Effectively Perform Cash Reconciliations For The Fiscal Year Ended June 30, 2005, 2006 and 2007

Federal Programs: Community Development Block Grant – CFDA 14.219; Grant No. B-06-MC-25-0018
Grant Period: Year Ended June 30, 2007

HOME Program – CFDA 14.239; Grant No. M-06-MC-25-0207
Grant Period: Year Ended June 30, 2007

Supportive Housing Program – CFDA 14.2365; Grant No. Various
Grant Period: Year Ended June 30, 2007

National School Lunch Program – CFDA 10.555; Grant No. DOENUT0611
Grant Period: Year Ended June 30, 2007

Teacher Quality – CFDA 84.367; Grant No. 140-147-7-0201-H
Grant Period: Year Ended August 31, 2007

SPED Cluster – CFDA 84.027 & 84.173; Grant No. Various
Grant Period: Year Ended August 31, 2007

Title I – CFDA 84.010; Grant No. 305-063-7-0201-H
Grant Period: Year Ended August 31, 2007

Condition: The City did not effectively reconcile recorded cash balances to cash held in the bank during the fiscal year ended June 30, 2005, 2006 and 2007. The Treasurer’s Office has started the process by developing a cash book. The cash book should be utilized to reconcile the bank balances to the book. The reconciled bank balance should then be compared to the general ledger. Currently, the Auditor’s office has not reconciled bank balances to the general ledger.

Recommendation: It was recommended that the Treasurer’s Office reconcile the book balances to the bank balances on a monthly basis. The reconciled book balances should then be communicated to the Auditor’s Office for reconciliation with the general ledger. Any differences noted should then be reviewed and adjusted appropriately.

Current Status: This finding was not resolved during 2008 and as a result was repeated.