

CITY OF LOWELL, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

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**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**

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Lowell, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, Massachusetts, as of and for the year ended June 30, 2015, (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City of Lowell, Massachusetts' basic financial statements, and have issued our report thereon dated January 26, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Powers + Sullivan, LLC

January 26, 2016



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Lowell, Massachusetts

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lowell, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lowell, 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Lowell's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lowell, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Lowell, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lowell, Massachusetts' internal control over

compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lowell, Massachusetts' internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, Massachusetts, as of and for the year ended June 30, 2015 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City of Lowell, Massachusetts' basic financial statements. We issued our report thereon dated January 26, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Powers + Sullivan, LLC

January 26, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary & Secondary Education:</u>		
Non-Cash Assistance (Commodities): National School Lunch Program	10.555	\$ 501,812
Cash Assistance:		
School Breakfast Program	10.553	1,827,972
National School Lunch Program	10.555	4,226,925
Food Stamp Employment and Training	10.575	<u>20,272</u>
TOTAL AGRICULTURE		<u>6,576,981</u>
U.S. DEPARTMENT OF HOUSING AND ECONOMIC DEVELOPMENT:		
<u>Passed through the Executive Office of Housing and Economic Development:</u>		
Investments for Public Works and Economic Development Facilities	11.300	<u>352,034</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	1,852,544
Emergency Shelter Grants Program	14.231	106,845
Supportive Housing Program	14.235	687,383
HOME Investment Partnerships Program	14.239	852,291
Housing Opportunities for Persons with AIDS	14.241	847,117
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>4,346,180</u>
U.S. DEPARTMENT OF THE SECRETARY OF THE COMMONWEALTH		
<u>Direct Programs:</u>		
Historic Preservation Fund Grants-In-Aid	15.904	<u>3,882</u>
U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARKS SERVICE		
<u>Direct Programs:</u>		
Cultural Resources Management	15.946	<u>139,187</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Programs:</u>		
Grants to Encourage Arrest Policies & Enforcement of Protection Orders Program	16.590	104,476
Second Chance Act Prisoner Reentry Initiative	16.812	73,150
Byrne Criminal Justice Innovation Program	16.817	351,950
State and Community Highway Safety	20.600	143,921
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>		
ARRA - Violence Against Women Formula Grants	16.588	10,640
Enforcing Underage Drinking Laws Program	16.727	17,508
Edward Byrne Memorial Justice Assistance Grant Program	16.738	625,673
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	<u>57,396</u>
TOTAL JUSTICE		<u>1,384,714</u>
U.S. DEPARTMENT OF LABOR:		
<u>Passed through Executive Office of Labor and Workforce Development:</u>		
Employment Service/Wagner-Peyser Funded Activities	17.207	410,518
ARRA - Unemployment Insurance	17.225	43,340
Trade Adjustment Assistance	17.245	20,104
WIA Adult Program	17.258	527,854
WIA Youth Activities	17.259	551,737
Workforce Investment Act (WIA) National Emergency Grants	17.277	100,496
WIA Dislocated Workers	17.278	573,981
Disabled Veterans Outreach Program (DVOP)	17.801	<u>7,472</u>
TOTAL LABOR		<u>2,235,502</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through the State Department of Transportation:</u>		
Paul S. Sarbanes Transit in the Parks	20.520	<u>351,937</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
<u>Direct Programs:</u>		
ARRA - Brownfields Assessment and Cleanup Cooperative Grants	66.818	<u>38,848</u>
U.S. DEPARTMENT OF ENERGY:		
<u>Direct Programs:</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	<u>649,167</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through Massachusetts Department of Elementary & Secondary Education:</u>		
Adult Education - Basic Grants to States	84.002	95,122
Title I Grants to Local Education Agencies	84.010	4,582,590
Special Education-Grants to States	84.027	4,200,494
Career and Technical Education - Basic Grants to States	84.048	73,051
Education for Homeless Children and Youth	84.196	15,506
Twenty-First Century Community Learning Centers	84.287	1,035,898
High School Graduation Initiative	84.360	54,688
English Language Acquisition Grants	84.365	892,661
Improving Teacher Quality State Grants	84.367	1,201,489
School Improvement Grants	84.377	189,168
<u>Passed through Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	105,428
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	<u>564,418</u>
TOTAL EDUCATION		<u>13,010,513</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct Programs:</u>		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	42,244
Centers for Disease Control and Prevention-Investigations Technical Assistance	93.283	10,307
<u>Passed through Massachusetts Office of Refugees and Immigrants:</u>		
Refugee & Entrant Assistance-Discretionary Grants	93.576	45,681
<u>Passed through Massachusetts Department of Transitional Assistance:</u>		
Temporary Assistance for Needy Families	93.558	247,476
<u>Passed through Massachusetts Department of Public Health:</u>		
PPHF Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	59,816
Block Grants for Prevention and Treatment and Substance Abuse	93.959	<u>98,088</u>
TOTAL HEALTH AND HUMAN SERVICES		<u>503,612</u>
U.S. SOCIAL SECURITY ADMINISTRATION:		
<u>Passed through the Massachusetts Rehabilitation Commission:</u>		
Social Security - Disability Insurance	96.001	<u>2,790</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
<u>Passed through the Massachusetts Emergency Management Agency:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>521,321</u>
TOTAL		<u>\$ 30,116,668</u>

(Concluded)

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Lowell, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 - Significant Accounting Policies

The accounting and reporting policies of the City of Lowell, Massachusetts are set forth below:

(a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.

(b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

(c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.

Note 3 - Program Clusters

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

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
JAG Program Cluster	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Governments	16.804
Employment Service Cluster	
Employment Service	17.207
Disabled Veterans Outreach Program	17.801
WIA Cluster	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.278
Special Education Cluster	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City of Lowell, Massachusetts.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the City of Lowell, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditor’s report on compliance for the major federal award programs for the City of Lowell, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings related to the major federal award programs for the City of Lowell, Massachusetts.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
Improving Teacher Quality State Grants	84.367
Twenty-First Century Community Learning Centers	84.287

8. The threshold for distinguishing Types A and B programs was \$903,500.
9. The City of Lowell, Massachusetts, was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Program Audit

None

D. Prior Year Audit Findings and Questioned Costs

None