



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

CITY OF LOWELL, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF LOWELL, MASSACHUSETTS
REPORTS ON FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

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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, 2023, (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2022), 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 May 13, 2024.

Report on 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) as a basis for designing 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 City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive style.

May 13, 2024

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 THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lowell, Massachusetts' compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lowell, Massachusetts and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Lowell, Massachusetts' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Lowell, Massachusetts' federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lowell, Massachusetts' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Lowell, Massachusetts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Lowell, Massachusetts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Lowell, Massachusetts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Lowell, Massachusetts' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lowell, Massachusetts' as of and for the year ended June 30, 2023, 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 May 13, 2024, 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 the Uniform Guidance 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

May 13, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Cash Assistance:				
School Breakfast Program.....	10.553	09-160	\$ -	\$ 3,105,552
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-160	-	621,587
Cash Assistance:				
National School Lunch Program.....	10.555	09-160	-	7,910,342
Total National School Lunch Program.....			-	8,531,929
Summer Food Service Program.....	10.559	09-160	-	380,889
TOTAL CHILD NUTRITION CLUSTER.....			-	12,018,370
SNAP CLUSTER:				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Supplemental Nutrition Assistance Program.....	10.561	23CLOWWP0000000000	-	17,201
CDBG ENTITLEMENT GRANTS CLUSTER:				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Program:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	Not Applicable	913,440	1,910,259
COVID-19 - Community Development Block Grants/Entitlement Grants.....	14.218	Not Applicable	403,077	423,089
Total Community Development Block Grants/Entitlement Grants.....			1,316,517	2,333,348
EMPLOYMENT SERVICE CLUSTER:				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Employment Service/Wagner-Peyser Funded Activities.....	17.207	23CLOWWP	-	130,072
Employment Service/Wagner-Peyser Funded Activities.....	17.207	22CLOWWP	-	16,525
Total Employment Service/Wagner-Peyser Funded Activities.....			-	146,597
Jobs for Veterans State Grants.....	17.801	23CLOWVETSUI	-	14,343
TOTAL EMPLOYMENT SERVICE CLUSTER.....			-	160,940
WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) CLUSTER:				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
WIOA Adult Program.....	17.258	23CLOWWIA	-	449,661
WIOA Adult Program.....	17.258	22CLOWWIA	-	101,115
Total WIOA Adult Program.....			-	550,776
WIOA Youth Activities.....	17.259	23CLOWWIA	239,395	434,802
WIOA Youth Activities.....	17.259	22CLOWWIA	-	32,261
Total WIOA Youth Activities.....			239,395	467,063
WIOA Dislocated Worker Formula Grant.....	17.278	23CLOWWIA	-	499,791
WIOA Dislocated Worker Formula Grant.....	17.278	22CLOWWIA	-	157,513
Total WIOA Dislocated Workers Formula Grant.....			-	657,304
TOTAL WIOA CLUSTER.....			239,395	1,675,143
HIGHWAY SAFETY CLUSTER:				
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
State and Community Highway Safety.....	20.600	2023MRSPLOWELL	-	45,002
State and Community Highway Safety.....	20.600	2022MRSPLOWELL	-	12,600
Total State and Community Highway Safety.....			-	57,602
National Priority Safety Programs.....	20.616	2022MRSPLOWELL	-	8,400
TOTAL HIGHWAY SAFETY CLUSTER.....			-	66,002

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education-Grants to States (IDEA, Part B).....	84.027	240-688172-2023-0160	-	4,192,780
Special Education-Grants to States (IDEA, Part B).....	84.027	240-534140-2022-0160	-	786,631
Special Education-Grants to States (IDEA, Part B).....	84.027	240-432969-2021-0160	-	181,425
Special Education-Grants to States (IDEA, Part B).....	84.027	245-777656-2023-0160	-	6,000
Special Education-Grants to States (IDEA, Part B).....	84.027	245-670800-2022-0160	-	60,000
Total Special Education-Grants to States (IDEA, Part B).....			-	<u>5,226,836</u>
Special Education Preschool Grants (IDEA, Preschool).....	84.173	262-432970-2023-0160	-	65,002
Special Education Preschool Grants (IDEA, Preschool).....	84.173	262-534145-2022-0160	-	3,844
Total Special Education Preschool Grants (IDEA, Preschool).....			-	<u>68,846</u>
TOTAL SPECIAL EDUCATION CLUSTER.....			-	<u>5,295,682</u>
DIRECT PROGRAMS:				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Programs:</u>				
Emergency Shelter Grants Program.....	14.231	Not Applicable	-	85,559
COVID-19 - Emergency Shelter Grants Program.....	14.231	Not Applicable	-	994,411
Total Emergency Shelter Grants Program.....			-	<u>1,079,970</u>
HOME Investment Partnerships Program.....	14.239	Not Applicable	-	590,190
Job-Plus Pilot Initiative.....	14.895	Not Applicable	-	51,894
TOTAL HOUSING AND URBAN DEVELOPMENT.....			-	<u>1,722,054</u>
U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARKS SERVICE:				
<u>Direct Program:</u>				
Cultural Resources Management.....	15.946	Not Applicable	-	190
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Programs:</u>				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program..	16.590	Not Applicable	-	123,771
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	Not Applicable	-	67,903
Criminal and Juvenile Justice and Mental Health Collaboration Program.....	16.745	Not Applicable	-	138,823
Comprehensive Opioid, Stimulant, and Substance Abuse Program.....	16.838	Not Applicable	-	234,407
Equitable Sharing Program.....	16.922	Not Applicable	-	543,993
TOTAL DEPARTMENT OF JUSTICE.....			-	<u>1,108,897</u>
U.S. DEPARTMENT OF TREASURY:				
<u>Direct Program:</u>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds.....	21.027	Not Applicable	-	5,893,576
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Program:</u>				
Brownfields Assessment and Cleanup Cooperative Grants.....	66.818	Not Applicable	-	113,590
U.S. DEPARTMENT OF ENERGY:				
<u>Direct Program:</u>				
Energy Efficiency and Conservation Block Grant Program (EECBG).....	81.128	Not Applicable	-	3,644
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Direct Program:</u>				
Substance Abuse and Mental Health Services.....	93.243	Not Applicable	-	169,877
PASS-THROUGH PROGRAMS:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Child and Adult Care Food Program.....	10.558	09-160	-	463,759
USDA Fresh Fruit and Vegetable Program.....	10.582	09-160	-	34,615
TOTAL DEPARTMENT OF AGRICULTURE.....			-	<u>498,374</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Moving to Work Demonstration Program.....	14.881	20CAREERNAVLOWELL	-	75,830
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program.....	16.203	FY23AVPLOWELLPD	-	12,981
<u>Passed through the Massachusetts Attorney General Office:</u>				
Public Safety Partnership and Community Policing Grants.....	16.710	15JCOPS-21-GG-02292-SPPS	-	33,440
TOTAL DEPARTMENT OF JUSTICE.....			-	<u>46,421</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Unemployment Insurance.....	17.225	23CCLOWNEGREA	-	14,867
Unemployment Insurance.....	17.225	22CCLOWNEGREA	-	7,699
Total Unemployment Insurance.....			-	22,566
Registered Apprenticeship.....	17.285	23CCLOWWP	-	8,391
TOTAL DEPARTMENT OF LABOR.....			-	30,957
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:				
<u>Passed through Massachusetts Board of Library Commissioners:</u>				
COVID-19 - Library Services Technology Act.....	45.310	22LOWELLIBRARYCHHBC	-	36,802
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Adult Education - Basic Grants to States.....	84.002	340-677754-2023-0160	-	1,265,526
Adult Education - Basic Grants to States.....	84.002	340-510258-2022-0160	-	54,682
Adult Education - Basic Grants to States.....	84.002	359-677759-2023.0160	-	230,199
Adult Education - Basic Grants to States.....	84.002	359-510257-2022-0160	-	39,518
Total Adult Education - Basic Grants to States.....			-	1,589,925
Title I Grants to Local Education Agencies.....	84.010	305-688173-2023-0160	-	5,502,940
Title I Grants to Local Education Agencies.....	84.010	305-534138-2022-0160	-	544,082
Title I Grants to Local Education Agencies.....	84.010	305-403831-2021-0160	-	5,631
Title I Grants to Local Education Agencies.....	84.010	320-711620-2023-0160	-	79,692
Title I Grants to Local Education Agencies.....	84.010	320-615047-2022-0160	-	37,535
Title I Grants to Local Education Agencies.....	84.010	325-733659-2023-0160	-	91,035
Title I Grants to Local Education Agencies.....	84.010	325-588380-2022-0160	-	8,839
Title I Grants to Local Education Agencies.....	84.010	539-539221-2022-0160	-	124,404
Total Title I Grants to Local Education Agencies.....			-	6,394,158
Career and Technical Education - Basic Grants to States.....	84.048	400-737161-2023-0160	-	30,819
Career and Technical Education - Basic Grants to States.....	84.048	400-582069-2022-0160	-	28,820
Career and Technical Education - Basic Grants to States.....	84.048	422-677713-2023-0160	-	47,327
Total Career and Technical Education - Basic Grants to States.....			-	106,966
Education for Homeless Children and Youth.....	84.196	310-678125-2023-0160	-	76,324
Education for Homeless Children and Youth.....	84.196	310-668658-2022-0160	-	32,785
Total Education for Homeless Children and Youth.....			-	109,109
Fund for the Improvement of Education.....	84.215	S23-5E-150-154	-	6,400
Twenty-First Century Community Learning Centers.....	84.287	644-677250-2023-0160	-	31,000
Twenty-First Century Community Learning Centers.....	84.287	644-777352-2023-0160	-	7,774
Twenty-First Century Community Learning Centers.....	84.287	645-697048-2023-0160	-	888,127
Twenty-First Century Community Learning Centers.....	84.287	645-558134-2022-0160	-	93,661
Twenty-First Century Community Learning Centers.....	84.287	646-708451-2023-0160	-	429,257
Twenty-First Century Community Learning Centers.....	84.287	646-554665-2022-0160	-	136,188
Twenty-First Century Community Learning Centers.....	84.287	647-705142-2023-0160	-	172,680
Twenty-First Century Community Learning Centers.....	84.287	647-510899-2022-0160	-	60,438
Total Twenty-First Century Community Learning Centers.....			-	1,819,125
English Language Acquisition Grants.....	84.365	180-688171-2023-0160	-	553,328
English Language Acquisition Grants.....	84.365	180-534137-2022-0160	-	194,864
English Language Acquisition Grants.....	84.365	186-670848-2022-0160	-	9,831
Total English Language Acquisition Grants.....			-	758,023
Supporting Effective Instruction State Grants.....	84.367	140-688170-2023-0160	-	551,012
Supporting Effective Instruction State Grants.....	84.367	140-534075-2022-0160	-	320,985
Total Supporting Effective Instruction State Grants.....			-	871,997
Striving Readers.....	84.371	508-683137-2023-0160	-	64,121
Striving Readers.....	84.371	508-586579-2022-0160	-	5,998
Total Striving Readers.....			-	70,119

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
Student Support and Academic Enrichment.....	84.424	309-688174-2023-0160	-	113,735
Student Support and Academic Enrichment.....	84.424	309-534139-2022-0160	-	288,689
Student Support and Academic Enrichment.....	84.424	309-403836-2021-0160	-	52,273
Total Student Support and Academic Enrichment.....			-	<u>454,697</u>
COVID-19 - Education Stabilization Fund.....	84.425D	115-510168-2022-0160	-	10,936,054
COVID-19 - Education Stabilization Fund.....	84.425U	119-534091-2022-0160	-	11,335,997
COVID-19 - Education Stabilization Fund.....	84.425D	121-684880-2023-0160	-	279,669
COVID-19 - Education Stabilization Fund.....	84.425D	125-774695-2023-0160	-	196,152
COVID-19 - Education Stabilization Fund.....	84.425	301-510699-2022-0160	-	39,739
COVID-19 - Education Stabilization Fund.....	84.425	302-666932-2022-0160	-	141,954
COVID-19 - Education Stabilization Fund.....	84.425U	332-677935-2023-0160	-	175,754
COVID-19 - Education Stabilization Fund.....	84.425D	435-769272-2023-1542	-	99,786
COVID-19 - Education Stabilization Fund.....	84.425D	435-662715-2022-1542	-	14,630
COVID-19 - Education Stabilization Fund.....	84.425C	526-527641-2022-0160	-	16,020
Total Education Stabilization Fund.....			-	<u>23,235,755</u>
Refugee and Entrant Assistance.....	93.566	652-772404-2023-0160	-	102,341
TOTAL DEPARTMENT OF EDUCATION.....			-	<u>35,518,615</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through the Massachusetts Department of Public Health:</u>				
COVID-19 - Immunization and Vaccines for Children.....	93.268	INTF1208P01W21143090	-	5,090
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases.....	93.323	F23127045	-	165,749
<u>Passed through the Lowell Community Health Center:</u>				
PPHF: Racial and Ethnic Approaches to Community Health Program.....	93.738	1 NU58DP006741-01-00	-	28,674
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES.....			-	<u>199,513</u>
TOTAL.....			\$ <u>1,555,912</u>	\$ <u>66,985,026</u>

See notes to schedule of expenditures of federal awards.

(Concluded)

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Lowell, Massachusetts (City) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

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

- a) Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 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.
- d) Disaster grants have been recorded the year the grant was approved.
- e) The City does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City.
2. No material weaknesses 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. Two 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*.
4. No instances of noncompliance material to the financial statements of the City, were disclosed during the audit.
5. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
6. The auditor’s report on compliance for the major federal award programs for the City, expresses an unmodified opinion on all major federal award programs.
7. There was one audit finding relative to the major federal award programs for the City.
8. The programs tested as major grants are as follows:

	<u>FALN #</u>
• CDBG Entitlement Grants Cluster	14.218
• Special Education Cluster	84.027, 84.173
• Coronavirus State and Local Fiscal Recovery Funds	21.027
• Title I Grants to Local Education Agencies	84.010
• Education Stabilization Fund	84.425

9. The threshold for distinguishing Types A and B programs was \$2,009,551.
10. The City of Lowell, Massachusetts was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

2023-001: Significant Deficiency – School Department Operations

Condition: During the fiscal year 2023 audit, many concerns regarding the school department operations were brought to our attention. Further, we were made aware of an external review of the specific internal control procedures completed by The Abrahams Group with a report date of April 10, 2024. The following items, which are also noted within the report, represent issues that should be addressed immediately by the school department and the City:

1. The school department budget was not accurately entered into the general ledger software timely. The general ledger budget is the first step of many key internal controls for the City. The budget should be entered timely and reconciled to the approved vote. The budget should be entered into the appropriate

cost centers and function codes. All policies surrounding the budget should be documented in writing, provided to the appropriate staff, and complied with.

2. A significant amount of grant funds were returned to Federal/State awarding agencies in fiscal year 2023. All funding sources should be monitored for compliance to ensure unspent funds are not returned to grantors or to the general fund.
3. Multiple inaccurate payrolls were run during fiscal year 2023. Payroll warrants should only represent employees who are currently working for the school department. A process must be put in place to quickly notify human resources of resignations, terminations and new hires. Further, payroll should tie to current employment contracts. All payroll change notifications should be within the accounting system, or another secure source; email notifications of changes to an employee's payroll, are high risk for fraud and should not be accepted.
4. At the end of fiscal year 2023, the school department created invoices that had not yet been received from the vendors, in an attempt to encumber funds at year end and avoid "prior year bills". Invoices should never be generated internally; they should be requested from the service provider. An appropriate purchase order system and process will assist in yearend encumbrances, without the need for invoices.
5. A significant amount of bad bills had to be presented to the City Council in fiscal year 2024 for appropriation to pay for items that should have either been paid or properly encumbered in fiscal year 2023. Purchasing controls should be put in place to ensure this does not take place. Those controls begin with the purchase order system.
6. The school department holds approximately 100 Market Basket credit cards. These cards pose an extremely high risk for misuse and fraud and as such, their use should be discontinued, or limited, to the extent possible. Further, these cards create a significant risk of purchasing noncompliance as well.
7. Due to the late submission of the fiscal year 2023 School End of Year Report (EOYR) the Department of Elementary and Secondary Education (DESE) withheld the Chapter 70 State Aid payment for the beginning of fiscal year 2024. This further represents a lack of controls and poor management within the school department.

Criteria: The City must maintain effective internal controls over daily operations to provide reasonable assurance that financial reporting is free from material error or misstatement.

Cause: Lack of controls surrounding school department operations.

Effect: Lack of controls could result in material noncompliance.

Recommendation: We recommend the School Department with assistance from the City work to address all of the significant concerns raised in the independent report

Views of Responsible Officials and Planned Corrective Actions: Please see submitted corrective action plan for views of responsible officials and planned corrective actions.

2023-002: Significant Deficiency – Checks Written to and from the City

Condition: The City issues actual checks to the “City of Lowell” as part of the weekly payroll warrant. These checks are issued when the payroll warrants are run and include GIC withholdings, dental withholdings, life insurance withholdings, and other fringe benefits such as Medicare and workers compensation. The Human Resource Department then brings the checks to the Treasurer’s Office to be deposited back into the City’s bank account. The process should be completed via standard payroll entries within the general ledger software, MUNIS, instead of issuing checks. The need to issue checks instead of completing journals within the ledger indicates there is an underlying set up issue within the payroll process.

The process of issuing checks to the City as part of the payroll or vendor warrant process increases the risk of the City funds being misappropriated, causes additional reconciliation work for the Treasurer’s and Auditor’s Offices, and creates year end cut off issues, if deposits are not made timely. Eliminating the process of writing checks to themselves will reduce risks associated with the warrant process.

Criteria: The City must maintain effective internal controls over daily operations to provide reasonable assurance that financial reporting is free from material error or misstatement.

Cause: Existing antiquated general ledger workflows.

Effect: Lack of controls could result in material noncompliance

Recommendation: We continue to recommend that the City review its practice of issuing checks to itself and implement new policies and procedures to stop utilization of these checks and alleviate the timing and reconciliation issues caused as a result.

Views of Responsible Officials and Planned Corrective Actions: Please see submitted corrective action plan for views of responsible officials and planned corrective actions.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**U.S. DEPARTMENT OF EDUCATION**

Passed through Massachusetts Department of Elementary and Secondary Education

Special Education Cluster #84.027, 84.173

Title I #84.010

Education Stabilization Fund #84.425

2023-003: Lack of Time and Effort Documentation for Personnel Costs

Condition: During the audit period, it was discovered that the School Department did not maintain appropriate time and effort documentation for employees whose salaries are charged, in whole or in part, to federal awards.

Criteria: According to Uniform Guidance (2 CFR 200.430(i)), for salaries and wages to be charged to federal awards, records must accurately reflect the work performed and be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Cause: The City did not follow their established internal control system that requires time and effort reports or

equivalent documentation to be completed and maintained for employees engaged in federally funded activities.

Effect: The lack of proper time and effort documentation raises the risk of misstating salary expenses charged to federal programs and may result in questioned costs due to noncompliance with federal regulations.

Questioned Costs: Total payroll costs charged to the grants in 2023 was as follows:

Grant	Description	Questioned Cost
Special Education Cluster.....	Missing semi-annual time and effort certification.....	\$ 4,463,044
Title I.....	Missing semi-annual time and effort certification.....	6,059,683
Education Stabilization Fund...	Missing semi-annual time and effort certification.....	19,169,921
Total known questioned costs for fiscal year 2023.....		<u>\$ 29,692,648</u>

Recommendation: The City should follow their written policies and procedures outlining the time and effort reporting and documentation requirements. Management should ensure the standardized forms are approved by the individual in charge of the grant and overseen by grant management personnel. This will ensure compliance is not impacted by employee turnover in the future. Additionally, training should be provided to ensure that all personnel are aware of documentation requirements.

Views of Responsible Officials and Planned Corrective Actions: Please see submitted corrective action plan for views of responsible officials and planned corrective actions.

D. Summary Schedule of Prior Audit Findings and Questioned Costs

None.