

***CITY OF LOWELL, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***FOR THE YEAR ENDED JUNE 30, 2017***

**CITY OF LOWELL, MASSACHUSETTS**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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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, 2017, (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2016), 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 February 15, 2018.

### **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*

February 15, 2018



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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 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**

We have audited the City of Lowell, Massachusetts' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Lowell, Massachusetts' major federal programs for the year ended June 30, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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, 2017.

**Other Matters**

The results of our auditing procedures disclosed instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The City of Lowell, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Lowell, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the 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 the City of Lowell, Massachusetts, as of and for the year ended June 30, 2017 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2016), 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 February 15, 2018, 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*

February 15, 2018

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-160	\$ -	\$ 698,868
Cash Assistance:				
National School Lunch Program.....	10.555	09-160	-	6,135,848
Total National School Lunch Program.....			-	6,834,716
Cash Assistance:				
School Breakfast Program.....	10.553	09-160	-	2,630,651
TOTAL CHILD NUTRITION CLUSTER.....			-	9,465,367
<b>EMPLOYMENT SERVICE CLUSTER</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Employment Service/Wagner-Peyser Funded Activities (Fiscal Year 2017).....	17.207	17CCLOWWP	-	213,166
Employment Service/Wagner-Peyser Funded Activities (Fiscal Year 2016).....	17.207	16CCLOWWP	-	46,499
Total Employment Service/Wagner-Peyser Funded Activities.....			-	259,665
Disabled Veterans Outreach Program (DVOP).....	17.801	17CCLOWVETSUI	-	10,458
TOTAL EMPLOYMENT SERVICE CLUSTER.....			-	270,123
<b>WIA CLUSTER</b>				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
WIA Adult Program (Fiscal Year 2017).....	17.258	17CCLOWWIA	-	354,849
WIA Adult Program (Fiscal Year 2016).....	17.258	16CCLOWWIA	-	99,091
Total WIA Adult Program.....			-	453,940
WIA Youth Activities (Fiscal Year 2017).....	17.259	17CCLOWWIA	255,089	255,626
WIA Youth Activities (Fiscal Year 2016).....	17.259	16CCLOWWIA	-	151,106
Total WIA Youth Activities.....			255,089	406,732
WIA Dislocated Workers Formula Grant (Fiscal Year 2017).....	17.278	17CCLOWWIA	-	483,782
WIA Dislocated Workers Formula Grant (Fiscal Year 2016).....	17.278	16CCLOWWIA	-	190,469
Total WIA Dislocated Workers Formula Grant.....			-	674,251
TOTAL WIA CLUSTER.....			255,089	1,534,923
<b>SPECIAL EDUCATION CLUSTER:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	240-101995-2017-0160	-	3,048,394
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	240-167-6-0160	-	644,614
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	240-413-6-0160	-	338,374
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	245-023-7-0160	-	57,060
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	274-223-6-0160	-	55,982
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	274-223-7-0160	-	44,778
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	245-044-7-0160	-	6,760
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	245-010-7-0160	-	25,963
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2016).....	84.027	243-146-6-0160	-	14,618
Total Special Education-Grants to States (IDEA, Part B).....			-	4,236,543
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2017).....	84.173	298-996-7-0160	-	3,787
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2016).....	84.173	298-764-6-0160	-	2,775
<u>Passed through Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2017).....	84.173	26217LOWELLPUBS	-	89,058
Special Education Preschool Grants (IDEA, Preschool) (Fiscal Year 2016).....	84.173	26216LOWELLPUBS	-	4,131
Total Special Education Preschool Grants (IDEA, Preschool).....			-	99,751
TOTAL SPECIAL EDUCATION CLUSTER.....			-	4,336,294

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>OTHER PROGRAMS:</b>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	Not Applicable	276,739	1,934,043
Emergency Shelter Grants Program.....	14.231	Not Applicable	-	58,499
Supportive Housing Program.....	14.235	Not Applicable	-	456,573
HOME Investment Partnerships Program.....	14.239	Not Applicable	-	762,459
Housing Opportunities for Persons with AIDS.....	14.241	Not Applicable	1,153,609	1,153,609
Lead-Based Paint Hazard Control in Privately-Owned Housing.....	14.900	Not Applicable	-	583,429
TOTAL HOUSING AND URBAN DEVELOPMENT.....			1,430,348	4,948,612
U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARKS SERVICE				
<u>Direct Programs:</u>				
Cultural Resources Management.....	15.946	Not Applicable	-	95,085
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Programs:</u>				
Grants to Encourage Arrest Policies & Enforcement of Protection Orders Program.....	16.590	Not Applicable	-	109,434
Harold Rogers Prescription Drug Monitoring Program.....	16.754	Not Applicable	-	13,237
TOTAL DEPARTMENT OF JUSTICE.....			-	122,671
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Direct Programs:</u>				
State and Community Highway Safety.....	20.600	Not Applicable	-	56,793
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Programs:</u>				
Brownfields Assessment and Cleanup Cooperative Grants.....	66.818	Not Applicable	-	4,276
U.S. DEPARTMENT OF ENERGY:				
<u>Direct Programs:</u>				
Energy Efficiency and Conservation Block Grant Program (EECBG).....	81.128	Not Applicable	-	8,208
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	Not Applicable	-	30,444
<b>PASS-THROUGH PROGRAMS:</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Farm to School Grant Program.....	10.575	CN-F2S-IMPL-15-MA	-	13,981
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed through the Massachusetts Executive Office of Public Safety and Security:</u>				
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	BJAG1FY17LOWELL	-	204,983
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Unemployment Insurance (Fiscal Year 2017).....	17.225	17CCLOWVETSUI	-	38,418
Unemployment Insurance (Fiscal Year 2016).....	17.225	16CCLOWVETSUI	-	14,527
Total Unemployment Insurance.....			-	52,945
Trade Adjustment Assistance.....	17.245	16CCLOWTRADE	-	79,338
Workforce Investment Act (WIA) National Emergency Grants.....	17.277	16CCLOWNEGREA	-	414,431
TOTAL LABOR.....			-	546,714
NATIONAL SCIENCE FOUNDATION:				
<u>Passed through State Department of Education:</u>				
Computer and Information Science and Engineering.....	47.070	S521000029673P	-	18,256

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
<u>Passed through Massachusetts Department of Elementary &amp; Secondary Education:</u>				
Adult Education - Basic Grants to States (Fiscal Year 2017).....	84.002	340-013-7-0160	-	301,938
Adult Education - Basic Grants to States (Fiscal Year 2016).....	84.002	340-009-6-0160	-	81,696
Total Adult Education - Basic Grants to States.....			-	383,634
Title I Grants to Local Education Agencies (Fiscal Year 2017).....	84.010	305-097381-2017-0160	-	3,906,677
Title I Grants to Local Education Agencies (Fiscal Year 2016).....	84.010	305-074209-2016-0160	-	1,265,219
Title I Grants to Local Education Agencies (Fiscal Year 2017).....	84.010	320-191-7-0160	-	24,357
Title I Grants to Local Education Agencies (Fiscal Year 2017).....	84.010	321-001-7-0160	-	3,534
Title I Grants to Local Education Agencies (Fiscal Year 2017).....	84.010	323-017-7-0160	-	74,410
Title I Grants to Local Education Agencies (Fiscal Year 2016).....	84.010	323-010-6-0160	-	28,055
Total Title I Grants to Local Education Agencies.....			-	5,302,252
Career and Technical Education - Basic Grants to States (Fiscal Year 2017).....	84.048	400-039-7-0160	-	85,609
Career and Technical Education - Basic Grants to States (Fiscal Year 2016).....	84.048	400-068-6-0160	-	12,836
Total Career and Technical Education - Basic Grants to States.....			-	98,445
Education for Homeless Children and Youth (Fiscal Year 2017).....	84.196	310-018-7-0160	-	30,392
Education for Homeless Children and Youth (Fiscal Year 2016).....	84.196	400-039-7-0160	-	16,472
Total Education for Homeless Children and Youth.....			-	46,864
Fund for the Improvement of Education (Fiscal Year 2017).....	84.215	S21-5E-150-154	-	545,774
Fund for the Improvement of Education (Fiscal Year 2016).....	84.215	U21-5J-150-023	-	213,806
Total Fund for the Improvement of Education.....			-	759,580
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-135-7-0160	-	66,745
Twenty-First Century Community Learning Centers (Fiscal Year 2016).....	84.287	647-196-6-0160	-	11,940
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-181-7-0160	-	5,219
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-064-7-0160	-	153,751
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-015-7-0160	-	103,868
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-018-7-0160	-	24,774
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-107-7-0160	-	527,851
Twenty-First Century Community Learning Centers (Fiscal Year 2017).....	84.287	647-156-7-0160	-	73,388
Total Twenty-First Century Community Learning Centers.....			-	967,536
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	186-120136-2017-0160	-	41,446
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-061-6-0160	-	4,038
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-030-7-0160	-	38,116
English Language Acquisition Grants (Fiscal Year 2016).....	84.365	180-030-7-0160	-	42,907
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-120137-2017-0160	-	498,262
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	184-011-7-0160	-	10,321
Total English Language Acquisition Grants.....			-	635,090
Improving Teacher Quality State Grants (Fiscal Year 2017).....	84.367	140-101191-2017-0160	-	1,118,172
Improving Teacher Quality State Grants (Fiscal Year 2016).....	84.367	140-077389-2016-0160	-	190,703
Total Improving Teacher Quality State Grants.....			-	1,308,875
<u>Passed through Department of Early Education and Care:</u>				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants.....	84.395	RTTT14014053LOWEC4	-	293
Preschool Development Grants (Fiscal Year 2017).....	84.419	51817PEGLOWEL	-	1,896,659
Preschool Development Grants (Fiscal Year 2016).....	84.419	51816PEGLOWEL	-	560,565
Total Preschool Development Grants.....			-	2,457,224
<b>TOTAL DEPARTMENT OF EDUCATION.....</b>			<b>-</b>	<b>11,959,793</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
<u>Passed through Massachusetts Office of Refugees and Immigrants:</u>				
Refugee & Entrant Assistance-Discretionary Grants.....	93.576	INTF010017SI000000	-	41,393
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<u>Passed through the Massachusetts Emergency Management Agency:</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	JAN 2015 STORM PW	-	502,703
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	MARCH 2010 FLOODS PW	-	5,014
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	FEB 2013 BLIZZRD PW	-	19,839
Total Disaster Grants - Public Assistance.....			-	527,556
<u>Passed through the Massachusetts Executive Office of Public Safety:</u>				
Emergency Management Performance Grants.....	97.042	FFY16 EMPG GRANT	-	31,186
Assistance to Firefighters Grant.....	97.044	EMW-2015-FV-01444	-	2,435
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY.....</b>			<b>-</b>	<b>561,177</b>
<b>TOTAL.....</b>			<b>\$ 1,685,437</b>	<b>\$ 34,219,093</b>

(Concluded)

See notes to schedule of expenditures of federal awards.

**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 under programs of the federal government for the year ended June 30, 2017. 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 of Lowell, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lowell, Massachusetts.

**Note 2 – Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Lowell, Massachusetts 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 received.
- e) The City of Lowell, Massachusetts 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 of Lowell, Massachusetts.
2. No material weaknesses or 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 financial statements of the City of Lowell, Massachusetts, were disclosed during the audit.
4. 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.
5. The auditor's report on compliance for the major federal award programs for the City of Lowell, Massachusetts, expresses an unmodified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Uniform Guidance are reported in the schedule of findings and questioned costs.
7. The programs tested as a major grants are the Special Education Cluster, WIA Cluster, Community Development Block Grants and Housing Opportunities for Persons with AIDS.
8. The threshold for distinguishing Types A and B programs was \$1,026,573.
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 Programs****U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Housing Opportunities for Persons with AIDS 14.241

**2017-001:** *Condition and criteria:* The City Lowell does not receive any communication from, nor do they conduct monitoring visits to their administrative sub-recipient, the City of Lynn, to determine if they are conducting remote and on-site monitoring of project sponsors operating in Essex County.

*Context:* The City does not have adequate procedures in place to verify that their administrative sub-recipient is conducting remote and on-site monitoring of project sponsors operating in Essex County.

*Effect:* The City is not in compliance with the grant agreement.

*Questioned Costs:* None.

*Auditors' Recommendation:* We recommend that the City implement procedures to ensure compliance over all sub-recipients.

**D. Summary Schedule of Prior Audit Findings - None**