

CITY OF LOWELL, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2019

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FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 14, 2020.

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 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. 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 14, 2020



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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, 2019. 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, Massachusetts' compliance.

Opinion on Each of the Other Major Federal Programs

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, 2019.

Other Matters

The results of our auditing procedures disclosed instances 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 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

City of Lowell, Massachusetts' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Powers + Sullivan, LLC

March 6, 2020



REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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Independent Auditor's Report

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

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, 2019, 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 14, 2020, 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 14, 2020

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA 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 & Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-160	\$ -	\$ 635,742
Cash Assistance:				
National School Lunch Program.....	10.555	09-160	-	6,132,634
Total National School Lunch Program.....			-	6,768,376
Cash Assistance:				
School Breakfast Program.....	10.553	09-160	-	2,778,672
Summer Food Service Program.....	10.559	09-160	-	222,747
TOTAL CHILD NUTRITION CLUSTER.....			-	9,769,795
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 (Fiscal Year 2019).....	17.207	19CCLOWWP	-	134,144
Employment Service/Wagner-Peyser Funded Activities (Fiscal Year 2018).....	17.207	18CCLOWVETSUI	-	10,362
Employment Service/Wagner-Peyser Funded Activities (Fiscal Year 2017).....	17.207	17CCLOWVETSUI	-	208,823
Total Employment Service/Wagner-Peyser Funded Activities.....			-	353,329
Disabled Veterans Outreach Program (Fiscal Year 2019).....	17.801	19CCLOWVETSUI	-	12,339
Disabled Veterans Outreach Program (Fiscal Year 2018).....	17.801	18CCLOWVETSUI	-	2,835
Total Disabled Veterans Outreach Program.....			-	15,174
TOTAL EMPLOYMENT SERVICE CLUSTER.....			-	368,503
WIOA CLUSTER				
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
WIOA Adult Program (Fiscal Year 2019).....	17.258	19CCLOWWIA	-	422,111
WIOA Adult Program (Fiscal Year 2018).....	17.258	18CCLOWWIA	-	84,423
Total WIOA Adult Program.....			-	506,534
WIOA Youth Activities (Fiscal Year 2019).....	17.259	19CCLOWWIA	166,018	324,059
WIOA Youth Activities (Fiscal Year 2018).....	17.259	18CCLOWWIA	-	162,656
Total WIOA Youth Activities.....			166,018	486,715
WIOA Dislocated Workers Formula Grant (Fiscal Year 2019).....	17.278	19CCLOWWIA	-	444,520
WIOA Dislocated Workers Formula Grant (Fiscal Year 2018).....	17.278	18CCLOWWIA	-	43,205
Total WIOA Dislocated Workers Formula Grant.....			-	487,725
TOTAL WIOA CLUSTER.....			166,018	1,480,974
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary & Secondary Education:</u>				
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2019).....	84.027	240-218827-2019-0160	-	3,401,941
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	240-145595-2018-0160	-	1,048,965
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2017).....	84.027	240-101995-2017-0160	-	210
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	274-203697-2018-0160	-	13,808
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2019).....	84.027	244-224993-2019-0160	-	25,395
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	244-162096-2018-0160	-	4,360
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2019).....	84.027	245-284837-2019-0160	-	12,105
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2018).....	84.027	245-172557-2018-0160	-	4,610
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2019).....	84.027	250-287449-2019-0160	-	5,878
Special Education-Grants to States (IDEA, Part B) (Fiscal Year 2019).....	84.027	231-285419-2019-0160	-	8,499
Total Special Education-Grants to States (IDEA, Part B).....			-	4,525,771
<u>Passed through Massachusetts Department of Elementary & Secondary Education:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	262-209420-2019-0160	-	89,680
Special Education Preschool Grants (IDEA, Preschool).....	84.173	298-202667-2018-0160	-	1,480
<u>Passed through Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26218LOWELLPUBS	-	946
Total Special Education Preschool Grants (IDEA, Preschool).....			-	92,106
TOTAL SPECIAL EDUCATION CLUSTER.....			-	4,617,877
DIRECT PROGRAMS:				
U.S. DEPARTMENT OF COMMERCE:				
<u>Direct Programs:</u>				
Investments for Public Works and Economic Development Facilities.....	11.300	Not Applicable	-	1,273,337

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	Not Applicable	480,073	1,544,309
Emergency Shelter Grants Program.....	14.231	Not Applicable	-	159,214
HOME Investment Partnerships Program.....	14.239	Not Applicable	-	603,953
Housing Opportunities for Persons with AIDS.....	14.241	Not Applicable	1,290,465	1,307,817
Continuum of Care Grants.....	14.267	Not Applicable	-	572,146
Lead-Based Paint Hazard Control in Privately-Owned Housing.....	14.900	Not Applicable	-	61,057
TOTAL HOUSING AND URBAN DEVELOPMENT.....			1,770,538	4,248,496
U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARKS SERVICE				
<u>Direct Programs:</u>				
Cultural Resources Management.....	15.946	Not Applicable	-	83,000
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Programs:</u>				
Grants to Encourage Arrest Policies & Enforcement of Protection Orders Program.....	16.590	Not Applicable	-	165,519
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	Not Applicable	-	225,660
Criminal and Juvenile Justice and Mental Health Collaboration Program.....	16.745	Not Applicable	-	35,943
Harold Rogers Prescription Drug Monitoring Program.....	16.754	Not Applicable	-	132,343
Equitable Sharing Program.....	16.922	Not Applicable	-	1,170,890
TOTAL DEPARTMENT OF JUSTICE.....			-	1,730,355
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through Highway Safety Bureau:</u>				
State and Community Highway Safety.....	20.600	2019LOWELLSTEP	-	92,176
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<u>Direct Programs:</u>				
Brownfields Assessment and Cleanup Cooperative Grants.....	66.818	Not Applicable	-	83,196
U.S. DEPARTMENT OF ENERGY:				
<u>Direct Programs:</u>				
Energy Efficiency and Conservation Block Grant Program (EECBG).....	81.128	Not Applicable	-	2,842
PASS-THROUGH PROGRAMS:				
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	BJAG1FY19LOWELL	-	13,445
U.S. DEPARTMENT OF LABOR:				
<u>Passed through Executive Office of Labor and Workforce Development:</u>				
Unemployment Insurance (Fiscal Year 2019).....	17.225	19CCLOWNEGREA	-	31,931
Unemployment Insurance (Fiscal Year 2018).....	17.225	18CCLOWVETSUI	-	38,844
Total Unemployment Insurance.....			-	70,775
Trade Adjustment Assistance.....	17.245	19CCLOWTRADE	-	141,056
Workforce Investment Act (WIOA) National Emergency Grants.....	17.277	19CCLOWNEGREA	-	20,727
TOTAL DEPARTMENT OF LABOR.....			-	232,558
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary & Secondary Education:</u>				
Adult Education - Basic Grants to States (Fiscal Year 2019).....	84.002	340-207738-2019-0160	-	295,497
Adult Education - Basic Grants to States (Fiscal Year 2018).....	84.002	340-137839-2018-0160	-	70,943
Adult Education - Basic Grants to States (Fiscal Year 2019).....	84.002	359-207739-2019-0160	-	60,882
Total Adult Education - Basic Grants to States.....			-	427,322
Title I Grants to Local Education Agencies (Fiscal Year 2019).....	84.010	305-217643-2019-0160	-	4,644,799
Title I Grants to Local Education Agencies (Fiscal Year 2018).....	84.010	305-139251-2018-0160	-	454,588
Title I Grants to Local Education Agencies (Fiscal Year 2017).....	84.010	305-097381-2017-0160	-	1,458
Title I Grants to Local Education Agencies (Fiscal Year 2019).....	84.010	539-208521-2019-0160	-	289,346
Title I Grants to Local Education Agencies (Fiscal Year 2018).....	84.010	539-138998-2018-0160	-	69,104
Title I Grants to Local Education Agencies (Fiscal Year 2019).....	84.010	320-260005-2019-0160	-	8,855
Title I Grants to Local Education Agencies (Fiscal Year 2019).....	84.010	325-280813-2019-0160	-	85,218
Title I Grants to Local Education Agencies (Fiscal Year 2018).....	84.010	323-201722-2018-0160	-	29,123
Total Title I Grants to Local Education Agencies.....			-	5,582,491
Career and Technical Education - Basic Grants to States (Fiscal Year 2018).....	84.048	400-260913-2019-0160	-	66,167
Career and Technical Education - Basic Grants to States (Fiscal Year 2018).....	84.048	400-139247-2018-0160	-	20,074
Total Career and Technical Education - Basic Grants to States.....			-	86,241

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
Education for Homeless Children and Youth (Fiscal Year 2019).....	84.196	310-225109-2019-0160	-	27,160
Education for Homeless Children and Youth (Fiscal Year 2018).....	84.196	310-145598-2018-0160	-	21,822
Education for Homeless Children and Youth (Fiscal Year 2017).....	84.196	310-018-7-0160	-	540
Total Education for Homeless Children and Youth.....			-	49,522
Fund for the Improvement of Education (Fiscal Year 2019).....	84.215	S21-5E-150-154	-	300,647
Fund for the Improvement of Education (Fiscal Year 2018).....	84.215	S21-5E-150-154	-	189,106
Total Fund for the Improvement of Education.....			-	489,753
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	645-215001-2019-0160	-	711,630
Twenty-First Century Community Learning Centers (Fiscal Year 2018).....	84.287	645-144236-2018-0160	-	234,383
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	646-211048-2019-0160	-	28,213
Twenty-First Century Community Learning Centers (Fiscal Year 2018).....	84.287	646-144237-2018-0160	-	133,022
Twenty-First Century Community Learning Centers (Fiscal Year 2019).....	84.287	647-225111-2019-0160	-	242,344
Twenty-First Century Community Learning Centers (Fiscal Year 2018).....	84.287	647-070-8-0160	-	51,848
Total Twenty-First Century Community Learning Centers.....			-	1,401,440
English Language Acquisition Grants (Fiscal Year 2019).....	84.365	180-217675-2019-0160	-	410,328
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	180-145596-2018-0160	-	27,519
English Language Acquisition Grants (Fiscal Year 2019).....	84.365	186-285591-2019-0160	-	91,180
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	186-202029-2018-0160	-	49,934
Total English Language Acquisition Grants.....			-	578,961
Supporting Effective Instruction State Grants (Fiscal Year 2019).....	84.367	140-217674-2019-0160	-	547,034
Supporting Effective Instruction State Grants (Fiscal Year 2018).....	84.367	140-140443-2018-0160	-	132,638
Supporting Effective Instruction State Grants (Fiscal Year 2017).....	84.367	140-101191-2017-0160	-	83,169
Total Supporting Effective Instruction State Grants.....			-	762,841
Student Support and Academic Enrichment (Fiscal Year 2019).....	84.424	309-217676-2019-0160	-	253,221
Student Support and Academic Enrichment (Fiscal Year 2018).....	84.424	309-140444-2018-0160	-	8,182
Total Student Support and Academic Enrichment.....			-	261,403
<u>Passed through Department of Early Education and Care:</u>				
Preschool Development Grants (Fiscal Year 2019).....	84.419	51819PEGLOWELLP	-	2,040,739
Preschool Development Grants (Fiscal Year 2018).....	84.419	51918LOWELLPUBL	-	707,215
Total Preschool Development Grants.....			-	2,747,954
TOTAL DEPARTMENT OF EDUCATION.....			-	12,387,928
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through the Massachusetts Department of Public Health:</u>				
Preventative Health and Health Services Block Grant.....	93.991	LOWMIMFY19Q1	-	30,000
U.S. DEPARTMENT OF HOMELAND SECURITY				
<u>Passed through the Massachusetts Emergency Management Agency:</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	F4379DR PW142	-	450,922
<u>Passed through the Massachusetts Executive Office of Public Safety</u>				
Emergency Management Performance Grants.....	97.042	EMPG18 - LOWELL	-	35,021
Assistance to Firefighters Grant.....	97.044	EMW-2015-FV-01444	-	939,326
TOTAL DEPARTMENT OF HOMELAND SECURITY.....			-	1,425,269
TOTAL.....			\$ 1,936,556	\$ 37,839,751

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 under programs of the federal government for the year ended June 30, 2019. 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, was 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 major grants are as follows:

	<u>CFDA #</u>
• Child Nutrition Cluster	10.553, 10.555, 10.559
• Investments for Public Works and Economic Development Facilities	11.300
• Equitable Sharing Program	16.922
• Title I Grants to Local Education Agencies	84.010
• Preschool Development Grants	84.419
8. The threshold for distinguishing Types A and B programs was \$1,135,193.
9. The City of Lowell, Massachusetts was determined to be a high-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs**2019-001: Equitable Sharing Program CFDA #16.922**

Condition and criteria: The City's Police Department (Department) participates in the Equitable Sharing Program in which funds seized through various legal actions are distributed to local Department's to utilize for the purchase of equipment and other costs associated with public safety operations. An inventory must be maintained of all related equipment purchases made with Equitable Sharing Program funds. Additionally, some of the purchases made exceed the City's capital asset threshold and therefore should also be reported to the City Auditor for financial reporting purposes as part of the City's capital asset balance.

Context: The Department has not complied with the grant requirements by the lack of proper procedures in place to maintain a comprehensive and up to date inventory listing of all purchases made with Equitable Sharing Program funds, and to provide the City Auditor with information on purchases that exceed the City's capital asset threshold.

Effect: The Department is not in compliance with grant requirements.

Cause: Departmental turnover and lack of formal written procedures for handling of grant purchases.

Questioned Costs: N/A

Auditors' Recommendation: We recommend that the Department implement written procedures for all personnel that handle Equitable Sharing Program funds that outline the procedures and requirements for maintaining a complete and up to date inventory of all purchases made and what purchases must also be reported to the City Auditor's Office for financial reporting purposes.

View of Responsible Officials: The Lowell Police Department has since implemented a written policy and procedure manual for all personnel that handle the Equitable Sharing Program funds. Additionally, an up to date inventory list of all purchases made through the program has been created and will be maintained by the Department. This report will be submitted to the City Auditor's Office on the quarterly basis for financial reporting purposes.

D. Summary Schedule of Prior Audit Findings**Financial Statements Audit****2018-001: Material Weakness – School Budget Over Expenditures**

Condition and criteria: The school department intentionally withheld invoices resulting \$1,431,206 of food service bills for April, May and June of 2018 that remained unpaid and accrued at June 30, 2018. These bills would have caused the fund to go into a deficit position of \$776,000. There was also approximately \$200,000 of invoices that relate to the School general fund operating budget that were not recorded. This would have caused a budgetary deficit in the education line item of the City's budget.

Auditors' Recommendation: We recommend that the City implement procedures to strengthen controls to provide reasonable assurances that expenditures are properly reported in the City's financial records and in the proper period.

This would include a process for the School Department to address any future operating deficits by implementing a budgetary plan to reduce expenditures to amounts available to them through the general fund appropriation or other funding sources.

Current Status: During fiscal year 2019, the City and School Department implemented procedures to strengthen controls to ensure expenditures were recorded in the proper fiscal year. Further, the budget was closely monitored to ensure no over expenditures. The school department came in under budget for fiscal year 2019. We consider this matter to be resolved.

U.S. DEPARTMENT OF AGRICULTURE

2018-002: Material Weakness – Child Nutrition Cluster CFDA #10.553, 10.555, 10.559

Condition and criteria: The City used an indirect cost rate which was higher than the cost rate approved by the cognizant agency, Department of Elementary and Secondary Education (DESE). The approved cost rate was 11.89% for the fiscal year under audit. Further, a higher rate was also used for the 2016-2017 and 2018-2019 school year.

Auditors' Recommendation: We recommend that the City implement procedures to ensure compliance with this grant requirement for future years. Further, we recommend the City ensure the unallowable costs are recovered by the food service revolving fund for the year under audit, and the other years indicated in DESE's review.

Current Status: During fiscal year 2019, the School Department implemented additional controls for the Child Nutrition Cluster which included expenditure approval by the School Committee. Further, all indirect costs were reviewed and approved prior to posting the adjustments within the ledger. The approved indirect cost rates were used for fiscal year 2019. We consider this matter to be resolved.