



Massachusetts Department of Elementary and Secondary Education

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July 6, 2015

Dr. Melinda Boone
Superintendent
Worcester Public Schools
20 Irving Street
Worcester, MA 01609

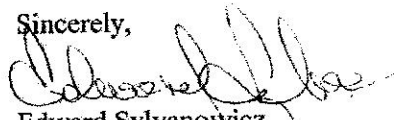
Dear Superintendent Boone

On May 6 to 8, 2015 your School District took part in the Massachusetts Department of Elementary and Secondary Education (ESE) Fiscal Review. We also conducted a review of the financial compliance for the Title IIA, Teacher Quality grant for the Worcester Public Schools District.

Enclosed, please find the final executive summary generated as a result of the fiscal review performed. The summary details the Worcester Public Schools employees interviewed and a list of the documentation we retained in the final review file. In addition, we highlighted fiscal observations made during the review.

The Department of Elementary and Secondary Education (ESE) would like to thank you and your staff for your cooperation and participation in our fiscal review program. Should you have any questions, please call me at 781-338-6531 or email me at esylvanowicz@doe.mass.edu.

Sincerely,


Edward Sylvanowicz
Supervising Auditor
esylvanowicz@doe.mass.edu
781-338-6531

Copy: Brian Allen, Chief Financial and Operations Officer
Gregory Bares, Manager of Grant Resources and Title I

Executive Summary

The Audit and Compliance Unit of the Massachusetts Department of Elementary and Secondary Education performed a fiscal review of the Worcester Public Schools in conjunction with the Department of Elementary and Secondary Education, Program Quality Assurance Unit's Coordinated Program Review. The fiscal review was conducted on May 6 to 8, 2015.

We have performed the procedures enumerated below primarily to gain a knowledge and understanding of the Worcester Public Schools fiscal policies and procedures, per the Single Audit (A133) direct fiscal sub recipient monitoring requirement. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been prepared or for any other purpose.

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated observations:

- A. Interviewed and documented conversations with various school business office fiscal staff. Interviews were conducted to gain an understanding of the policies and procedures in place. Areas documented included, but were not limited to Accounts Payable, Accounts Receivable, Payroll, and General Ledger Accounting. The following are the individuals the Audit and Compliance Unit met with:
 - Gregory Bares, Manager of Grant Resources and Title I
 - Tara Thompson, Financial Director of Grants
- B. Obtained and retained examples of the policies and procedures in place to corroborate the assertions made by the above individuals, but were not tested for accuracy or effectiveness. Items obtained for the review's work papers included but are not limited to:
 - Organization Chart
 - Budget Process
 - Employee Certifications
 - Time and Attendance Reports
 - Signed Warrant Cover Pages
 - Purchasing Policies and Procedures
 - Sample Purchase Order
 - State Ethics Certification Form
 - Budget to Actual YTD Report
 - Stipend Listing

Based on the individual interviews and the corroborating evidence provided, we feel comfortable that there are policies and procedures in place.

Observations

Worcester Public Schools District has done well in maintaining a number of good business practices in the Business Office. The District is prudent to not maintain an administrative petty cash or credit cards and maintains effective control over payroll and purchasing. However, it might be beneficial for the District to document all those practices so there is no confusion or misunderstanding in the future. The best practice not covered under a written policy is referring to a Suspended and Debarred list prior to making a purchase.

LEA response: The district's Finance and Operations division has established a working group to update and coordinate documentation of internal controls and related procedures. Updated documentation will include required verification that prospective vendors are not suspended or debarred from being paid with federal, state, or city funds. A Suspension and Debarment policy has already been added to the draft Grant Procedure Manual for 2015-2016.

The District has set up their Chart of Accounts to reflect the Department of Elementary and Secondary Education's expenditure classifications. This set up allows the District to meet reporting requirements more efficiently and eliminates the need for a crosswalk.

The District only covers employees of certain departments with blanket insurance bonds to insure coverage in the event of loss. The current amounts, \$25,000 for Student Activity and Nutrition and \$10,000 for Athletics, might not be adequate in the event of a loss and should be reevaluated. The District should ensure that all persons having access to cash or checks are to be adequately bonded to insure coverage in the event of a loss.

LEA response: The district is currently consulting with its insurers to determine whether current bond amounts are adequate to protect against potential loss, and that all applicable employees are covered.

M.G.L. Chapter 71, section 47 states in part that "All student activity accounts shall have an external audit at least once every three years" The student activity accounts were reported as an Agency Fund in the City's audited financial statements. However, there is no assurance that a separate external audit of the student activity accounts was performed. The District arranged for such an audit but there is no indication it has been completed since an audit report could not be produced.

LEA response: While an external audit of student activity accounts has been conducted, as of the date of this reply, the auditors have not yet issued their report. We will be happy to provide a copy of this report when it has been received by the Worcester Public Schools.

The final financial reports for DESE grants are due sixty days subsequent to the end of the award period. The District has filed these reports for all grants in a timely manner.

We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion on the internal control structure as a whole. Accordingly, we do not

express such an opinion. Had we been required to perform additional procedures, matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Massachusetts Department of Elementary and Secondary Education and the Worcester Public Schools and should not be used for any other purpose.

Copy: Worcester Public Schools District CPR Fiscal File

Executive Summary

The Department of Elementary and Secondary Education's Audit and Compliance Unit conducted a review of the financial compliance for the Title IIA, Teacher Quality grant for Worcester Public Schools, located at 20 Irving Street, Worcester, Massachusetts.

As part of receiving Title IIA, Teacher Quality grant from the Department of Elementary & Secondary Education (ESE), the Organization is required to expend funds in accordance with the program guidelines and at the conclusion of grant activities, must submit a final financial report to the department for their expenditure of the funds received.

To ensure that the grant funds were expended in compliance with grant requirements and were used for their intended purposes, we performed a random test of the financial transactions to evaluate if the funds were expended according to grant requirements and in compliance with accounting principles generally accepted in the United States of America (GAAP).

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated observations:

- Trace Final Report (FR1) information to the grantee's accounting records.
- Sample and test Final Report expenditures.

Trace Final Report Information to Grantee Accounting Records:

The information reported to the Department on their Final Financial Report (FR1) was reviewed. The expended line item amounts disclosed on the FR1 were traced to the District's detailed general ledgers. Specific line items were verified to ensure that expenditure of funds for each line item corresponds to the description budgeted for that line item.

Observations:

The City of Worcester submitted and obtained a revised Administrative Cost Allocation plan for fiscal year 2010 from its federal cognizant agent, the U.S. Department of Housing and Urban Development. The revised plan approved an increase, from 1% to 3% of the City's indirect cost rate reimbursement.

The Worcester Public Schools continues to budget 1% as this is the maximum amount authorized by the Worcester School Committee and approved by ESE. The City of Worcester withheld \$53,085.84 (2.86%) in indirect costs for the Title IIA grant for fiscal

year 2014, while the Worcester Public Schools Title IIA ESE approved budget charged indirect costs of \$18,581. This resulted in an excess expenditure of \$34,504.84 in that line item which was funded by expenditure reductions in other areas of the grant. The increase in indirect costs which is reported on the Final Report (FR-1) was not approved by ESE. The U.S. Office of Management and Budget is aware of this situation.

Except for indirect costs, amounts and account descriptions for expenditures submitted on the FR1 accurately reflected the School District's detailed general ledger amounts and account descriptions.

Sample of Final Report (FR1) Payroll

We sampled the payroll records that pertain to the Title IIA Teacher Quality grant. The hours worked were verified by reference to time sheet, hourly wage and payroll records. We also determined if salaries were allocated for any position, reviewed any allocation methods and tested them for reasonableness.

Observations:

Our review of payroll records disclosed that the payroll data was accurate and had proper supporting documentation.

Sample of Final Report (FR1) Expenditures

We reviewed and selected a judgmental sample of general ledger expenditures to verify the propriety and allowability of these transactions, testing consisted of reviewing the expenditures to verify all expenditures were reasonable, allowable under federal and state guidelines, adequately supported, authorized and during the period of availability.

Observations:

Our review of the selected general ledger expenditures determined that the expenditures tested were in compliance with grant requirements.

Conclusions:

We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion on the internal control structure as a whole. Accordingly, we do not express such an opinion. Had we been required to perform additional procedures, matters might have come to our attention that would have been reported to you.

After you have had an opportunity to consider our comments we would be pleased to discuss them with you.

This report is intended solely for the information and use of the Massachusetts Department of Elementary and Secondary Education and Worcester Public Schools. This should not be used for any other purpose.

Copy: Worcester Public School District CPR Fiscal File