

CITY OF BROCKTON, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2016

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**INDEPENDENT AUDITORS' 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**

To the Honorable Mayor and City Council
City of Brockton, 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 Brockton, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Brockton, Massachusetts' basic financial statements, and have issued our report thereon dated March 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brockton, 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 Brockton, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brockton, 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 a 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.

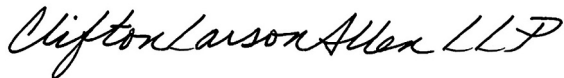
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2016-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brockton, 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 result 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
March 29, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Brockton, 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 Brockton, Massachusetts' major federal programs for the year ended June 30, 2016. The City of Brockton, Massachusetts' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Brockton, 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 Brockton, 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 of the City of Brockton, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Brockton, 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, 2016.

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 items 2016-002, 2016-003, 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

The City of Brockton, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Brockton, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

Report on Internal Control Over Compliance

Management of the City of Brockton, 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 Brockton, 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 the 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 Brockton, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004 and 2016-005, that we consider to be significant deficiencies.

The City of Brockton, Massachusetts' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Brockton, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the City of Brockton, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Brockton, Massachusetts. We issued our report thereon dated March 29, 2017, 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 29, 2017

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Passed-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures	Passed Through Subrecipients
U.S. Department of Agriculture:				
Passed through State Department of Elementary and Secondary Education:				
School Breakfast Program	10.553	12-044	\$ 2,749,412	\$ -
National School Lunch Program - Cash Assistance	10.555	12-044	6,353,940	-
National School Lunch Program - Non-Cash Assistance - Commodities	10.555	12-044	946,690	-
Special Summer Food Service Program for Children	10.559	12-044	317,265	-
Child Nutrition Cluster Total			<u>10,367,307</u>	<u>-</u>
Child and Adult Care Food Program	10.558	12-044	234,581	-
Child Nutrition Discretionary Grants Limited Availability	10.579	722-003-6-0044-Q	20,000	-
Fresh Fruit and Vegetable Program	10.582	12-044	140,209	-
Total U.S. Department of Agriculture			<u>10,762,097</u>	<u>-</u>
U.S. Department of Defense:				
Direct Programs:				
US Army Junior ROTC	12.000	N/A	41,964	-
Total U.S. Department of Defense			<u>41,964</u>	<u>-</u>
U.S. Department of Housing and Urban Development:				
Direct Programs:				
Community Development Block Grant – Entitlement Grants	14.218	N/A	1,436,854	1,436,854
CDBG - Entitlement Cluster			<u>1,436,854</u>	<u>1,436,854</u>
Home Investment Partnerships Program	14.239	N/A	461,625	461,625
Community Development Block Grant - Section 108 Loan Guarantees	14.248	N/A	33,533	-
Total U.S. Department of Housing and Urban Development			<u>1,932,012</u>	<u>1,898,479</u>
U.S. Department of the Interior National Park Service:				
Passed through the State Executive Office of Energy & Environment:				
Outdoor Recreation Acquisition, Development and Planning	15.904	CTENV02961400000000	268,711	-
Total U.S. Department of the Interior National Park Service:			<u>268,711</u>	<u>-</u>
U.S. Department of Justice:				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	13,534	-
Total Direct Programs			<u>13,534</u>	<u>-</u>
Passed through Plymouth County District Attorney Office:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FFY12JAGBROCKTONPD01	83,892	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FFY13JAGBROCKTONPD01	52,421	-
Total U.S. Department of Justice			<u>149,847</u>	<u>-</u>
U.S. Department of Labor:				
Passed through Brockton Area Workforce Investment Board:				
WIA/WIOA Cluster - Employment Training Administration:				
WIA Adult Program	17.258	FY 15 DESE 540 Community Adult Learning Center	84	-
WIA Adult Program	17.258	FY 16 DESE 541 Community Adult Learning Center	58,300	-
WIA/WIOA Cluster Total			<u>58,384</u>	<u>-</u>
Total U.S. Department of Labor			<u>58,384</u>	<u>-</u>
U.S. Department of Transportation:				
Highway Planning and Construction Cluster - Federal Highway Administration:				
Passed through State Department of Transportation:				
Highway Planning and Construction	20.205	03134	18,379	-
Highway Planning and Construction Cluster Total			<u>18,379</u>	<u>-</u>
Highway Safety Cluster - National Highway Traffic Safety and Security:				
Passed through State Executive of Office of Public Safety and Security-				
State and Community Highway Safety	20.600	2014BROCKTONSTEPXXXX	39	-
State and Community Highway Safety	20.600	2013OTENF2017XXXXXXX	133,140	-
State and Community Highway Safety	20.600	2013OTENF2017XXXXXXX	15,939	-
State and Community Highway Safety	20.600	2016BROCKTONSTEPXXXX	19,803	-
Highway Safety Cluster Total			<u>168,921</u>	<u>-</u>
Passed through State Executive of Office of Public Safety and Security-				
Interagency Hazardous Material Public Sector Training and Planning Grants	20.703	FY15HMPEP1500000BROCK	2,199	-
Total U.S. Department of Transportation			<u>189,499</u>	<u>-</u>
Institute of Museum and Library Services:				
Passed through Massachusetts Board of Library Commissioners-				
Grants to States	45.310	16BROCKTONLIBRARY000	4,195	-
Total Institute of Museum and Library Services			<u>4,195</u>	<u>-</u>
U.S. Department of Education:				
Direct Programs:				
Capacity Building for Traditionally Underserved Populations	84.315	N/A	536,340	-
Special Education Cluster - Office of Special Education and Rehabilitative Services				
Passed through State Department of Elementary and Secondary Education:				
Special Education – Grants to States	84.027	240-153-6-0044-Q	4,274,467	-
Special Education – Grants to States	84.027	274-008-6-0044-Q	107,018	-
Special Education – Grants to States	84.027	240-170-5-0044-P	47,439	-
Special Education – Grants to States	84.027	245-035-6-0044-Q	9,726	-
Special Education – Preschool Grants (Kindergarten Development)	84.173	298-702-6-0044-Q	4,993	-
Passed through Massachusetts Department of Early Childhood Education & Care:				
Special Education – Grants to States	84.173	26216BROCKTONPUBLICS	103,642	-
Special Education – Grants to States	84.173	26215BROCKTONPUBLICS	2,920	-
Special Education Cluster			<u>4,550,205</u>	<u>-</u>
Passed through State Department of Elementary and Secondary Education:				
Adult Education - Basic Grants to States	84.002	340-026-5-0044-P	18,134	-
Title I – Grants to Local Educational Agencies	84.010	305-073351-2016-0044	5,369,070	-
Title I – Grants to Local Educational Agencies	84.010	323-013-6-0044-Q	40,861	-
Title I – Grants to Local Educational Agencies	84.010	511-050-5-0044-P	103,462	-
Title I – Grants to Local Educational Agencies	84.010	305-043630-2015-0044	368,387	-
Title I – Grants to Local Educational Agencies	84.010	323-005-5-0044-D	16,996	-

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Passed-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures	Passed Through Subrecipients
U.S. Department of Education (continued):				
Passed through State Department of Elementary and Secondary Education (continued):				
Vocational Education – Grants to States	84.048	400-0246-0044-Q	\$ 82,338	-
Vocational Education – Grants to States	84.048	400-018-5-0044-P	25,906	-
Education for Homeless Children & Youth	84.196	310-023-5-0044-P	5,776	-
Education for Homeless Children & Youth	84.196	310-029-6-0044-Q	33,000	-
Twenty-First Century Community Learning Centers	84.287	647-106-6-0044-Q	356,343	-
Twenty-First Century Community Learning Centers	84.287	647-125-6-0044-Q	83,235	-
Twenty-First Century Community Learning Centers	84.287	647-185-6-0044-Q	84,581	-
Twenty-First Century Community Learning Centers	84.287	647-099-5-0044-P	48,758	-
Twenty-First Century Community Learning Centers	84.287	647-028-6-0044-Q	92,151	-
High School Graduation Initiative	84.360	1176BROCKTONNMASSSGRAD	159,158	-
English Language Acquisition Grants	84.365	180-005-6-0044-Q	517,872	-
English Language Acquisition Grants	84.365	186-008-6-0044-Q	17,397	-
English Language Acquisition Grants	84.365	180-050-6-0044-Q	91,258	-
English Language Acquisition Grants	84.365	186-003-5-0044-P	33,635	-
English Language Acquisition Grants	84.365	180-013-5-0044-P	107,712	-
English Language Acquisition Grants	84.365	180-095-5-0044-P	43,193	-
Improving Teacher Quality State Grants	84.367	140-077344-2016-0044	1,183,140	-
Improving Teacher Quality State Grants	84.367	140-055829-2015-0044	11,224	-
ARRA – State Fiscal Stabilization Fund Race to the Top	84.395	201-043780-2015-0044	8,286	-
Total U.S. Department of Education			<u>13,988,398</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Direct Program:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	3,481	-
Medical Reserve Corps Small Grant Program	93.008	N/A	4,042	-
Total Direct Programs			<u>7,523</u>	<u>-</u>
Passed through Massachusetts Executive Office of Health and Human Services:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	INTF2354M03W30816051	34,661	34,661
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	INTF2354M04W5009117	63,750	62,554
School Based Medicaid Reimbursement Program	93.778		649,888	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354M04301822055	170,000	168,180
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354M04160222083	100,000	98,310
National Bioterrorism Hospital Preparedness Program	93.889	INTF6207P01W21916380	4,066	-
Passed through State Department of Elementary and Secondary Education:				
Head Start	93.600	23715BROCKTONPUBLIC	163,452	-
Passed through the Massachusetts Association of Health Boards:				
Public Health Emergency Preparedness	93.069	MRC 15-0928	5,991	-
Total U.S. Department of Health and Human Services			<u>1,199,331</u>	<u>363,705</u>
U.S. Department of Homeland Security:				
Passed through Massachusetts Emergency Management Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	CTFEMA4214BROCK	38,820	-
Emergency Management Performance Grants	97.042	FY16EMPG1500000BROCK	22,359	-
Passed through Southeast Regional Advisory Council:				
Homeland Security Grant Program	97.067	FY16CCP1400000BROCK	4,928	-
Total U.S. Department of Homeland Security			<u>66,107</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 28,660,545</u>	<u>\$ 2,262,184</u>

The accompanying notes are an integral part of the schedule of expenditures of federal award programs.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Brockton, Massachusetts under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 Brockton, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Brockton, Massachusetts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles in OMB Circular A-87, Cost Principles for State, Local or Indian Tribal Governments, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Brockton, Massachusetts did not elect to use the 10-percent de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

NOTE 3 U.S. DEPARTMENT OF AGRICULTURE

The amount reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represents non-monetary assistance and is reported in the Schedule at the fair market value of the commodities received. The amounts reported for the National School Lunch Program – Cash Assistance, School Breakfast Program and Special Summer Food Service Program for Children is reported in the schedule based on the modified accrual basis of accounting.

NOTE 4 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements for Administrative Activity Claims.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 5 U.S. DEPARTMENT OF HOMELAND SECURITY

U.S. Department of Homeland Security CFDA program 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) expenditures are recognized in the City's SEFA when both the Federal Emergency Management Administration (FEMA) has approved the City's Project Worksheets (PW) and the City has incurred the eligible expenditures. If the City incurs eligible expenditures in its prior fiscal years and FEMA approves the City's PW in the City's current or subsequent fiscal year, the City recognizes those eligible expenditures in either the City's current or subsequent fiscal year's Schedule. Accordingly, the City is recognizing \$38,820 of eligible expenditures from the January 2015 Storms on the current fiscal year's Schedule, which are for expenditures that occurred in the prior fiscal year.

This information is an integral part of the accompanying schedule of expenditures of federal award programs.

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
3. Noncompliance material to financial statements noted? yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Subpart F, Section 516(a) of the Uniform Guidance? yes no

Identification of Major Federal Programs

10.555, 10.553, 10.559 84.027, 84.173	Child Nutrition Cluster Special Education Cluster
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**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 859,816

Auditee qualified as low-risk auditee pursuant
to Uniform Guidance? _____ yes x no

Section II – Financial Statement Findings

2016 – 001

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition and Context: During 2016, management identified that the actuarial calculation of the 2015 total pension liability (impacting the net pension liability reported by the City) was understated. As a result, the 2015 net position reported for the City’s governmental activities, business-type activities and enterprise funds was overstated.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls over GAAP financial reporting.

Effect: The 2016 audited financial statements included a prior period restatement that increased the net pension liability and decreased the net position of governmental activities (\$5,924,256) and business-type activities and enterprise funds (\$559,394) to properly reflect the understatement of the net pension liability.

Cause: Procedures were not in place to ensure that the total pension liability was properly calculated.

Recommendation: We recommend management evaluate the current financial reporting processes and controls to ensure that controls are in place to properly record all transactions.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: None

Actions planned in response to finding: The Brockton Contributory Retirement System is managed through a five member board which is independent of the city in its hiring of staff and consultants and overall administration of the system. Subject to the provisions of MGL Chapter 32 B and the oversight of the state level of the Public Employee Retirement Administration Commission (PERAC), the board is also independent in its decisions on retirement applications, investment management and actuarial valuation of the funding status of the system, including actuarial, payroll, and investment assumptions. The five member board, all of whom are voting members, includes the Brockton City Auditor, who sits on the board by statute, a member who is appointed by the mayor, two members elected by the participants in the system, and a fifth

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

member selected by the other members. Because the city accounts for only two seats of five total, it does not directly control the board in its management of the system. The actuary responsible for the report in which the error occurred in stating the net pension liability is directly responsible for the content of that report, as is the board in hiring the actuary and accepting the report. The city, as did the board, relied on the professional competence of the actuary. Nonetheless, the information portrayed, as it impacted the city's financial statements, is the responsibility of the city, and the city acknowledges this. It will now be the city's policy that board meetings at which future actuarial valuations are engaged and accepted will be attended by the City Auditor with the instructions to more closely monitor and question the assumptions underlying and results of the periodic valuations before voting to approve them. In addition, the city's Chief Financial Officer, although not a voting board member, will attend to observe.

Responsible party: MaryLynn Peters Chu, City Auditor

Planned completion date for corrective action: Complete.

Plan to monitor completion of corrective action plan: Immediate policy change per above.

Section III – Findings and Questioned Costs – Major Federal Programs

2016-002

Federal agency: U.S. Department of Agriculture

Federal program title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555, 10.559

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education

Pass-Through Number(s): 12-044

Award Period: July 1, 2015 – June 30, 2016

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Eligibility

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of eligibility. The City of Brockton, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Federal guidelines require that local educational agencies (LEAs) determine a student's eligibility for free or reduced price meals by comparing the data reported on an application submitted by the child's household to published income eligibility guidelines.

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Condition: Internal controls were not in place to ensure accuracy of eligibility determination and maintaining appropriate documentation.

Questioned costs: None

Context: One of the sixty student applications selected for testing was listed listed reduced pay, however based on income provided on the lunch application the student's lunch status should be full pay. In addition, one of the sixty student applications selected for testing was unable to be located. The sample was statistically valid.

Cause: Procedures are not in place to ensure that all eligibility determinations are properly applied.

Effect: The City was not in compliance with certain eligibility requirements.

Repeat Finding: Yes, prior year finding 2015-001

Recommendation: We recommend the City review its procedures over the application of eligibility determinations to ensure the applications of such determinations is appropriate.

Views of responsible officials: There is no disagreement with the audit finding. See Corrective Action Plan.

2015-003

Federal agency: U.S. Department of Education

Federal program title: Special Education Cluster

CFDA Number: 84.027, 84.173

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education

Pass-Through Number(s): 240-170-5-0044-P

Award Period: July 1, 2015 – June 30, 2016

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Reporting

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of reporting. The City of Brockton, Massachusetts should have internal controls designed to ensure compliance with those provisions.

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Final Financial Reports must be submitted within 60 days of the grant period end date. The revenues and expenditures reported on the reports must be based on actual amounts received and expended and the report must be prepared in accordance with the Massachusetts Department of Elementary and Secondary Education's requirements.

Condition: Internal controls were not in place to file the reports timely.

Questioned costs: None

Context: One of the two reports selected for testing was submitted more than 60 days subsequent to the grant completion date. The sample was statistically valid.

Cause: Procedures were not in place to submit the final financial reports in accordance with the Uniform Guidance.

Effect: Reports submitted outside the required timeframe resulted in noncompliance.

Recommendation: Procedures must be implemented to ensure that all financial reports are submitted within the required timeframe.

Views of responsible officials: There is no disagreement with the audit finding. See Corrective Action Plan.

2015-004

Federal agency: U.S. Department of Education

Federal program: Special Education Cluster

CFDA Number: 84.027, 84.173

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education

Pass-Through Number(s): 240-153-6-004-Q, 240-170-5-0044-P

Award Period: July 1, 2015 – June 30, 2016

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Reporting

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of reporting. The City of Brockton, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Special Reporting – The City of Brockton, Massachusetts is required to report an unduplicated count of children with disabilities receiving special education and related services.

Condition: Internal controls were not in place to ensure the accuracy of the special reporting requirements.

Questioned costs: None

Context: 7 of the 60 students included in the October 2015 SIMS report were no longer receiving SPED services. The sample was statistically valid.

Cause: Procedures were not in place to ensure the documentation maintained was sufficient to support the inclusion of the students in the SIMS report.

Effect: Excess reporting of students in the SIMS report.

Recommendation: Procedures must be implemented to ensure that only students meeting the requirements for SPED inclusion in the SIMS report are included.

Views of responsible officials: There is no disagreement with the audit finding. See Corrective Action Plan.

2015-005

Federal agency: U.S. Department of Education

Federal program: Special Education Cluster

CFDA Number: 84.027, 84.173

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education

Pass-Through Number(s): 274-008-6-004-Q

Award Period: July 1, 2015 – June 30, 2016

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Cash Management

**CITY OF BROCKTON, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of cash management. The City of Brockton, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Federal guidelines require grant recipients to minimize the time elapsing between the receipt and disbursement of grant funds received from the Federal agency or pass-through entity

Condition: The City did not file the Requests for Funds (RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. As a result, the City held Federal grant funds and requested additional funds too soon.

Questioned costs: None

Context: 1 of 5 RF-1's tested. The sample was statistically valid.

Cause: Procedures are not in place to ensure that drawdown requests are either expended at the time of the request or within 30 days after the request.

Effect: The City was not in compliance with cash management requirements.

Recommendation: We recommend the District implement controls that prohibit drawdown requests unless the money is expended at the time of request or required within 30 days.

Views of responsible officials: There is no disagreement with the audit finding. See Corrective Action Plan.

Section IV – Prior Year Major Federal Program Findings

2015 – 001 – Eligibility – Child Nutrition Cluster

See current year finding 2016-002.

2015 – 002 – Special Tests and Provisions – Child Nutrition Cluster

During this year's testing of special tests and provisions related to the Child Nutrition Cluster Grants, no instances of noncompliance were noted. Resolved.