

TOWN OF BOURNE, MASSACHUSETTS

GAO AND OMB A-133 REPORTS

JUNE 30, 2013

TOWN OF BOURNE, MASSACHUSETTS

GAO AND OMB A-133 REPORTS

JUNE 30, 2013

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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 Board of Selectmen
Town of Bourne, 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 Town of Bourne, Massachusetts, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Bourne, Massachusetts' basic financial statements, and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

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

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CliftonLarsonAllen LLP

Boston, Massachusetts
March 28, 2014

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Bourne, Massachusetts' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Bourne, Massachusetts' major federal programs for the fiscal year ended June 30, 2013. The Town of Bourne, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bourne 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Town of Bourne, 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 Town of Bourne, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Bourne, 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 fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on the major federal program is not modified with respect to this matter.

The Town of Bourne, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Bourne, 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 Town of Bourne, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Bourne, 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 OMB Circular A-133, 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 Town of Bourne, 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.

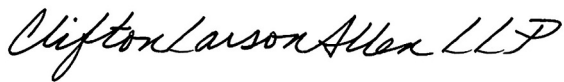
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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 2013-001 and 2013-002, that we consider to be significant deficiencies.

The Town of Bourne, 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 Town of Bourne, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Town of Bourne, Massachusetts, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Bourne, Massachusetts' basic financial statements. We issued our report thereon dated March 28, 2014, 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 OMB Circular A-133 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.

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CliftonLarsonAllen LLP

Boston, Massachusetts

March 28, 2014

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TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	01-036	\$ 26,849
National School Lunch Program - Cash Assistance	10.555	01-036	244,146
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	01-036	21,833
Total U.S. Department of Agriculture			292,828
U.S. Department of Housing and Urban Development			
<u>Passed through State Department of Housing and Community Development:</u>			
Community Development Block Grants/State-Administered Small Cities Program	14.228	SCOCD3220012640030000	792,196
U.S. Department of the Interior			
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>			
Clean Vessel Act	15.616	FWE04250800003004	75,972
U.S. Department of Justice			
<u>Passed through the State Executive Office of Public Safety:</u>			
Edward Byrne Memorial Formula Grant	16.579	Not Available	57
Edward Byrne Memorial Formula Grant	16.579	Not Available	3,085
ARRA - Edward Byrne Memorial Formula Grant	16.579	Not Available	17,726
Bulletproof Vest Partnership Grant	16.607	SCEPSBULLETPROOFSY12	9,786
Total U.S. Department of Justice			30,654
U.S. Department of Education			
<u>Direct Program:</u>			
Impact Aid	84.041	Not Applicable	126,253
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2012)	84.010	305-112-2-0036-M	46,355
Title I Distribution (fiscal year 2013)	84.010	0305-000539-2013-0036	252,180
Subtotal Title I, Part A Cluster			298,535
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2012)	84.027	240-094-2-0036-M	109,907
SPED 94-142 Allocation (fiscal year 2013)	84.027	240-059-3-0036-N	433,548
SPED Program Improvement (fiscal year 2012)	84.027	274-003-2-0036-M	5,521
SPED Program Improvement (fiscal year 2013)	84.027	274-182-3-0036-N	15,322
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2012)	84.173	26212BOURNEPUBLICSCH	91
SPED Early Childhood Allocation (fiscal year 2013)	84.173	26213BOURNEPUBLICSCH	4,990
Subtotal Special Education Cluster			569,379
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title IIA - Improving Teacher Quality (fiscal year 2012)	84.367	140-057-2-0036-M	18,479
Title IIA - Improving Teacher Quality (fiscal year 2013)	84.367	0140-011244-2013-0036	58,389
ARRA - Race to the Top (fiscal year 2012)	84.395	201-003-2-0036-M	3,572
ARRA - Race to the Top (fiscal year 2013)	84.395	201-000291-2013-0036	156,682
ARRA - Education Jobs Fund Program (fiscal year 2012)	84.410	206-232-2-0036-M	27,467
Total U.S. Department of Education			1,258,756

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
<u>Passed through the State Department of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1953656	<u>36,543</u>
U.S. Department of Homeland Security			
<u>Passed through the State Office of Emergency Management:</u>			
Public Assistance Grants	97.036	CTFEMA4028BOURNE01019	108,739
Emergency Management Performance Grants	97.042	FY12EMPG10000BOURNE	<u>1,196</u>
Total U.S. Department of Homeland Security			<u>109,935</u>
Total			<u>\$ 2,596,884</u>

The accompanying notes are an integral part of this schedule.

TOWN OF BOURNE, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Bourne, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – U.S. Department of Agriculture Programs

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 School Breakfast Program – Cash Assistance and the National School Lunch Program – Cash Assistance represent cash receipts from federal reimbursements.

Note 3 – U.S. Department of Education

The amount reported for the Impact Aid program represents federal cash receipts.

Note 4 – U.S. Department of Health and Human Services

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts related to Administrative Activity Claims.

Note 5 – U.S. Department of Homeland Security

The amounts reported for the Public Assistance Grants and Emergency Management Performance Grants programs represent federal cash receipts.

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

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal Control over Financial Reporting:

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified?

_____ Yes X No

Noncompliance material to the financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified that are not
considered to be material weaknesses?

 X Yes _____ No

Type of auditors' report on compliance for major programs:

Unmodified

Were any findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133?

 X Yes _____ No

Identification of Major Programs:

Name of federal program or cluster	CFDA Number
Community Development Block Grants/State-Administered Small Cities Program	14.228

Special Education Cluster

SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Early Childhood Allocation	84.173

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Noncompliance and Significant Deficiency Related to Major Programs

2013-001 Community Development Block Grants/State – Administered Small Cities Program
CFDA No. 14.228; Fiscal year ended June 30, 2013

Compliance Requirement: Cash Management

Criteria: The Code of Federal Regulations (CFR) Title 31, part 205, requires grant recipients to minimize the time elapsing between the receipt and disbursement of grant funds, whether they are received before or after the payment of funds. In addition, Massachusetts CDBG Policy prohibits direct depository account cash balances exceeding \$10,000 monthly.

Condition: The Town did not file the drawdowns in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. As a result, the Town held Federal grant funds and had cash balances exceeding \$10,000 during the fiscal year.

Context: Five of eight drawdowns tested resulted in the Town having a cash balance exceeding \$10,000.

Effect: The Town is not in compliance with federal cash management requirements.

Cause: The Town's third party administrator for the grant program requested reimbursements for invoices that were received but not paid by the Town until weeks or months after receiving the grant funds.

Questioned Costs: None

Auditors' Recommendation: Procedures must be implemented to ensure that all drawdowns submitted are for invoices that have already been paid or will be paid immediately by the Town upon receipt of the grant funds.

Views of Responsible Officials and Corrective Action: Beginning in October 2013, the Town instituted a modification to the payment process of Community Development Block Grant (CDBG) invoices to minimize the time elapsed between receiving and disbursing grant funds. Under the current process, local non-CDBG funds are initially used to pay CDBG invoices. CDBG funds are then drawn down and used to reimburse the Town for funds used to pay CDBG expenses. Under this modified system, the time between receiving and disbursing grant funds is minimized and funds are disbursed upon receipt of the Advice of Credit. This modification both minimizes the lag between receipt and disbursement of funds and assures that CDBG balances are below the \$10,000 threshold.

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Significant Deficiency in the Internal Control over Major Programs

2013-002 Community Development Block Grants/State – Administered Small Cities Program
CFDA No. 14.228; Fiscal year ended June 30, 2013

Compliance Requirement: Procurement and Suspension and Debarment

Criteria: The Code of Federal Regulations (CFR) Title 2, part 180.220 states that “non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., sub-awards to sub-recipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.”

Condition: The Town did not obtain a debarment certification or check the *System for Award Management* website for the vendors contracted with in excess of \$25,000 related to the grant program.

Context: The procurement files for eight of twelve vendors contracted with in excess of \$25,000 did not contain debarment certifications or evidence that the Town checked the *System for Award Management* website prior to procurement. None of the vendors were suspended or debarred.

Effect: Noncompliance with the grant program’s procurement and suspension and debarment requirements could occur and not be detected and corrected timely.

Cause: Procedures were not in place to verify that all vendors contracted with in excess of \$25,000 related to the grant program are not suspended, debarred or otherwise excluded from doing business.

Questioned Costs: None

Auditors’ Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or debarred or otherwise excluded from doing business, prior to procuring their services. In order to verify this, program management should either obtain debarment certifications from the vendors or check the *System for Award Management* website. Procedures must also be implemented to maintain documentation supporting the debarment checks performed.

Views of Responsible Officials and Corrective Action: During the implementation of the FY 2011 CDBG grant, we routinely checked the HUD Debarment List for contractors in public and private contracts which exceeded \$25,000. See the detailed explanation below:

1. Public Contract between the Bourne Housing Authority and the Private Contractor:

The Town researched the HUD Debarred List: at "<http://www.epls.gov>" prior to contract award/execution. The Contractor did not appear on the list. Documentation was placed in grant’s project files.

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

2. Private Contracts related to the Borne Housing Rehab Program:

All contractors are qualified in the following manner:

1. Material supplier and previous customer reference checks
2. Verification of workers compensation and general liability insurance
3. Verification of applicable state licenses: Construction Supervisor, De-leading, Home Improvement Contractor, Drivers: at "<http://www.mass.gov>"
4. Verification that the contractor is not on the HUD Debarred List: at "<http://www.epls.gov>"
 - a. Performed prior to the contract with the homeowner and general contractor is executed
 - b. Searches on the HUD Debarred List: at <http://www.epls.gov> are performed by company name, owner name and city/state as required.
5. All documentation stored in job file.

D. Summary of Prior Audit Findings

MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

Significant Deficiency in Internal Control over Major Federal Award Programs

12-1 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2012

Condition: The Town does not have internal controls in place to fully comply with the procurement, suspension and debarment compliance requirements related to the program.

Current Status: The Town did not enter into any contracts over \$25,000 related to the Special Education Cluster program during fiscal year 2013. However, we believe the current controls in place are sufficient to comply with the requirements. This finding is considered resolved.

Noncompliance Related to Major Programs

12-2 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2012

Condition: Certain documentation maintained as support for the salaries and wages charged to the grant program for the first half of the year was not prepared in accordance with OMB Circular A-87 requirements. Several of the periodic certifications maintained for the period of September 2011 through January 2012 were not signed by the Grants Director or the employees.

Current Status: This finding has been resolved.

TOWN OF BOURNE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

12-3 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2012

Condition: Certain documentation maintained as support for the salaries and wages charged to the grant program for the first half of the year was not prepared in accordance with OMB Circular A-87 requirements. The periodic certifications maintained for the period of September 2011 through January 2012 were prepared and signed approximately one month prior to the date covered by the certifications.

Current Status: This finding has been resolved.