

TOWN OF BOURNE, MASSACHUSETTS

**REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF BOURNE, MASSACHUSETTS
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FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC
Corporate Place I, Suite 204 • 99 South Bedford Street
Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

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 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, 2010, which collectively comprise the Town of Bourne, Massachusetts' basic financial statements and have issued our report thereon dated March 11, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Bourne, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bourne, Massachusetts' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2, that we consider to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bourne, Massachusetts' financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Bourne, Massachusetts, in a separate letter dated March 11, 2011.

The Town of Bourne, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Bourne, Massachusetts' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 11, 2011



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Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

Compliance

We have audited the compliance of the Town of Bourne, Massachusetts, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Bourne, Massachusetts' management. Our responsibility is to express an opinion on the Town of Bourne, Massachusetts' compliance based on our audit.

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. Our audit does not provide a legal determination of the Town of Bourne, Massachusetts' compliance with those requirements.

As described in items 10-5 and 10-6 in the accompanying schedule of findings and questioned costs, the Town of Bourne, Massachusetts did not comply with the requirements regarding reporting that are applicable to its Title I Part A Cluster and Special Education Cluster programs. Compliance with such requirements is necessary, in our opinion, for the Town of Bourne, Massachusetts to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Bourne, Massachusetts complied, in all material respects, with the 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, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 10-8.

Internal Control Over Compliance

Management of the Town of Bourne, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Bourne, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-3, 10-4, and 10-7 to be material weaknesses.

Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated March 11, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bourne, Massachusetts' basic financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town of Bourne, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Bourne, Massachusetts' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sullivan, T & Company, LLC

March 11, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<u>Passed through the State Department of Education:</u>			
Food Distribution Program	10.550	01-036	\$ 28,291
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	01-036	17,061
National School Lunch Program	10.555	01-036	<u>219,642</u>
Total U.S. Department of Agriculture			<u>264,994</u>
U.S. Department of the Interior			
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>			
Clean Vessel Act	15.616	FWE0425080000000003004	<u>32,000</u>
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	14,683
Edward Byrne Memorial Formula Grant - Recovery Act	16.579	Not Available	<u>6,973</u>
Total U.S. Department of Justice			<u>21,656</u>
U.S. Department of Education			
<u>Direct Program:</u>			
Impact Aid	84.041	Not Applicable	156,326
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2009)	84.010	305-039-9-0036-J	40,924
Title I Distribution (fiscal year 2010)	84.010	305-104-0-0036-K	289,939
Title I Distribution Carryover Grant	84.010	305-387-9-0036-J	1,352
Title I Grants - Recovery Act	84.389	770-046-0-0036-K	123,803
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2009)	84.027	240-134-9-0036-J	53,434
SPED 94-142 Allocation (fiscal year 2010)	84.027	240-041-0-0036-K	457,264
SPED Carryover Grant	84.027	240-361-0-0036-K	8,246
SPED IDEA - Recovery Act	84.391	760-038-0-0036-K	280,005
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2009)	84.173	26209BOURNEPUBLICSCH	838
SPED Early Childhood Allocation (fiscal year 2010)	84.173	26210BOURNEPUBLICSCH	4,269
SPED Early Childhood - Recovery Act	84.392	76210BOURNEPUBLICSCH	10,432
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Safe and Drug-Free Schools (fiscal year 2009)	84.186	331-152-9-0036-J	9,474
Safe and Drug-Free Schools (fiscal year 2010)	84.186	331-212-0-0036-K	7,979
Title IIA - Improving Teacher Quality (fiscal year 2009)	84.367	140-311-9-0036-J	8,559
Title IIA - Improving Teacher Quality (fiscal year 2010)	84.367	140-018-0-0036-K	<u>77,903</u>
Total U.S. Department of Education			<u>1,530,747</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<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 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>67,960</u>
Total			<u>\$ 1,917,357</u>
			(Concluded)

See notes to schedule of expenditures of federal awards.

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 cash 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 Food Distribution Program 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 and the National School Lunch Program 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 the Administrative Activity Claims.

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Bourne, Massachusetts.
2. Material weaknesses in internal control over financial reporting disclosed during the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town of Bourne, Massachusetts, which are required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Bourne, Massachusetts expresses a qualified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule on pages 11-14.
7. The programs tested as major programs were:

<u>Program Description</u>	<u>CFDA Number</u>
<i>Title I, Part A Cluster</i>	
Title I Distribution	84.010
Title I Distribution Carryover Grant	84.010
Title I Grants - Recovery Act	84.389
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Carryover Grant	84.027
SPED Early Childhood Allocation	84.173
SPED IDEA - Recovery Act	84.391
SPED Early Childhood - Recovery Act	84.392

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Town of Bourne, Massachusetts did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit***Material Weaknesses in Internal Control Over Financial Reporting*****10-1 Capital Assets**

Finding: We identified the following deficiencies related to the Town's procedures for capital asset accounting:

1. Procedures are not in place to reconcile capital asset additions to the general ledger.
2. Procedures are not in place to reclassify construction in progress to the applicable asset class when constructed assets are placed in service.
3. The Town did not perform a complete annual physical inventory of its capital assets to reconcile with their perpetual inventory records. The performance of a complete annual physical inventory of capital assets may have detected errors and/or irregularities with the perpetual inventory. It may have also detected asset activity that was not reflected in the general ledger (such as asset retirements, trade-ins, etc.).

Effect: Capital asset additions and depreciation were materially understated.

Auditors' Recommendation: We recommend the Town implement the following procedures:

1. Perform a reconciliation of capital asset additions to activity recorded in the general ledger. Capital expenditures recorded in the general ledger that meet the capitalization threshold, which were not identified initially as a capital asset, should be traced to the corresponding invoices to verify that the expenditure(s) are properly classified as non-capital activity. Once verified, the capital asset activity identified through this reconciliation process should be included as capital asset additions.
2. Perform monitoring procedures on the assets recorded as construction in progress to identify when such assets are placed in service for the purpose of reclassifying the amount(s) to the applicable asset class and begin depreciating the asset.
3. Perform a complete physical inventory (annually, at a minimum) of the Town's capital assets. The inventory could either be performed at the departmental level or centrally by a management-level employee(s) that possess significant knowledge of the Town's financial operations.

Response: The Finance Department has instituted a procedure that requires an asset sheet to be completed by each department when they purchase equipment. This sheet is to be turned into the Finance Department upon request for payment to the vendor. The construction in progress will be addressed by auditor training. A listing by department of all inventory items will be sent to each department requesting them to verify and sign that the inventory list provided to them is accurate and complete.

10-2 Risk Assessment and Monitoring

Finding: The Town has not implemented a formal risk assessment and monitoring program that identifies areas vulnerable to risk and what additional controls (if any) should be implemented.

Effect: The design, implementation and effectiveness of internal controls are not consistently evaluated to determine if the controls in place adequately safeguard assets.

Auditors' Recommendation: We recommend that management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the Town's financial policies and procedures manual.

We recommend that management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

Response: The Town will develop and implement a risk assessment and monitoring program.

Findings and Questioned Costs - Major Federal Award Programs Audit

DEPARTMENT OF EDUCATION

Material Weaknesses in Internal Control over Major Federal Award Programs

10-3 Title I, Part A Cluster - CFDA No.s 84.010 and 84.389; Fiscal year ended June 30, 2010

Condition and Criteria: The Town did not comply with the reporting compliance requirements related to the program.

Cause: Internal controls are not in place to prepare the quarterly American Recovery and Reinvestment Act (ARRA) reports submitted to the Commonwealth of Massachusetts' Department of Elementary and Secondary Education (DESE) based on financial information recorded in the Town's general ledger.

Effect: Noncompliance with the federal award program's reporting requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls surrounding the federal award program should be implemented to reconcile the quarterly ARRA reports to the general ledger prior to submission.

Grantee Response: This finding will be reviewed and procedures will be implemented to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

10-4 Special Education Cluster - CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2010

Condition and Criteria: The Town did not comply with the reporting compliance requirements related to the program.

Cause: Internal controls are not in place to prepare the quarterly ARRA reports submitted to the DESE based on financial information recorded in the Town's general ledger.

Effect: Noncompliance with the federal award program's reporting requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls surrounding the federal award program should be implemented to reconcile the ARRA reports to the general ledger prior to submission to the DESE.

Grantee Response: This finding will be reviewed and procedures will be implemented to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

Material Noncompliance Related to Major Programs

10-5 Title I, Part A Cluster - CFDA No.s 84.010 and 84.389; Fiscal year ended June 30, 2010

Condition and Criteria: The ARRA reports submitted to the DESE for the quarter ended June 30, 2010, included inaccurate information related to the Title I Grants, Recovery Act program. The expenses reported did not include vendor disbursements totaling \$53,089 recorded in the Town's general ledger.

Cause: Procedures are not in place to reconcile the expenses reported with the Town's general ledger and to file the ARRA reports accurately.

Effect: The ARRA reports submitted to the DESE for the quarter ended June 30, 2010 did not represent an accurate disclosure of the expenses charged to the program.

Questioned Costs: There are no questioned costs associated with this finding.

Auditors' Recommendation: Procedures should be implemented to ensure that expenditures reported on the ARRA reports are accurate and reconciled with the Town's general ledger prior to submission.

Grantee Response: This finding will be reviewed and procedures will be implemented to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

10-6 Special Education Cluster - CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2010

Condition and Criteria: The ARRA reports submitted to the DESE for the quarter ended June 30, 2010 included inaccurate information related to the SPED IDEA - Recovery Act program. The expenses reported did not include the vendor disbursements totaling \$197,420 recorded in the Town's general ledger.

Cause: Procedures are not in place to reconcile the expenses reported with the Town's general ledger and to file the ARRA reports accurately.

Effect: The ARRA reports submitted to the DESE for the quarter ended June 30, 2010 did not represent an accurate disclosure of the expenses charged to the program.

Questioned Costs: There are no questioned costs associated with this finding.

Auditors' Recommendation: Procedures should be implemented to ensure that expenditures reported on the ARRA reports are accurate and reconciled with the Town's general ledger prior to submission.

Grantee Response: This finding will be reviewed and procedures will be implemented to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

DEPARTMENT OF HEALTH AND HUMAN SERVICES*Material Weakness in Internal Control over Non-Major Federal Award Programs*

10-7 School-Based Medicaid Reimbursement Program - CFDA No. 93.778; Fiscal year ended June 30, 2010

Condition and Criteria: The Town did not comply with the allowable costs/cost principles and reporting compliance requirements related to the program.

Cause: Internal controls are not in place to include only allowable salaries on the Administrative Activity Claims submitted for reimbursement.

Effect: Noncompliance with the federal award program's requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls surrounding the federal award program must be implemented to ensure that only allowable salaries are reported on the Administrative Activity Claims for employees whose salaries are not being charged to other federal grants.

Grantee Response: Procedures have been implemented and will be reevaluated that require the review of payroll records to ensure that staff members funded by a federal grant are not claimed for reimbursement under the Medicaid Reimbursement Program.

Material Noncompliance Related to Non-Major Programs

10-8 School-Based Medicaid Reimbursement Program - CFDA No. 93.778; Fiscal year ended June 30, 2010

Condition and Criteria: Two employees' salaries tested, which related to employees reported as part of the salary cost pools in the Administrative Activity Claim submitted for the quarter ended March 31, 2009, were either partially or completely funded from the federal Special Education grant funds. As stated in the federal Medicaid School-Based Claiming Guide, the Town may not include "duplicate payments", or administrative activities that will be reimbursed from other federal grants, in the Administrative Activity Claims.

Cause: Procedures are not in place to account for salaries paid from other federal grant funds when completing the salary totals reported on the Administrative Activity Claims.

Effect: The salaries reported on the Administrative Activity Claim, which were also paid from the federal Special Education grant funds, are subject to disallowance and, therefore, are considered questioned costs.

Questioned Costs: Questioned costs charged to the School-Based Medicaid Reimbursement Program totaled \$5,725. This is considered material to the program.

Auditors' Recommendation: Procedures must be implemented to ensure that salaries reimbursed from other federal grants are not included in the salary cost pools reported on the Administrative Activity Claims submitted to the Massachusetts Executive Office of Health and Human Services for reimbursement.

Grantee Response: Procedures have been implemented and will be reevaluated that require the review of payroll records to ensure that staff members funded by a federal grant are not claimed for reimbursement under the Medicaid Reimbursement Program.

D. Summary of Prior Audit Findings

FINANCIAL STATEMENT AUDIT

Significant Deficiencies Considered to be Material Weaknesses

09-1 School Department – Budgetary Controls

Conditions: The School Department did not have procedures in place to effectively monitor its general fund budget to actual performance. This was primarily the result of the following internal control deficiencies:

1. The *FY 09 Revised Budget Detail Report* (manually prepared), which the School Department used to monitor its budget to actual activity, did not include \$243,473 of teacher's salaries paid in September of 2008 from Impact Aid.
2. Line item budget transfers were not recorded for the School Department's general fund operating budget. As a result, many appropriation surpluses and deficits existed on a budget to actual basis. Although the School Department's budget is "bottom line", failure to fund (i.e., record budget transfers) individual line item deficits from individual line item surpluses within the budget creates susceptibility to overspending.

Current Status: This finding has been resolved.

09-2 Capital Assets

Conditions: We identified the following deficiencies related to the Town's procedures for capital asset accounting:

1. The Town did not reconcile capital asset additions to the general ledger. Capital expenditures recorded in the general ledger were not compared to the asset additions recorded in the Town's capital asset database.
2. The Town did not perform a complete annual physical inventory of its capital assets to reconcile with their perpetual inventory records.

Current Status: The status of this finding remains unchanged. See current year finding 10-1.

09-3 Risk Assessment and Monitoring

Condition: The Town had not implemented a formal risk assessment and monitoring program that identified areas vulnerable to risk and what additional controls (if any) should be implemented.

Current Status: The status of this finding remains unchanged. See current year finding 10-2.

09-4 Documentation of Financial Policies, Procedures and Controls

Condition: The Town had not formally documented its financial policies, procedures and controls over significant transaction classes, such as cash receipts, cash disbursements, accounts receivable, purchasing, general ledger maintenance, etc.

Current Status: During fiscal year 2010, progress was made in the development of a financial policies and procedures manual. As a result, this comment has been moved to the management letter.

09-5 Financial Statement Preparation

Condition: The Town did not have a process in place to prepare financial statements (including disclosures) in accordance with accounting standards generally accepted in the United States of America (GAAP).

Current Status: This finding has been resolved.

Material Noncompliance

09-6 Noncompliance with the Municipal Finance Laws of the Commonwealth of Massachusetts

Condition: The restricted investments of the landfill enterprise fund, totaling \$1,722,266, were invested in a mutual bond fund (\$1,042,219), equity securities (\$643,085) and commodities (\$36,962). These types of investments for a landfill enterprise fund are prohibited by Massachusetts General Law.

Current Status: This finding has been resolved.

MAJOR FEDERAL AWARD PROGRAMS AUDIT**Department of Education****Significant Deficiencies Considered to be Material Weaknesses**

09-7 Title I Distribution – CFDA No. 84.010; Fiscal year ended June 30, 2009

Condition: The Town did not comply with the activities allowed or unallowed and allowable costs/cost principles compliance requirements related to the program.

Current Status: This finding has been resolved.

09-8 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: The Town did not comply with the allowable costs/cost principles compliance requirements related to the program.

Current Status: This finding has been resolved.

- 09-9 American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) – CFDA No. 84.394; Fiscal year ended June 30, 2009

Condition: The Town did not comply with the period of availability compliance requirements related to the program.

Current Status: The Town did not receive this grant in fiscal year 2010. Therefore, this finding is considered resolved for purposes of this report.

Material Noncompliance Related to Major Programs

- 09-10 Title I Distribution and Title I Distribution Carryover – CFDA No. 84.010; Fiscal year ended June 30, 2009

Condition: The Town charged payroll longevity to the Title I Distribution grant for an employee who did not work on the Title I program and was not authorized to be paid from the grant funds.

Current Status: This finding has been resolved.

- 09-11 Title I Distribution and Title I Distribution Carryover – CFDA No. 84.010; Fiscal year ended June 30, 2009

Condition: Program management did not maintain the required documentation related to the support of salaries and wages of all the employees that work solely on the Title I Distribution program, as prescribed in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*. Two of the employee files tested did not include periodic certifications or any documentation supporting their time charged to the grants.

Current Status: This finding has been resolved.

- 09-12 Title I Distribution and Title I Distribution Carryover – CFDA No. 84.010; Fiscal year ended June 30, 2009

Condition: The Town charged the same expenditures twice to the Title I Distribution grant.

Current Status: This finding has been resolved.

- 09-13 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: Program management did not maintain the required documentation related to the support of salaries and wages of all the employees that work solely on the Special Education Cluster program, as prescribed in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*. Five of the employee files tested were either missing time and effort reports or included incomplete time and effort reports.

Current Status: This finding has been resolved.

- 09-14 American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) – CFDA No. 84.394; Fiscal year ended June 30, 2009

Condition: The Town charged utility costs to the grant that were incurred prior to April 1, 2009. Expenses incurred prior to April 1, 2009 were ineligible costs without a waiver, as stated in the A-133 Compliance Supplement and grant contract.

Current Status: The Town did not receive this grant in fiscal year 2010. Therefore, this finding is considered resolved for purposes of this report.

Other Noncompliance Related to Major Programs

- 09-15 American Recovery and Reinvestment Act (ARRA) – State Fiscal Stabilization Fund (SFSF) – CFDA No. 84.394; Fiscal year ended June 30, 2009

Condition: Program management did not file the fiscal year 2009 Final Financial Report (Form FR-1) by the deadline date of August 31, 2009.

Current Status: The Town did not receive this grant in fiscal year 2010. Therefore, this finding is considered resolved for purposes of this report.

Department of Health and Human Services

Significant Deficiency in the Internal Control over Major Programs Considered to be a Material Weakness

- 09-16 School-Based Medicaid Reimbursement Program - CFDA No. 93.778; Fiscal year ended June 30, 2009

Condition: The Town did not comply with the allowable costs/cost principles and reporting compliance requirements related to the program.

Current Status: The status has remained unchanged. Please see current year finding 10-7.

Material Noncompliance Related to Major Programs

- 09-17 School-Based Medicaid Reimbursement Program - CFDA No. 93.778; Fiscal year ended June 30, 2009

Condition: Four employees' salaries tested, which related to employees reported as part of the salary cost pools in the Administrative Activity Claim submitted for the quarter ended December 31, 2008, were either partially or completely funded from the federal Special Education grant funds.

Current Status: The status has remained unchanged. Please see current year finding 10-8.