

**TOWN OF BOURNE, MASSACHUSETTS**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**TOWN OF BOURNE, MASSACHUSETTS**  
**REPORTS ON INTERNAL CONTROL OVER**  
**FINANCIAL REPORTING, COMPLIANCE AND**  
**FEDERAL AWARD PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

	<b>Page</b>
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	1
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	
Schedule of Expenditures of Federal Awards	
Notes to Schedule of Expenditures of Federal Awards	
Schedule of Findings and Questioned Costs	10

*Certified Public Accountants*

**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, 2011, which collectively comprise the Town of Bourne, Massachusetts' basic financial statements and have issued our report thereon dated May 10, 2012. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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 May 10, 2012.

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, Kory & Company, LLC*

May 10, 2012

*Certified Public Accountants*

**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 Town of Bourne, Massachusetts' (Town) compliance 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, 2011. The Town's 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's management. Our responsibility is to express an opinion on the Town's 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's 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's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed 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 items 11-7, 11-8, 11-9, 11-10, and 11-11.

## Internal Control Over Compliance

Management of the Town 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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's internal control over compliance.

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 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 11-1, 11-2, 11-3, 11-4, 11-5, and 11-6 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, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated May 10, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Town's 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's responses and, accordingly, we express no opinion on the responses.

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, Ray & Company, LLC*

May 10, 2012

This page left intentionally blank.



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-through Identifying Number	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Education:</u>			
Food Distribution Program	10.550	01-036	24,311
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	01-036	12,647
National School Lunch Program	10.555	01-036	224,820
Total U.S. Department of Agriculture			261,778
<b>U.S. Department of the Interior</b>			
Fisheries:			
Clean Vessel Act	15 616	FWE042508000003004	20,000
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Formula Grant	16.579	Not Available	1,197
Edward Byrne Memorial Formula Grant - Recovery Act	16 579	Not Available	6,091
Total U.S. Department of Justice			7,288
<b>U.S. Department of Education</b>			
<u>Direct Program:</u>			
Impact Aid	84 041	Not Applicable	210,045
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2010)	84 010	305-104-0-0036-K	34,761
Title I Distribution (fiscal year 2011)	84.010	305-185-1-0036-L	287,046
Title I School Support (fiscal year 2010)	84.010	323-091-0-0036-K	3,976
Title I Carryover Grant (fiscal year 2010)	84.010	305-420-0-0036-K	1,880
Title I Carryover Grant (fiscal year 2011)	84.010	305-394-1-0036-L	831
ARRA - Title I Grants (fiscal year 2010)	84.389	770-046-0-0036-K	15,228
ARRA - Title I Grants (fiscal year 2011)	84 389	770-247-1-0036-L	76,904
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2010)	84.027	240-041-0-0036-K	111,316
SPED 94-142 Allocation (fiscal year 2011)	84.027	240-049-1-0036-L	435,807
SPED Carryover Grant (fiscal year 2010)	84.027	240-361-0-0036-L	742
SPED Carryover Grant (fiscal year 2011)	84.027	240-362-1-0036-L	1,668
ARRA - SPED IDEA (fiscal year 2010)	84.391	760-038-0-0036-K	8,475
ARRA - SPED IDEA (fiscal year 2011)	84.391	760-279-1-0036-L	253,847
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2010)	84.173	26210BOURNEPUBLICSCH	895
SPED Early Childhood Allocation (fiscal year 2011)	84 173	26211BOURNEPUBLICSCH	5,054
ARRA - SPED Early Childhood Allocation (fiscal year 2010)	84.392	76210BOURNEPUBLICSCH	2,188
ARRA - SPED Early Childhood Allocation (fiscal year 2011)	84.392	76211BOURNEPUBLICSCH	12,397
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Safe and Drug-Free Schools (fiscal year 2010)	84 186	331-212-0-0036-K	1,100
Safe and Drug-Free Schools - CI (fiscal year 2011)	84.186	332-155-1-0036-L	1,254
Enhanced Education Through Technology	84.318	160-005-1-0036-L	4,242
Title IIA - Improving Teacher Quality (fiscal year 2010)	84.367	140-018-0-0036-K	7,577
Title IIA - Improving Teacher Quality (fiscal year 2011)	84.367	140-131-1-0036-L	77,900
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	780-208-1-0036-L	25,012
ARRA - Education Jobs Fund Program	84 410	206-008-1-0036-L	56,377
Total U.S. Department of Education			1,636,522

(Continued)

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<u>Passed through the State Department of Health and Human</u>			
<u>Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1953656	67,167

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 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 There were no significant deficiencies disclosed during the audit of the financial statements.
- 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 an unqualified opinion on all major 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 11-15.
- 7 The programs tested as major programs were:

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

None.

**Findings and Questioned Costs – Major Federal Award Programs Audit****DEPARTMENT OF EDUCATION***Material Weaknesses in Internal Control over Major Federal Award Programs*

## 11-1 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

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

*Cause:* Internal controls are not in place to maintain adequate documentation to support the salaries and wages charged to the grant program for all employees.

*Effect:* Noncompliance with the federal award program's allowable costs/cost principles compliance requirements occurred and was not detected and corrected timely.

*Auditors' Recommendation:* Internal controls surrounding the federal award program must be implemented to maintain documentation supporting the salaries charged to the grant for all employees.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained that supports the salaries charged for employees funded by a grant.

## 11-2 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

*Condition and Criteria:* The Town did not comply with the equipment and real property management compliance requirements related to the program.

*Cause:* Internal controls are not in place to segregate the federal equipment in the Town's inventory listing and to maintain all the required documentation in the equipment records.

*Effect:* Noncompliance with the federal award program's equipment and real property management requirements occurred and was not detected and corrected timely.

*Auditors' Recommendation:* Internal controls surrounding the federal award program must be implemented to ensure that the records maintained for the equipment purchased with federal grant funds contain all the required documentation and that the federal equipment is being accounted for properly in the Town's inventory.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained for equipment purchased with federal grant funds.

## 11-3 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

*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 occurred and was not detected and corrected timely.

*Auditors' Recommendation:* Internal controls surrounding the federal award program must be implemented to prepare the quarterly ARRA reports based on actual amounts recorded in the Town's general ledger.

*Grantee Response:* Procedures have been implemented and will be reevaluated to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

11-4 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2011

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

*Cause:* Internal controls are not in place to maintain adequate documentation to support the salaries and wages charged to the grant program for all employees.

*Effect:* Noncompliance with the federal award program's allowable costs/cost principles compliance requirements occurred and was not detected and corrected timely.

*Auditors' Recommendation:* Internal controls surrounding the federal award program must be implemented to maintain documentation supporting the salaries charged to the grant for all employees.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained that supports the salaries charged for employees funded by a grant.

11-5 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2011

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

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

*Effect:* Noncompliance with the federal award program's procurement, suspension and debarment compliance requirements could occur and not be detected and corrected timely.

*Auditors' Recommendation:* Internal controls 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 *Excluded Parties List System* website. Internal controls must also be implemented to maintain documentation supporting the debarment checks performed.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that contracted vendors with an excess of \$25,000 have not been suspended or debarred or otherwise excluded from doing business, prior to procuring their services.

## 11-6 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2011

*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 occurred and was not detected and corrected timely.

*Auditors' Recommendation:* Internal controls surrounding the federal award program must be implemented to prepare the quarterly ARRA reports based on actual amounts recorded in the Town's general ledger.

*Grantee Response:* Procedures have been implemented and will be reevaluated to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

***Noncompliance Related to Major Programs***

## 11-7 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

*Condition and Criteria:* The documentation maintained did not support the salaries and wages charged to the grant program for five of the thirty-five payroll charges tested. Procedures to ensure accountability for authorization of federal grant charges must be in place to determine allowable costs.

*Cause:* Procedures are not in place to maintain salary documentation in a manner that supports the actual activities of all grant employees and the grants their salaries and wages are charged to.

*Effect:* As a result of the required documentation not being maintained, the salary charges are subject to disallowance and considered questioned costs.

*Questioned Costs:* Questioned salary costs charged to the Title I, Part A Cluster program total \$3,264.

*Auditors' Recommendation:* Procedures must be implemented to ensure that appropriate supporting documentation is maintained for all salaries and wages charged to the grant program. For employees that work on both Title I, Part A Cluster program and other non-grant related activities, personnel activity reports must be maintained that (1) reflect an after-the-fact distribution of the actual activity of the employee, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly and coincide with one or more pay periods, and (4) must be signed by the employee.

For employees that work solely on the Title I, Part A Cluster program, periodic certifications that the employees worked solely on that program for the period covered by the certification must be completed semi-annually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained that supports the salaries charged for employees funded by a grant.

## 11-8 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

*Condition and Criteria:* The equipment purchased with the Title I, Part A Cluster program funds is not segregated in the Town's inventory listing and labeled as federally funded equipment. Additionally, the Town's federal grant equipment records do not contain all of the required information as prescribed in the OMB Circular A-102 Common Rule.

*Cause:* Internal controls and procedures are not in place to segregate the federal equipment in the Town's inventory listing and to maintain all the required documentation in the equipment records.

*Effect:* The Town is not in compliance with the federal grant equipment and real property management requirements.

*Questioned Costs:* There are no questioned costs related to this finding.

*Auditors' Recommendation:* Procedures must be implemented to ensure that the equipment purchased with federal grant funds are segregated in the Town's inventory listing and equipment records are maintained in accordance with OMB Circular A-102. The records maintained for the equipment purchased with federal grant funds should include: (1) a description of the equipment, (2) the serial number or other identification number, (3) the source of the equipment, including the federal award number, (4) where the title vests, (5) the acquisition date and unit cost, (6) the location and condition of the equipment, and (7) the ultimate disposition data. Additionally, the equipment must be tagged as federal, and a physical inventory of equipment should be taken at least once every two years and reconciled to the Town's equipment records.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained for equipment purchased with federal grant funds.

## 11-9 Title I, Part A Cluster – CFDA No.'s 84.010 and 84.389; Fiscal year ended June 30, 2011

*Condition and Criteria:* The ARRA quarterly reports submitted to the DESE were not completed based upon expenditures processed and recorded in the Town's general ledger and, therefore, did not represent an accurate, current and complete disclosure of financial results.

*Cause:* Policies and procedures are not in place to reconcile the ARRA reports to the Town's general ledger prior to submission.

*Effect:* The Town is not in compliance with federal grant reporting requirements.

*Questioned Costs:* There are no questioned costs related to this finding.

*Auditors' Recommendation:* Procedures must be implemented to ensure that the ARRA quarterly reports are prepared based on actual amounts recorded in the Town's general ledger.

*Grantee Response:* Procedures have been implemented and will be reevaluated to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.



## 11-10 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2011

*Condition and Criteria:* The documentation maintained did not support the salaries and wages charged to the grant program for eleven of the thirty-two payroll charges tested. In addition, the payroll charged to the grant for one of the employees did not agree with the employee's contract.

*Cause:* Procedures are not in place to maintain salary documentation in a manner that supports the actual activities of all grant employees and the grants their salaries and wages are charged to.

*Effect:* As a result of the required documentation not being maintained, the salary charges are subject to disallowance and considered questioned costs.

*Questioned Costs:* Questioned salary costs charged to the Special Education Cluster program total \$23,342.

*Auditors' Recommendation:* Procedures must be implemented to ensure that appropriate supporting documentation is maintained for all salaries and wages charged to the grant program. For employees that work on both Special Education Cluster program and other non-grant related activities, personnel activity reports must be maintained that (1) reflect an after-the-fact distribution of the actual activity of the employee, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly and coincide with one or more pay periods, and (4) must be signed by the employee.

For employees that work solely on the Special Education Cluster program, periodic certifications that the employees worked solely on that program for the period covered by the certification must be completed semi-annually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

*Grantee Response:* This finding will be reviewed and procedures will be implemented to ensure that documentation is maintained that supports the salaries charged for employees funded by a grant.

## 11-11 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, 84.392; Fiscal year ended June 30, 2011

*Condition and Criteria:* The ARRA quarterly reports submitted to the DESE were not completed based upon expenditures processed and recorded in the Town's general ledger and, therefore, did not represent an accurate, current and complete disclosure of financial results.

*Cause:* Policies and procedures are not in place to reconcile the ARRA reports to the Town's general ledger prior to submission.

*Effect:* The Town is not in compliance with federal grant reporting requirements.

*Questioned Costs:* There are no questioned costs related to this finding.

*Auditors' Recommendation:* Procedures must be implemented to ensure that the ARRA quarterly reports are prepared based on actual amounts recorded in the Town's general ledger.

*Grantee Response:* Procedures have been implemented and will be reevaluated to ensure that prior to submitting quarterly ARRA reports, the data being submitted is reconciled to the Town's general ledger.

**D. Summary of Prior Audit Findings****FINANCIAL STATEMENT AUDIT*****Material Weaknesses in Internal Control Over Financial Reporting*****10-1 Capital Assets**

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

1. Procedures were not in place to reconcile capital asset additions to the general ledger.
2. Procedures were 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.).

*Current Status:* This finding has been resolved.

**10-2 Risk Assessment and Monitoring**

*Condition:* 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.

*Current Status:* This finding has been moved to the fiscal year 2011 management letter.

**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:* The Town did not comply with the reporting compliance requirements related to the program.

*Current Status:* The finding remains unchanged. Please see current year Finding 11-3.

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

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

*Current Status:* The finding remains unchanged. Please see current year Finding 11-6.

***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:* 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.

*Current Status:* The finding remains unchanged. Please see current year Finding 11-9.

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

*Condition:* 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.

*Current Status:* The finding remains unchanged. Please see current year Finding 11-11.

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

*Current Status:* This finding has been resolved.

***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:* 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.

*Current Status:* This finding has been resolved.