

TOWN OF TEWKSBURY, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2014

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YEAR ENDED JUNE 30, 2014

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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

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Tewksbury, 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 Town of Tewksbury, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Tewksbury, Massachusetts' basic financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control over Financial Reporting

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

A handwritten signature in black ink that reads "Powers & Sullivan - LLC". The signature is written in a cursive, flowing style.

September 26, 2014



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Tewksbury, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Tewksbury, 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 Tewksbury, Massachusetts' major federal programs for the year ended June 30, 2014. The Town of Tewksbury, Massachusetts' major federal programs are identified in the summary of auditor's 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 Tewksbury, 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 Tewksbury, 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 Tewksbury, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Tewksbury, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Tewksbury, Massachusetts' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Tewksbury, 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 Tewksbury, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Tewksbury, 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 Town of Tewksbury, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Town of Tewksbury, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Tewksbury, Massachusetts' basic financial statements. We issued our report thereon dated September 26, 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.

A handwritten signature in black ink that reads "Powers & Sullivan - LLC". The signature is written in a cursive, flowing style.

September 26, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 65,653
Cash Assistance:		
School Breakfast Program	10.553	23,990
National School Lunch Program	10.555	312,367
		<hr/>
TOTAL AGRICULTURE		402,010
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through Massachusetts Department of Criminal Justice:</u>		
Bullet Proof Vest Partnership Program	16.607	5,641
		<hr/>
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION:		
<u>Passed through Massachusetts Department of Transportation:</u>		
State and Community Highway Safety	20.600	5,327
		<hr/>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	180,804
Special Education Grants to States (IDEA, Part B)	84.027	781,309
Improving Teacher Quality State Grants	84.367	55,677
		<hr/>
<u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	26,653
		<hr/>
TOTAL EDUCATION		1,044,443
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct Program:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	2,880
<u>Passed through Metropolitan Area Planning Council:</u>		
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	5,069
		<hr/>
TOTAL HUMAN SERVICES		7,949
SOCIAL SECURITY ADMINISTRATION:		
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	235
		<hr/>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Direct Program:</u>		
Emergency Management Performance Grants	97.042	5,670
Assistance to Firefighter's Grant	97.044	853
<u>Passed through the Massachusetts Emergency Management Agency:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	163,287
		<hr/>
TOTAL HOMELAND SECURITY		169,810
		<hr/>
TOTAL		\$ 1,635,415
		<hr/> <hr/>

See notes to schedule of expenditures of federal awards.

Note 1 – Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Tewksbury, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 – Significant Accounting Policies

The accounting and reporting policies of the Town of Tewksbury, Massachusetts are set forth below:

- (a) Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred.
- (b) Cash Assistance – School Breakfast and Lunch Program – Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.

Note 3 – Program Clusters

In accordance with Subpart A §.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants	84.173

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Tewksbury, Massachusetts.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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 Tewksbury, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Tewksbury, Massachusetts, expresses an unmodified opinion.
6. There was one audit finding relative to the major federal award programs for the Town of Tewksbury, Massachusetts.
7. The programs tested as major programs are:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants	84.173
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Tewksbury, Massachusetts was not determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Programs**U.S. DEPARTMENT OF HOMELAND SECURITY**

Passed through the Massachusetts Emergency Management Agency

Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036

2014-001: *Condition and Criteria:* The Town is required to maintain supporting documentation for reimbursements requested from the granting agency. The Town was unable to provide invoices or other supporting documentation indicating the expenditures being reimbursed.

Cause: The Emergency Management Director, who handled FEMA/MEMA requests, left Town employment and unfortunately did not provide any documentation to the Auditor's office, nor could the information be reproduced. Accordingly, we concluded that the controls in place could not ensure compliance with grant documentation requirements.

Questioned Cost: The reimbursement requests for this grant totaled \$217,715. Of this amount we were able to document \$31,732 of labor costs and \$36,312 of equipment costs. The remaining \$149,671 could not be supported by the client. The total reimbursement received was \$163,278, or 75% of the \$215,715. Because we could not trace \$149,671 of amounts claimed on the reimbursement request to supporting detail we are submitting questioned costs of \$112,253 (75% of \$149,671).

Context: The Town was unable to provide accurate supporting documentation which prevented a full audit of this grant.

Effect: The Town is not in compliance with grant regulations concerning the maintenance of documentation, which resulted in the inability to be externally audited.

Auditor's Recommendations: We recommend the Town review current policies and procedures to ensure that grant documents are properly maintained and readily available.

Management's Response: The Town has implemented multiple procedures to ensure proper maintenance of documents going forward.

D. Summary Schedule of Prior Audit Findings**U.S. DEPARTMENT OF EDUCATION**

Passed through the Massachusetts Department of Elementary and Secondary Education

Special Education Grants to States (IDEA, Part B)	CFDA No. 84.027
Special Education Grants to States (IDEA, Part B, 611)	CFDA No. 84.027A
Special Education Preschool Grants	CFDA No. 84.173

2013-001: *Condition and Criteria:* The Town, through the School Department, is required to submit the final reports for each grant by October 31st annually. The final financial reports for the grants under CFDA No: 84.027 and CFDA No: 84.027A were filed subsequent to the due date in 2012.

Cause: Improper controls to ensure compliance with grants reporting requirements

Questioned Cost: None

Context: The final financial reports for 2012 were reviewed as part of the 2013 audit and two out of three reports were not submitted prior to the deadline.

Effect: The Town is not in compliance with grant regulations concerning the final report.

Auditor's Recommendations: We recommend the Town review current policies and procedures to ensure that elements of the program grant agreements can be met in an efficient and timely manner.

Management's Response: The Town has implemented multiple procedures to ensure timely submission of the FR-1's going forward.