

***TOWN OF WAREHAM, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***YEAR ENDED JUNE 30, 2015***

**TOWN OF WAREHAM, MASSACHUSETTS**  
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100 Quannapowitt Parkway  
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

[www.powersandsullivan.com](http://www.powersandsullivan.com)

**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 Wareham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Wareham, Massachusetts' basic financial statements, and have issued our report thereon dated March 15, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Wareham, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wareham, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 Wareham, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers + Sullivan, LLC*

March 15, 2016



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133**

To the Honorable Board of Selectmen  
Town of Wareham, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Wareham, Massachusetts' compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Wareham, Massachusetts' major federal programs for the year ended June 30, 2015. The Town of Wareham, 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 Wareham, 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 Wareham, 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 on the Town of Wareham, Massachusetts' compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Town of Wareham, 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, 2015.

## **Report on Internal Control Over Compliance**

Management of the Town of Wareham, 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 Wareham, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Wareham, 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 the Town of Wareham, Massachusetts as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Wareham, Massachusetts' basic financial statements. We issued our report thereon dated March 15, 2016, 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.

*Powers + Sullivan, LLC*

March 15, 2016

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program.....	10.555	\$ 42,401
Cash Assistance:		
School Breakfast Program.....	10.553	368,704
National School Lunch Program.....	10.555	720,821
Summer Food Service Program for Children.....	10.559	56,305
Fresh Fruit and Vegetable Program.....	10.582	2,524
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE.....</b>		<b>1,190,755</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
<u>Passed through Massachusetts Department of Housing and Community Development:</u>		
Community Development Block Grants - State's Programs and Non-Entitlement Grants in Hawaii.....	14.228	567,441
<b>U.S. DEPARTMENT OF JUSTICE:</b>		
<u>Direct Award:</u>		
Bulletproof Vest Partnership Program.....	16.607	4,862
<u>Passed through State Department of Fish, Wild Life and Environmental Law Enforcement:</u>		
Clean Vessel Act.....	15.616	18,297
<u>Passed through Executive Office of Public Safety:</u>		
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	14,162
<b>TOTAL U.S. DEPARTMENT OF JUSTICE.....</b>		<b>37,321</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>		
<u>Passed through the Massachusetts Emergency Management Agency:</u>		
Interagency Hazardous Materials Public Sector Training and Planning Grants.....	20.703	2,059
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
<u>Education:</u>		
Title 1 Grants to Local Educational Agencies.....	84.010	666,962
Special Education Grants to States.....	84.027	647,624
Twenty-First Century Community Learning Centers.....	84.287	524,138
Improving Teacher Quality State Grants.....	84.367	154,315
ARRA - Race to the Top.....	84.395	72,417
<u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants.....	84.173	25,090
<b>TOTAL U.S. DEPARTMENT OF EDUCATION.....</b>		<b>2,090,546</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>		
<u>Passed through the Massachusetts Emergency Management Agency:</u>		
Emergency Management Performance Grants.....	97.042	9,435
<b>TOTAL FEDERAL AWARD EXPENDITURES.....</b>		<b>\$ 3,897,557</b>

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 Wareham, 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 Wareham, Massachusetts, are set forth below:

(a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.

(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 applicable to the Town of Wareham:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
<b>Special Education Cluster</b>	
Special Education Grants to States	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 financial statements of the Town of Wareham, Massachusetts.
2. No significant deficiencies relating to the audit of the 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 basic financial statements of the Town of Wareham, 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 Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Wareham, Massachusetts, expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the Town of Wareham, Massachusetts.
7. The programs tested as major grants included:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Community Development Block Grants – State's Programs and Non-Entitlement Grants in Hawaii	14.228
Twenty-First Century Community Learning Centers	84.287

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Wareham, Massachusetts, was determined to be a high-risk auditee.

**B. Findings-Financial Statements Audit**

None

**C. Findings and Questioned Costs-Major Federal Award Program Audit**

None

**D. Prior Year Findings and Questioned Costs****2014-001: Material Weakness**

*Condition and Criteria:* The following deficiencies exist within the Town's system of internal control:

**Health Insurance Trust Fund****Comment**

The Town had historically not tracked the Employer/Employee share of the Health Insurance Trust and the final accounting relied heavily on special audits of the activity to properly reflect the appropriate shares. In addition, in recent years the Town has underfunded its matching contribution.

As of October 1, 2014, the Town joined the Mayflower Municipal Health Group (the Group) and is no longer self-insured for health care costs. This change will relieve the Town from the need to track the Town and Employee shares and the Town can no longer elect to underfund their share. This will substantially eliminate the material weakness for the health insurance trust fund. However, there will still be a need to track all final expenses incurred on or prior to September 30, 2014 but paid after that date. These payments will still be reported in the trust fund from the remaining fund balance and any stop loss insurance proceeds received. It is important to properly account for the transactions during the run out period as any final surplus or deficit must be returned or funded.

We recommended that an in depth review of this fund be conducted by the end of April 2015 in order to quantify where the total fund balance and the employer/employee splits are. This will allow the Town ample time prior to Town Meeting to determine if any financial decisions must be addressed at that point.

**Current Status**

The Town contracted to have the recommended final review of the trust fund completed in order to determine the cash flow needs related to the run-off health claims. As of June 30, 2015, the Town's run-off claims are completed and the Town is working to determine the appropriate use of the remaining fund balance in the health claims trust related to health insurance activities. This material weakness is considered resolved.

**Other Material Weaknesses**

- In previous management letters, we noted that there were not timely reconciliation procedures between the Accounting Office and all other Town Departments.
  - Current Status – During 2015, the Town Accountant's Office worked to develop monthly reconciliation procedures with supporting Town Departments. This material weakness is considered resolved.

- In previous years we observed an inordinate amount of unsupported journal entries being posted to the Town's general ledger. Departments must work to enter transactions correctly the first time and take the time to ask a question if the correct method is not initially known. Most of what we observed in reviewing the ledger is multiple correcting entries being used to correct a transaction initially entered incorrectly.

The next problematic issue is the purpose for these entries. The accounting system used by the Town, along with most systems, is designed to minimize the need for any journal entries. Recording the transaction properly and charging it to the correct account at its inception is the most efficient and accurate means of recording the Town's financial activity. For example, when a receipt is received it is entered into the system and credited to the correct revenue account/fund. When employees or vendors are paid the expenditure is to be charged to the account/fund that incurs the expense. The only need for a journal entry should be to correct errors, which should be minimal. If there is a need for a significant number of corrections to the original transactions there is a material weakness in the design of the accounting process. If the Accounting Office finds that journal entries are needed frequently, an immediate review of the policies and procedures surrounding the transaction type in question should be performed to isolate where the deviation from prescribed policies and procedures is occurring and what the correct fix should be. Until this process is changed then a material weakness will continue to exist.

- Current Status – The number of unsupported journal entries has continued to decrease in fiscal year 2015. The School Department implemented a new computer system and there were a number of journal entries required to reclassify incorrectly posted amounts as the School began working with the new system, these adjustments would be expected to be significantly reduced moving forward. However, overall Town Departments are working to assure that amounts are posted correctly the first time and minimize the number of correcting journal entries required. This material weakness is considered resolved.

In previous fiscal years, management was not able to provide an accurate reconciliation between the authorized town meeting votes, the tax recap, budget transfers and the budget recorded within the general ledger. The Town is responsible for monitoring the approved budget and assuring that funds are available to cover the appropriations and that the level of spending is in line with the amounts authorized at town meeting. The lack of procedures in place to reconcile the approved votes to the tax recap and the general ledger can lead to a situation in which line items are overspent, unallowable costs are paid, and department heads do not have accurate information to monitor current operations.

- Current Status – During fiscal year 2015, the Town implemented procedure to complete and provide a reconciliation of the approved budget votes to the general ledger and also to the tax recap. This material weakness is considered resolved.
- In previous management letters we noted, the Town does not have proper controls or reconciliation procedures in place to account for betterments. During fiscal years 2010 - 2014, numerous errors and double postings of activity and balances occurred to the betterment accounts maintained within the general ledger.
  - Current Status – During fiscal year 2015, both apportioned and un-apportioned betterments were reconciled with only minor variances. We noted that the Town Accountant's Office and the Assessor's Office have been reconciling the accounts on a monthly basis. This material weakness is considered resolved.