

TOWN OF WAREHAM, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2016

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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 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, 2016, 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 February 27, 2017.

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 of Wareham, 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 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 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.

Powers + Sullivan, LLC

February 27, 2017



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**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 THE UNIFORM GUIDANCE**

Independent Auditor's Report

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 the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 of 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Wareham's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Wareham's response was not subject 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 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Wareham, Massachusetts's basic financial statements. We issued our report thereon dated February 27, 2017, 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 the Uniform Guidance and is not 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

February 27, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
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	12-310	\$ -	\$ 98,375
Cash Assistance:				
National School Lunch Program.....	10.555	12-310	-	674,876
Total National School Lunch Program.....			-	773,251
Cash Assistance:				
School Breakfast Program.....	10.553	12-310	-	345,712
TOTAL CHILD NUTRITION CLUSTER.....			-	1,118,963
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (IDEA, Part B).....	84.027	240-206-6-0310	-	616,136
Special Education Grants to States (IDEA, Part B).....	84.027	240-130-5-0310	-	48,504
Special Education Grants to States (IDEA, Part B).....	84.027	274-123-6-0310	-	29,399
Special Education Grants to States (IDEA, Part B).....	84.027	274-071-5-0310	-	7,097
Special Education Grants to States (IDEA, Part B).....	84.027	245-014-6-0310	-	29,420
Total Special Education Grants to States (IDEA, Part B).....			-	730,556
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	298-653-6-0310	-	3,000
<u>Passed through Massachusetts Department of Early Education and Care:</u>				
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26216WAREHAM PUBLPAY	-	16,612
Special Education Preschool Grants (IDEA, Preschool).....	84.173	26215WAREHAM PUBLPAY	-	357
Total Special Education Preschool Grants (IDEA, Preschool).....			-	19,969
TOTAL SPECIAL EDUCATION CLUSTER.....			-	750,525
OTHER PROGRAMS:				
U.S. DEPARTMENT OF JUSTICE:				
<u>Direct Award:</u>				
Bulletproof Vest Partnership Program.....	16.607	N/A	-	11,322
PASS-THROUGH PROGRAMS:				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<u>Passed through Massachusetts Department of Housing and Community Development:</u>				
Community Development Block Grants/Entitlement Grants.....	14.218	15 ME 129	-	112,946
Community Development Block Grants/Entitlement Grants.....	14.218	14 ME 116	-	302,002
Community Development Block Grants/Entitlement Grants.....	14.218	13 ME 110	-	81,048
Total Community Development Block Grants/Entitlement Grants.....			-	495,996
U.S. DEPARTMENT OF THE INTERIOR:				
<u>Passed through the Massachusetts Department of Fish, Wild Life and Environmental Law Enforcement:</u>				
Clean Vessel Act.....	15.616	TOWNOFWAREHAM CVA2016	-	15,286
Clean Vessel Act.....	15.616	TOWNOFWAREHAM CVA2015	-	1,190
Total Clean Vessel Act.....			-	16,476
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed through Executive Office of Public Safety:</u>				
Edward Byrne Memorial Justice Assistance Grant Program.....	16.738	2009-G5631-MA-SB	-	208
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Highway Safety Bureau:</u>				
National Priority Safety Programs.....	20.616	2013OTENF2017	-	2,191
<u>Passed through the Massachusetts Emergency Management Agency:</u>				
Interagency Hazardous Materials Public Sector Training and Planning Grants.....	20.703	FY16HMEP1600000WAREH	-	1,999
TOTAL U.S. DEPARTMENT OF TRANSPORTATION.....			-	4,190
NATIONAL ENDOWMENT FOR THE HUMANITIES				
<u>Passed through Massachusetts Board of Library Commissioners:</u>				
Library Services and Technology Act Special Mini-Grant Program.....	45.310	12WAREHAMTWEENSTEENS	-	63

U.S. DEPARTMENT OF EDUCATION:

Passed through Massachusetts Department of Elementary and Secondary

Education:

Title 1 Grants to Local Educational Agencies.....	84.010	305-070312-2016-0310	-	542,049
Title 1 Grants to Local Educational Agencies.....	84.010	305-047437-2015-0310	-	35,557
Total Title 1 Grants to Local Educational Agencies.....			-	577,606
MassGrad Promising Practices Implementation Grant.....	84.010	320-158-6-0310		41,090
District and School Assistance Grant.....	84.010	323-059-6-0310	-	19,415
District and School Assistance Grant.....	84.010	323-020-5-0310	-	243
Total District and School Assistance Grant.....			-	19,658
Twenty-First Century Community Learning Centers.....	84.287	647-015-6-0310	-	395,499
Improving Teacher Quality State Grants.....	84.367	140-086939-2016-0310	-	164,075
Improving Teacher Quality State Grants.....	84.367	140-067590-2015-0310	-	19,946
Total Improving Teacher Quality State Grant.....			-	184,021
ARRA - Race to the Top.....	84.395	201-045633-2015-0310	-	4,511

Passed through Massachusetts Department of Career, Technical, and Adult

Education:

Career and Technical Education - Basic Grants to States.....	84.048	400-050-6-0310	-	17,269
TOTAL U.S. DEPARTMENT OF EDUCATION.....			-	1,239,654

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through Massachusetts Rehabilitation Commission:

Social Security Disability Insurance.....	96.001	16MRCDDS00000000MER2	-	880
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U.S. DEPARTMENT OF HOMELAND SECURITY:

Passed through the Massachusetts Emergency Management Agency:

Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	CTFEMA4214WAREA00817	-	13,561
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	CTFEMA4097WAREH00054	-	7,996
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters).....			-	21,557
Emergency Management Performance Grants.....	97.042	FY16EMPG1500000WAREH	-	4,960
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY.....			-	26,517
TOTAL.....			\$ -	\$ 3,664,794

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Town of Wareham, Massachusetts under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Wareham, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Wareham, Massachusetts.

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 modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 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.
- d) Public Assistance Grants – Program expenditures represent federal reimbursement for eligible disaster assistance costs.
- e) The Town of Wareham, Massachusetts has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Town of Wareham, Massachusetts, expresses an unmodified opinion on all major federal award programs.
6. There are two findings relative to the major federal award programs for the Town of Wareham, Massachusetts, which are described in schedule of findings and questioned costs.
7. The programs tested as major grants included the Special Education Cluster and the Child Nutrition Cluster.
8. The threshold for distinguishing Types A and B programs was \$750,000.
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 Programs**2016-001: Late Filing of Final Financial Report**

Condition and Criteria: Form FR-1 (Final Financial Report) for the Special Education – Grants to States (IDEA, Part B) Program Improvement Grant, CFDA No. 84.027, was due on October 31, 2015. The Final Financial Report for this grant was submitted on April 11, 2016. There were no extensions filed to allow the late filing of the final report.

Context: The final reports were filed after the submission deadline for the grant noted above.

Effect: The School is not in compliance with grant requirements.

Cause: The School did not have adequate procedures in place to ensure that all final financial reports were submitted timely.

Questioned Costs: N/A

Auditors' Recommendation: We recommend the School implement procedures to ensure compliance with all grant reporting requirements to ensure the timely filing of the final financial report.

Views of Responsible Officials: We have drafted and are implementing a new set of Grant Management procedures to ensure compliance with all grant reporting requirements to ensure the timely filing of the final financial report.

2016-002: Supporting Documentation for Grant Expenditures Reports on the Final Financial Report

Condition and Criteria: Form FR-1 (Final Financial Report) for the Special Education – Grants to States (IDEA, Part B) Special Education Entitlement Grant, CFDA No. 84.027, reports all of the expenditures incurred throughout the grant year. The expenditures reported must be supported by actual expenditures recorded on the ledgers.

Context: The final financial report for this grant was not properly supported with information that could be traced to the Town's ledgers.

Effect: Non-compliance with the Massachusetts Department of Elementary and Secondary Education guidelines for managing grants that require the program final financial reports to be reconciled to the Towns ledgers.

Cause: Lack of procedures to ensure that all supporting documentation is adequately maintained.

Questioned Costs: N/A

Auditors' Recommendation: We recommend the School implement procedures to ensure compliance with all grant reporting requirements to ensure that the final financial reports that are submitted are accurate and supported.

Views of Responsible Officials: We have drafted and are implementing a new set of Grant Management procedures to ensure compliance with all grant reporting requirements to ensure that the final financial reports that are submitted are accurate and supported.

D. Summary Schedule of Prior Audit Findings

None