

***TOWN OF GEORGETOWN, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***FISCAL YEAR ENDED JUNE 30, 2012***

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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**

To the Honorable Board of Selectmen  
Town of Georgetown, 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 Georgetown, Massachusetts, as of and for the year ended June 30, 2012, (except for the Municipal Light Department which was audited by other auditors whose report thereon has been furnished to us), which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 14, 2013. 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 Georgetown, 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 Georgetown, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Georgetown, 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 Georgetown, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Georgetown, Massachusetts in a separate letter dated March 14, 2013.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, 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.

*Powers & Sullivan LLC*

March 14, 2013



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**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 Georgetown, Massachusetts

**Compliance**

We have audited the compliance of the Town of Georgetown, Massachusetts (except for the Municipal Light Department which was audited by other auditors whose report thereon has been furnished to us), 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 the Town of Georgetown's major federal programs for the fiscal year ended June 30, 2012. The Town of Georgetown'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 of Georgetown, Massachusetts' management. Our responsibility is to express an opinion on the Town of Georgetown'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 of Georgetown, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Georgetown, Massachusetts' compliance with those requirements.

In our opinion, the Town of Georgetown, Massachusetts complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanied schedule of finding and questioned costs as item 2012-1.

**Internal Control Over Compliance**

Management of the Town of Georgetown, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Georgetown, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Georgetown, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Georgetown, Massachusetts (except for the Municipal Light Department which was audited by other auditors whose report thereon has been furnished to us), as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 14, 2013. 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.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, 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.

*Powers & Sullivan LLC*

March 14, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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	\$ 29,910
Cash Assistance:		
School Breakfast Program	10.553	4,505
National School Lunch Program	10.555	70,390
Cooperative Forestry Assistance	10.664	<u>1,952</u>
TOTAL AGRICULTURE		<u>106,757</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through Massachusetts Office of Public Safety:</u>		
Bulletproof Vest Partnership Program	16.607	<u>3,508</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through Highway Safety Bureau:</u>		
State and Community Highway Safety	20.600	<u>900</u>
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	45,025
Special Education Grants to States (IDEA, Part B)	84.027	330,118
Special Education Grants to States (IDEA, Part B, 611)	84.027A	11,738
Improving Teacher Quality State Grants	84.367	18,383
ARRA - Special Education Grants to States, Recovery Act	84.391	2,049
ARRA - State Fiscal Stabilization Fund, Recovery Act	84.394	23,063
Education Jobs Fund	84.410	167,580
<u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	11,732
ARRA - Special Education Preschool Grants, Recovery Act	84.392	<u>4,863</u>
TOTAL EDUCATION		<u>614,551</u>
SOCIAL SECURITY ADMINISTRATION:		
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	<u>15</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Emergency Management Agency:</u>		
Public Assistance Grants	97.036	31,615
Hazard Mitigation Grant	97.039	31,575
Emergency Management Performance Grants	97.042	<u>3,500</u>
TOTAL HOMELAND SECURITY		<u>66,690</u>
TOTAL		<u>\$ 792,421</u>

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 Georgetown, 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 Georgetown, 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 fiscal year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the fiscal 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>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
<b>Special Education Cluster</b>	
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Grants to States (IDEA, Part B, 611)	84.027A
Special Education Preschool Grants	84.173
ARRA – Special Education Grants to States, Recovery Act	84.391
ARRA – Special Education Preschool Grants, Recovery Act	84.392



**A. Summary of Auditors' Results**

1. The auditors' report expresses a qualified opinion on the basic financial statements of the Town of Georgetown, Massachusetts, for reporting the financial statements of the Municipal Light Department on a basis of accounting other than accounting principles generally accepted in the United States of America.
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 Georgetown, 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 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 Georgetown, Massachusetts, expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for the Town of Georgetown, Massachusetts.
7. The programs tested as a major grants are:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Grants to States (IDEA, Part B, 611)	84.027A
Special Education Preschool Grants	84.173
ARRA – Special Education Grants to States, Recovery Act	84.391
ARRA – Special Education Preschool Grants, Recovery Act	84.392
Education Jobs Fund	84.410

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

**B. Findings-Financial Statements Audit**

None

**C. Findings and Questioned Costs-Major Federal Award Programs**

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
ARRA – Special Education Grants to States, Recovery Act	CFDA No. 84.391
ARRA – Special Education Preschool Grants, Recovery Act	CFDA No. 84.392

2012-1: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time. The Town has not maintained such documentation.

*Cause:* The Town did not maintain semi-annual certifications or personnel activity reports for employee salaries charged to the Special Education grants.

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

*Auditors’ Recommendation:* We recommend that the Town implement procedures to comply with OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments”.

*Grantee’s Response:* To comply with OMB Circular A-87, the Georgetown Public Schools are in the process of implementing the following changes:

1. Semi-Annual certifications for 100% grant funded personnel will be processed.
2. Time and effort reporting for partially funded grant personnel will be developed and recorded monthly.

**D. Summary Schedule of Prior Audit Findings**

Special Education Grants to States (IDEA, Part B)	CFDA No. 84.027
Special Education Preschool Grants	CFDA No. 84.173
ARRA – Special Education Grants to States, Recovery Act	CFDA No. 84.391
ARRA – Special Education Preschool Grants, Recovery Act	CFDA No. 84.392

2011-1: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time. The Town has not maintained such documentation.

Status – *Unresolved.* The Town has not implemented procedures to comply with this requirement. As such, this is a finding again in fiscal 2012.