

TOWN OF LUNENBURG, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2012

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
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**

To the Board of Selectmen
Town of Lunenburg, Massachusetts

Compliance

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 Lunenburg, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town of Lunenburg, Massachusetts' basic financial statements and have issued our report thereon dated February 20, 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 Lunenburg, 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 Lunenburg, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lunenburg, 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 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 Lunenburg, 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 Lunenburg, Massachusetts in a separate letter dated February 20, 2013.

This report is intended solely for the information and use of management, 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.

Pomeroy & Sullivan, LLC

February 20, 2013



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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 Board of Selectmen
Town of Lunenburg, Massachusetts

Compliance

We have audited the compliance of the Town of Lunenburg, Massachusetts, 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 Lunenburg, Massachusetts' major federal programs for the year ended June 30, 2012. The Town of Lunenburg, Massachusetts' 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 Lunenburg, Massachusetts' management. Our responsibility is to express an opinion on the Town of Lunenburg, Massachusetts' 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 Lunenburg, 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 of the Town of Lunenburg, Massachusetts' compliance with those requirements.

In our opinion, the Town of Lunenburg, Massachusetts 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 year ended June 30, 2012. 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 item 2012-01.

Internal Control Over Compliance

Management of the Town of Lunenburg, 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 Lunenburg, 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 Lunenburg, 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 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 Lunenburg, Massachusetts, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 20, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 of the Town of Lunenburg, Massachusetts, 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.



February 20, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR FISCAL ENDED JUNE 30, 2012

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Commonwealth of Massachusetts</u>		
<u>Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 30,644
Cash Assistance:		
National School Lunch Program	10.555	<u>103,914</u>
TOTAL AGRICULTURE		<u>134,558</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Passed through Massachusetts Department of Public Safety:</u>		
State Traffic Safety Information System Improvement Grants	20.610	<u>1,313</u>
U.S. DEPARTMENT OF ENERGY:		
<u>Passed through the Department of Energy Resources:</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	<u>150,000</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through the Commonwealth of Massachusetts</u>		
<u>Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	131,850
Special Education - Grants to States	84.027	363,554
Handicapped - Grants to States	84.027A	2,143
Occupational Education-Vocational Skills	84.048	2,018
Improving Teacher Quality State Grants	84.367	39,930
ARRA - Special Education Grants to States, Recovery Act	84.391	41
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	5,425
Education Jobs Fund	84.410	299,425
<u>Passed through the State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	14,785
<u>Passed through Mount Wachusett Community College</u>		
College Access Challenge	84.378	<u>237</u>
TOTAL EDUCATION		<u>859,408</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Passed through the Massachusetts Corporation for National and</u>		
<u>Community Service:</u>		
Learn and Serve America School and Community Based Program	94.004	1,000
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	<u>195</u>
TOTAL HEALTH AND HUMAN SERVICES		<u>1,195</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through the Emergency Management Agency:</u>		
Disaster Grants - Public Assistance	97.036	7,398
Emergency Management Performance Grant Award	97.042	<u>3,984</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY:		<u>11,382</u>
TOTAL		<u>\$ 1,157,856</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 Lunenburg, 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 Lunenburg, 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) School Lunch Program (Cash Assistance) - Program expenditures represent federal reimbursement for meals provided during the fiscal year.
- (c) School Lunch Program (Non-Cash Assistance) - 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>
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States, Recovery Act	84.391

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Lunenburg, 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 Lunenburg, 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 Lunenburg, Massachusetts, expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for the Town of Lunenburg, Massachusetts.
7. The programs tested as major programs include:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States, Recovery Act	84.391
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128

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

B. Findings-Financial Statements Audit

None

C. Finding and Questioned Costs – Major Federal Award Programs

U.S. DEPARTMENT OF EDUCATION

Passed through Massachusetts Department of Elementary and Secondary Education:

Special Education Grants to States

CFDA No: 84.027

2012-01: *Condition and Criteria:* The Town did not maintain monthly personnel activity reports for qualifying employee salaries charged to the Special Education Grants to States federal program. 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 and effort.

Questioned Costs: n/a

Context: Semi-annual certifications were maintained for all employees charged to the Special Education Grants to States program. However, we noted that there were employees' whose salaries were not paid 100% from the federal program, which requires them to complete monthly personell activity reports. Based on our testing of salaries charged to the program, we found that six employees qualified for monthly personell activity reports.

Effect: The District is not in compliance with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments.

Cause: The Town did not have procedures in place to complete monthly personnel activity reports, documenting employee's time and effort, for employees with less than 100% of their time charged to a single federal program.

Auditors' Recommendation: We recommend that the District implement procedures to comply with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

Views of Responsible Officials: See the Town's corrective action plan.

D. Prior Fiscal Year Audit Findings and Questioned Costs

None