

TOWN OF WINCHESTER, MASSACHUSETTS

GAO AND UNIFORM GUIDANCE REPORTS

JUNE 30, 2017

TOWN OF WINCHESTER, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS

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**INDEPENDENT AUDITORS' 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 Winchester, 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 Winchester, Massachusetts, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements, and have issued our report thereon dated November 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Winchester, 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 Winchester, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winchester, 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 Winchester, 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
November 24, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen
Town of Winchester, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Winchester, 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 Winchester, Massachusetts' major federal programs for the fiscal year ended June 30, 2017. The Town of Winchester, Massachusetts' major federal programs are identified in the summary of auditors' 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 Winchester, 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 Winchester, 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 Winchester, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Winchester, 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 fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

The Town of Winchester, Massachusetts' responses to the noncompliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Winchester, Massachusetts' responses were 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 Winchester, 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 Winchester, 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 Winchester, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Town of Winchester, Massachusetts' responses to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Winchester, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Winchester, Massachusetts, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements. We issued our report thereon dated November 24, 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 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 24, 2017

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TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	09-344	\$ 7,501
National School Lunch Program - Cash Assistance	10.555	09-344	136,126
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-344	98,042
Subtotal CFDA 10.555			<u>234,168</u>
Subtotal Child Nutrition Cluster and Total U.S. Department of Agriculture			<u>241,668</u>
U.S. Department of Education			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title I Distribution (fiscal year 2015)	84.010	305-051215-2015-0344	936
Title I Distribution (fiscal year 2016)	84.010	305-075147-2016-0344	36,768
Title I Distribution (fiscal year 2017)	84.010	305-098727-2017-0344	73,595
Subtotal CFDA 84.010			<u>111,299</u>
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-098726-2017-0344	875,561
SPED Program Improvement (fiscal year 2016)	84.027	274-064-5-0344-P	9,137
SPED Program Improvement (fiscal year 2017)	84.027	274-023-7-0344-R	35,842
SPED Early Childhood Program Improvement (fiscal year 2017)	84.027	298-067-7-0344-R	1,400
Subtotal CFDA 84.027			<u>921,940</u>
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217WINCHESTERPUBLIC	19,855
Subtotal Special Education Cluster			<u>941,795</u>
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title III - English Language Acquisition (fiscal year 2015)	84.365	180-036-5-0344-C	2,436
Title III - English Language Acquisition (fiscal year 2016)	84.365	180-081-6-0344-A	20,276
Title III - English Language Acquisition (fiscal year 2017)	84.365	180-029-7-0344-D	299
Subtotal CFDA 84.365			<u>23,011</u>
Title IIA - Improving Teacher Quality (fiscal year 2016)	84.367	140-090369-2016-0344	17,173
Title IIA - Improving Teacher Quality (fiscal year 2017)	84.367	140-115318-2017-0344	22,290
Subtotal CFDA 84.367			<u>39,463</u>
Total U.S. Department of Education			<u>1,115,568</u>
U.S. Department of Health and Human Services			
<u>Passed through the State Department of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951262	60,231
<u>Subrecipient of Cambridge Health Alliance</u>			
Public Health Emergency Preparedness	93.074	Not Available	1,498
Total U.S. Department of Health and Human Services			<u>61,729</u>

TOWN OF WINCHESTER, MASSACHUSETTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
<u>Passed through the State Office of Emergency Management:</u>			
Emergency Management Performance Grants (2016)	97.042	FFY16 EMPG GRANT	4,960
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	JAN 2015 STORM PW 00450	71,643
			.
Total U.S. Department of Homeland Security			<u>76,603</u>
Total			<u>\$ 1,495,569</u>

(concluded)

See notes to schedule of expenditures of federal awards.

TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Winchester, Massachusetts and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Indirect Costs

The Town of Winchester, Massachusetts did not elect to use the 10% de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

Note 3 – U.S. Department of Agriculture Programs

The amount reported for the National School Lunch Program – Non-Cash Assistance (Commodities) represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program – Cash Assistance and the National School Lunch Program – Cash Assistance represent cash receipts from federal reimbursements.

Note 4 – U.S. Department of Health and Human Services

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts related to Administrative Activity Claims.

This information is an integral part of the accompanying schedule of expenditures of federal awards.

TOWN OF WINCHESTER, MASSACHUSETTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2017

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ No

Type of auditors' report on compliance for major programs: Unmodified

Were any findings disclosed that are required to be reported in accordance with the Uniform Guidance X Yes _____ No

Identification of Major Programs:

Name of federal program or cluster	CFDA Number
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Early Childhood Program Improvement	84.027
SPED Early Childhood Allocation	84.173

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X Yes _____ No

B. Findings - Financial Statement Audit

None

TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

C. Findings and Questioned Costs – Major Federal Award Programs Audit

2017 - 001

Federal agency: U.S. Department of Education

Federal program title: Special Education Cluster

CFDA Number: 84.027 and 84.173

Pass-Through Agency: Massachusetts Departments of Education and Early Education and Care

Pass-Through Number(s): 240-098726-2017-0344, 274-064-5-0344-P, 274-023-7-0344-R, 298-067-7-0344-R, 26217WINCHESTERPUBLIC

Award Period: July 1, 2016 through June 30, 2017

Type of Finding: Other Matter and Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: For employees who work on a Federal grant program, semi-annual time and effort certifications, personnel activity forms, or time sheets must support the portion of time and effort dedicated to the grant.

Condition and Context: Time and effort was not documented for 19 of 60 payroll transactions tested. In addition, semi-annual certifications obtained for the 2016-17 school year were not signed by a school official until September 2017, after the semi-annual certifications were due, and after the school year had ended.

Questioned costs: \$19,350 (not material to the program)

Cause: Procedures were not in place to consistently process timely and accurate time and effort certifications that are reflective of actual salary charges to the grant.

Effect: In the absence of accurate time and effort certifications (and/or untimely certifications), it is possible that salaries charged to the grant are overstated or understated resulting in noncompliance of certain allowable cost requirements.

Repeat Finding: This is a repeat to prior year Finding 2016-001

Recommendation: Procedures must be implemented to ensure that time and effort certifications are timely, accurate and maintained, using personnel activity reports or time sheets for employees whose salary is charged to various cost objectives or other revenue sources.

Views of responsible officials: There is no disagreement with the audit finding.