

TOWN OF WINCHESTER, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
JUNE 30, 2018

TOWN OF WINCHESTER, MASSACHUSETTS

GAO AND UNIFORM GUIDANCE REPORTS

JUNE 30, 2018

TABLE OF CONTENTS

	Page
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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8



**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**

Honorable Select Board
Town of Winchester, Massachusetts
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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts's basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Winchester, Massachusetts's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winchester, Massachusetts'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.

Honorable Select Board
Town of Winchester, Massachusetts

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Winchester, Massachusetts's 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
February 6, 2019



**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**

Honorable Select Board
Town of Winchester, Massachusetts
Winchester, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Winchester, Massachusetts's 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's major federal programs for the year ended June 30, 2018. The Town of Winchester, Massachusetts's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Winchester, Massachusetts's 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's 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Town of Winchester, Massachusetts's compliance.

Basis for Qualified Opinion on Special Education Cluster

As described in the accompanying schedule of findings and questioned costs, the Town of Winchester, Massachusetts did not comply with requirements regarding CFDA 84.027 and 84.173, Special Education Cluster, as described in finding 2018-001. Compliance with such requirements is necessary, in our opinion, for the Town of Winchester, Massachusetts to comply with the requirements applicable to that program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Special Education Cluster for the year ended June 30, 2018.

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

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 Town of Winchester, Massachusetts's 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

Honorable Select Board
Town of Winchester, Massachusetts

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 to be significant deficiencies.

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

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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts's basic financial statements. We issued our report thereon dated February 6, 2019, 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
February 6, 2019

**TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
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	\$ 9,290
National School Lunch Program - Cash Assistance	10.555	09-344	176,075
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-344	<u>81,323</u>
Subtotal CFDA 10.555			<u>257,398</u>
Total U.S. Department of Agriculture			<u>266,688</u>
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	Not Available	<u>13,725</u>
U.S. Department of Education			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title I Distribution (fiscal year 2016)	84.010	305-075147-2016-0344	8,897
Title I Distribution (fiscal year 2017)	84.010	305-098727-2017-0344	43,995
Title I Distribution (fiscal year 2018)	84.010	305-147794-2018-0344	<u>95,583</u>
Subtotal CFDA 84.010			<u>148,475</u>
<i>Special Education Cluster</i>			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
SPED 94-142 Allocation (fiscal year 2018)	84.027	240-182900-2018-0344	865,974
<u>Passed through the State Department of Early Education and Care</u>			
SPED Early Childhood Allocation (fiscal year 2018)	84.173	26218WINCHESTERPUBLIC	<u>18,451</u>
Subtotal Special Education Cluster			<u>884,425</u>
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title III - English Language Acquisition (fiscal year 2016)	84.365	180-081-6-0344-A	4,821
Title III - English Language Acquisition (fiscal year 2017)	84.365	180-029-7-0344-D	16,690
Title III - English Language Acquisition (fiscal year 2018)	84.365	180-146504-2018-0344	<u>2,261</u>
Subtotal CFDA 84.365			23,772
Title IIA - Improving Teacher Quality (fiscal year 2017)	84.367	140-115318-2017-0344	19,559
Title IIA - Improving Teacher Quality (fiscal year 2018)	84.367	140-144320-2018-0344	<u>58,461</u>
Subtotal CFDA 84.367			78,020
Title IVA	84.424	309-159773-2018-0344	<u>3,073</u>
Total U.S. Department of Education			<u>1,137,765</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	33,847
<u>Subrecipient of Cambridge Health Alliance</u>			
Public Health Emergency Preparedness	93.074	Not Available	<u>2,604</u>
Total U.S. Department of Health and Human Services			<u>36,451</u>
U.S. Department of Homeland Security			
<u>Passed through the State Office of Emergency Management:</u>			
Emergency Management Performance Grants (2017)	97.042	FFY17 EMPG GRANT	<u>4,960</u>
Total			<u>\$ 1,459,589</u>

See notes to schedule of expenditures of federal awards.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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, 2018**

Section I – 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? X Yes _____ 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: Modified

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 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

**TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2018-001

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): 240-182900-2018-0344 and 26218WINCHESTERPUBLIC

Award Period: July 1, 2017 through June 30, 2018

Type of Finding: Material Noncompliance and Material Weakness in Internal Control Over Major Programs

Compliance requirement: Period of Performance.

Criteria or specific requirement: A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Condition and Context: 5 of 9 selections for period of performance testing contained costs incurred prior to the date the grant was approved.

Questioned costs: \$179,271 (material to the program).

Cause: Controls are not in place to ensure that only costs incurred during the period of performance are charged to the grant.

Effect: Noncompliance resulted in questioned costs.

Repeat Finding: No.

Recommendation: We recommend the District implement controls that ensure only costs incurred during the period of performance are charged to the grant.

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

**TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

2018 – 002

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): 240-182900-2018-0344 and 26218WINCHESTERPUBLIC

Award Period: July 1, 2017 through June 30, 2018

Type of Finding: Other Matter and Significant Deficiency in Internal Control Over Major Programs

Compliance requirement: Allowable Costs/Cost Principles.

Criteria or specific requirement: For employees who work in part on a Federal program, or on activities funded from other revenue sources, time and effort distributions records (personnel activity reports or time sheets) must be maintained that support the portion of time and effort dedicated to each cost objective.

Condition and Context: Time and effort for 1 employee, affecting 1 of 60 salary charges tested, were not consistent with time and effort certifications. The signed time and effort certification identified the employees' time as dedicated to the SPED grant for 3 of 12 months. However, the employee was paid from funding sources other than the SPED grant.

Questioned costs: None.

Cause: Procedures were not in place to process 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: Yes, see prior year finding #2017-001.

Recommendation: We recommend procedures be implemented to ensure that time and effort certifications are accurately 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.

**TOWN OF WINCHESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

2018 – 003

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): 240-182900-2018-0344 and 26218WINCHESTERPUBLIC

Award Period: July 1, 2017 through June 30, 2018

Type of Finding: Other Matter and Significant Deficiency in Internal Control Over Major Programs

Compliance requirement: Cash Management.

Criteria or specific requirement: Drawdown requests for funds must be supported by financial records.

Condition and Context: Expenditures reported on one of three drawdown requests tested did not reconcile to expenditures per the general ledger.

Questioned costs: None.

Cause: Procedures were not in place to ensure requests for funds accurately reflect financial records.

Effect: Inaccurate requests for funds could result in questioned costs.

Repeat Finding: No.

Recommendation: We recommend procedures be implemented to ensure that financial data reported on requests reconcile to the Town's general ledger.

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