

TOWN OF MILLIS, MASSACHUSETTS

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2010

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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 Board of Selectmen  
Town of Millis, 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 Millis, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 1, 2011. 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's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's 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.

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 matters that we reported to management of the Town in a separate letter dated February 1, 2011.

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.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
February 1, 2011



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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 Board of Selectmen  
Town of Millis, Massachusetts

**Compliance**

We have audited the Town of Millis, Massachusetts' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Town'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's management. Our responsibility is to express an opinion on the Town'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'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 opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

As described in 10-1 and 10-2 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding time and effort documentation and final financial reporting requirements that could have a direct and material effect on its Special Education Cluster grants. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town 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 year ended June 30, 2010.

### **Internal Control Over Compliance**

Management of the Town 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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's 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 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 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 as of and for the year ended June 30, 2010, and have

issued our report thereon dated February 1, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on the responses.

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.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
June 20, 2011

TOWN OF MILLIS, MASSACHUSETTS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</u>	<u>Federal Catalogue Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education School Lunch Program	10.555	\$ <u>49,715</u>
Total U.S. Department of Agriculture		49,715
<u>Institute of Museum and Library Services</u>		
Passed Through Massachusetts Board of Library Commissioners Library Services and Technology Act - Mother Goose on the Loose	45.310	<u>3,269</u>
Total Institute of Museum and Library Services		3,269
<u>U.S. Department of Education</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education		
Title I	84.010	42,251
Title VIB P.L. 94-142 Handicapped Assistance	84.027	303,581
Title IID Education Technology	84.318	425
Title IIA Improving Teacher Quality	84.367	30,936
Title VIB P.L. 94-142 Handicapped Assistance - ARRA	84.391	142,580
ARRA State Stabilization Funds	84.394	718,540
Passed Through State Department of Early Education and Care		
Special Education Preschool	84.173	16,703
Special Education Preschool - ARRA	84.392	<u>3,574</u>
Total U.S. Department of Education		1,258,590
<u>U.S. Department of of Health and Human Services</u>		
Public Health Emergency Preparedness/Response	93.069	<u>9,423</u>
Total U.S. Department of Health and Human Services		9,423
<u>U.S. Department of Homeland Security</u>		
Assistance to Firefighters	97.044	2,135
Assistance to Firefighters	97.044	<u>23,750</u>
Total U.S. Department of Homeland Security		<u>25,885</u>
Grand Total		<u>\$ 1,346,882</u>

See Independent Auditors' Report on Compliance with OMB A-133

This schedule has been prepared on the modified accrual basis of accounting.

State identifying numbers were not available for the pass-through grants listed above.



**TOWN OF MILLIS, MASSACHUSETTS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2010

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

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

Special Education Cluster with ARRA	Qualified
ARRA State Fiscal Stabilization Fund	Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392 84.394	Special Education Cluster with ARRA ARRA State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
10-1	Special Education Cluster 84.027/ 84.173/ 84.391/ 84.392	<p><u>Maintain Employee's Time and Effort Records</u></p> <p><u>Criteria:</u> OMB Circular A-87, Attach. B, Paragraph 8.h.3 requires all employees paid in full from federal grant funds to furnish semi-annual certifications that they have been engaged solely in activities supported by the grant. These certifications must be signed by the employee or supervisor with knowledge of the work performed. In addition, OMB Circular A-87, Attach. B, Paragraph 8.h.4 requires employees partially charged to federal grants to document the portion of time worked on the grant and the portion of time worked in areas not related to the grant. Circular A-87 also requires that these time and effort distribution records must (1) be done after the fact (not estimated or budgeted), (2) account for the total activities for which the employee is paid, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee.</p> <p><u>Condition:</u> During our audit, we tested a sample of payroll disbursements in order to determine if adequate time and effort records were maintained. As a result of our testing, it was determined that there were inconsistencies with the maintenance of time and effort documentation. We noted certifications that were completed only annually, not semi-annually, certifications dated prior to the end of the period being certified, certifications stating the employee worked 100% on the grant, but were actually charged to various grant/nongrant accounts and, in some cases, no time and effort documentation was maintained.</p>	\$ 386,320

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<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<p><u>Effect:</u> Certain time and effort documentation did not meet Federal requirements.</p> <p><u>Recommendation:</u> We recommend that the Town of Millis maintain adequate time and effort documentation for full-time grant employees and maintain activity reports or timesheets for all employees whose salaries are partially paid from federal grant funds. In addition, we recommend all time and effort documentation be completed in a timely manner and indicate all activities the employees worked during the period of certification indicated and be signed and dated. This will help ensure that the Town is in full compliance with these requirements.</p> <p><u>Town's Response:</u> The School will have employees sign these forms in January of each year for coverage of the first half of the school year and again the week school closes. Attention will be paid to better represent the percentage each employee is paid from the grant.</p>	
10-2	Special Education Cluster 84.391/ 84.392	<p><u>Ensure Final Financial Reports are Filed when Required</u></p> <p><u>Criteria:</u> The Departments of Elementary and Secondary Education and Early Education and Care require Final Financial Reports (FR-1) to be completed and submitted within 60 days of the end of the grants and unspent grant revenues be returned at that time.</p> <p><u>Condition:</u> During our audit of the final Financial Reports (FR-1) for the Special Education Cluster Grants, we determined that reports for the ARRA grants were not completed and submitted within 60 days of the grant year end.</p>	N/A

(continued)

(continued)

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<p>The grant year end was June 30, 2010, and therefore, the FR-1 reports should have been submitted no later than August 31, 2010. FR-1 reports and unspent grant revenues were not submitted until October 2010 and February 2011.</p> <p>In addition, even though overall expenditures agreed, we were unable to reconcile expenditures per line category on the final reports to the support provided.</p> <p><u>Effect:</u> Certain State requirements were not met.</p> <p><u>Recommendation:</u> We recommend Millis Public School Department establish procedures to ensure that final Financial Reports are completed and submitted within the required timeframes and maintain proper support by line category that agrees to the final financial reports.</p> <p><u>Town's Response:</u> The School will work toward closing out all the grants within the 60-day deadline.</p>	

#### **SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.